

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of January 24, 2019**

The regular meeting of the Board of Trustees was held on January 24, 2019 in the Government Center (Managers Conference Room), 87 Reads Way, New Castle, DE 19720.

BOARD MEMBERS PRESENT:

Vanessa Phillips, CAO – Chair
Deloris Hayes-Arrington, CHRO
David Gregor, CFO – Treasurer
Susan Lawler, Comp. & Pension Systems Coordinator
John Gysling, Union Representative
Karen Smalls, Office of Finance

OTHERS PRESENT:

Sanjay Bhatnagar, NCC/Law
Lynne McIntosh, NCC/Audit
Joe Wolfram, Vanguard

STAFF PRESENT:

Eileen Michelinie, Executive Assistant II

ABSENT MEMBERS/STAFF:

Joe Szczechowski, Public Information Specialist

The meeting was called to order by Vanessa Phillips at 1:01 p.m.

OLD BUSINESS

- ◆ Approval of Minutes – The minutes from the October 25, 2018 meeting are attached for approval.

John Gysling made a motion to approve the minutes from the October 25, 2018 meeting.

* The motion was seconded by Deloris Hayes-Arrington and unanimously approved.

NEW BUSINESS

- ◆ Financial Update – Executive Assistant IV Karen Smalls provided the financial update on the OPEB fund for FY2019 as of December 31, 2018 as provided.
 - FY 2019 Revenue – \$498,342.45
 - Investment Income – (\$2,593,331.55)
 - County’s Contribution – \$2,513,230.00
 - Pensioner Contribution – \$578,444.00
 - FY 2019 Expenditures – \$3,118,238.93
 - Retiree Healthcare & Life Insurance Costs – \$3,091,674.00
 - Financial Advisor / Actuarial Fees – \$26,564.93
- ◆ Investment Update by Vanguard – Joe Wolfram reviewed the performance report dated January 24, 2019, which covered fourth quarter portfolio performance. The materials provided included the following reports, all measured as of December 31, 2018: Market Performance Summary, Total Portfolio Performance and Asset Allocation, Performance Summary (Gross of Advisory Fees), Total Portfolio Performance, Cash Flow Summary, Investment Expense Analysis, and Benchmark History. Also included was a Market Volatility overview and a Risk/Return and Fee Analysis.

Mr. Wolfram reviewed the portfolio performance summary. He noted that most balanced portfolios have shifted into negative territory, driven primarily by the fourth quarter equity volatility, as all

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Meeting Minutes of January 24, 2019

segments of equity markets have experienced losses in the past quarter and overall for the year. Fixed income has been a diversifier, with positive results in the fourth quarter. As of December 31, 2018, the market value of the OPEB portfolio was \$41.9 million. For the 3-month period, gross returns were -8.83 percent, net returns were -8.86 percent, and the composite benchmark was -8.69 percent. Mr. Wolfram noted that on a positive note, since December 31, 2018 through the close of business on January 23, 2019 the portfolio has rebounded 3.7%, so the value is about \$43.5 million. Mr. Wolfram mentioned that the Schedule B document would need to be updated to reflect the allocation changes made to the portfolio. He stated that he would forward an updated version.

Mr. Wolfram presented the material in the report under tab II – “Market Volatility.” Vanguard doesn’t anticipate a market correction, but over the long term it does expect muted results compared to what we have historically seen. It also expects the Fed to raise rates one more time. The material included graphs and charts illustrating historic market volatility both long-term and in detail in 2018. Overall, Vanguard recommends that clients stay the course.

Mr. Wolfram reviewed the material under tab III – “Risk/Return and Fee Analysis,” which included both 10 and 30-year forecasts. Also included was a “Fee analysis as of December 31, 2018.” Total estimated annual fees and expenses totaled \$73,360.

The information under tab IV focused on “Market and Economic Outlook” both in the U.S. and globally.

- ◆ Deferred Compensation Discussion – New Castle County Chief Financial Officer David Gregor discussed New Castle County’s deferred compensation program. He noted that unlike OPEB or the Pension Board, there is not a lot of formal governance involved in the administration of the program. Currently, County Code directs that the Deferred Compensation Committee consists of three appointed positions – the Chief Financial Officer, the Chief Human Resources Officer, and the County Attorney. It has been suggested that the deferred compensation effort of the County needs a more sound, transparent structure around it. One suggestion is that it might be something that we want to fold into OPEB’s responsibilities. The contract with Met Life, our current deferred compensation investment manager, expires in July, so a decision to continue with Met Life or find another provider will have to be made.

Chairperson Vanessa Phillips suggested that we might want to consult with the Ethics Commission as well as the County Auditor to see if there would be any concerns if the OPEB Board was to take over the deferred compensation duties for the County. There was considerable discussion among the group regarding the matter. It was noted that changes in the structure of the Deferred Compensation Committee would require legislation. Ms. Phillips asked Mr. Gregor to contact our Procurement Department regarding the possibility of extending Met Life’s contract or initiating an RFP process and providing an update at the next OPEB meeting.

- ◆ Quote for GASB 74/75 Reporting – Ms. Smalls presented a revised invoice from Boomershine Consulting for \$860 for audit assistance. She explained that the original invoice was for \$1,500, but New Castle County argued that that amount was excessive. Boomershine agreed to revise the invoice, lowering it to \$860. Ms. Smalls recommended we pay the invoice, but when we ask for the quote for the upcoming year, we specify that it is all-encompassing, to include their estimate for responding to whatever auditor we may have.

NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)
Meeting Minutes of January 24, 2019

John Gysling made a motion to pay the invoice, but when we ask for a quote for the upcoming year, we specify that it is all-encompassing.

* The motion was seconded by David Gregor and unanimously approved.

- ◆ 2018 Annual Report – The 2018 Annual Report was presented to the committee. The board did not recommend any changes.

David Gregor made a motion to adopt the OPEB 2018 Annual Report as presented.

* The motion was seconded by John Gysling and unanimously approved.

- ◆ Date for next meeting – The next meeting will be April 25, 2019 at 1:00 p.m.

David Gregor made a motion to adjourn the meeting at 2:06 p.m.

*The motion was seconded by Deloris Hayes-Arrington and unanimously approved.