

**NEW CASTLE COUNTY OTHER POST EMPLOYMENT BENEFITS (OPEB)  
DRAFT Meeting Minutes of July 29, 2013**

The regular meeting of the Board of Trustees was held on July 29, 2013 in the Government Center (Manager's Conference Room), 87 Reads Way, New Castle, DE 19720.

**BOARD MEMBERS PRESENT:**

David Grimaldi, CAO – Chairperson  
Michael Coupe, CFO  
Valencia L. Beaty, CHRO  
Tammi Martin, Pension & Benefits Administrator  
Steve Cunliffe, Treasury Manager  
John Gysling, Union Representative

**OTHERS PRESENT:**

Michael Mackiewicz, NCC/Finance  
Linda Reed, NCC/Finance  
Lynne McIntosh, NCC/Audit

**STAFF PRESENT:**

Marlaine White, Asst. County Attorney II  
Joanna Finnigan, Finance Information Specialist

**ABSENT MEMBERS/STAFF:**

Judith Mitchell, First Asst. County Attorney

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**The meeting was called to order at 2:06 p.m.**

**OLD BUSINESS**

- ◆ Approval of Minutes – The minutes from the June 19, 2013 meeting are attached for approval.

**Michael Coupe made a motion to approve the minutes from the June 19, 2013 meeting.**

\* The motion was seconded by Lynn Beaty and approved.

For: (6) Grimaldi, Coupe, Beaty, Martin, Cunliffe, Gysling

Against: (0)

**NEW BUSINESS**

- ◆ Consultant Discussion – Mr. Grimaldi read through the Consulting Agreement and stated that normally if we were using an investment management firm, they would sign on with some fiduciary duty and act as a fiduciary, and that language is absent from our Consulting Agreement. They do not really make recommendations or have any liability in those recommendations. They bring choices to the Board and the Board makes the recommendations. Also, the investment management fees seem high, particularly on the PIMCO Fund, which is a fund to funds. Historically fund to funds are just fees on top of fees. We are paying 80 or 90 basis points, which seems high, certainly in an institutional account. To make it more expensive, we are also paying the consultant on top of that. Mr. Grimaldi believes if we were on a unified platform all fees would be wrapped in one, we would have less investment management fees, and we would also have the investment manager sign on as a fiduciary with us. *Mr. Grimaldi would like to invite some firms in to give us their opinions.*

It was stated that the OPEB Fund was started in 2008 and modeled after the Pension Fund. This was a small fund so the strategy was developed based on the idea of maintaining enough cash to pay current year obligations. Board knew there would be a time the strategy would be reevaluated. The Board interviewed several options and decided to use the same manager as the Pension Fund and meeting on the same day as the Pension Board to receive a discount by not incurring those additional costs. Mr. Cunliffe noted that part of the rationale for having a consultant was that no one on the Board had that kind of expertise in that area. Mr. Grimaldi notes that we would not be giving up investment advice, we would have the company have their advisor come in here to advise us and also assume fiduciary liability. It was noted that Board members have fiduciary liability and you cannot delegate that to a consultant.

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Mr. Grimaldi believes there would be some substantial fee savings by going to a unified investment management approach as opposed to paying a consultant to go and select the various funds. The Board would contract with one firm that would offer a myriad of funds. Investment Management firms will have money managers within them. A lot of the same money managers we are getting here we could get underneath this unified platform but we will have the same fees and it could be rebalanced automatically. *Mr. Grimaldi suggested getting one top company in and maybe one low priced company, like a fidelity, and let them compete. They will look at our portfolio and make recommendations.*

The Board questioned if OPEB is set up similar to the Pension Trust and how this should be handled procedurally regarding the use of an RFP or RFI. Marlaine White is filling in for Judi Mitchell as attorney for the Board at this meeting. She will ask Judi Mitchell, but she believes if it is an independent board like the Pension Board then you can call in who you want. If it is not independent then the Board will need to go through an RFP.

**John Gysling made a motion to evaluate our investment management options in terms of reviewing firms to assist us in managing the OPEB money.**

\* The motion was seconded by Lynn Beaty and approved.

For: (6) Grimaldi, Coupe, Beaty, Martin, Cunliffe, Gysling

Against: (0)

Ms. White reviewed Substitute 1 to Ordinance 08-068 and quoted from *New Castle County Code* Chapter 26, Article 3, Section 26.03.911: "The OPEB fund created under this division shall be construed to be a trust separate and distinct from all other entities. The responsibility for the operation and administration of the OPEB fund is hereby vested in the OPEB fund Board of Trustees". *She stated that the OPEB fund seems to operate as the Pension fund does.* Ms. White recommended confirming this with Ms. Mitchell since she is the attorney for the Board. She stated that the OPEB Board is designed to address the unfunded liabilities that all governmental entities had in addition to their pensions.

Mr. Grimaldi recommended trying to diversify who comes in between low priced vendors such as Vanguard, T. Rowe Price, and Fidelity and then also bring in some top firms such as J.P. Morgan and UBS. Ms. Beaty questioned the mechanism for how we invite firms in and if we should invite the current firm. She stated that best practices indicate that you should review any management firm every few years. Ms. Beaty made an observation that it appears the County has been trying to capitalize on saving money in management fees. It was noted that there needs to be some kind of rating mechanism for anybody that you pay as a consultant. Mr. Cunliffe stated that the rationale for having the same actuary for OPEB and Pension is because you are looking at the same set of data, but it is probably time to look at other actuaries. Mr. Grimaldi noted there has been talk of an actuarial experience study which is really in depth and goes through all of our actuarial assumptions and he believes it needs to be done to make sure we are correctly evaluating our future liabilities. Ms. White stated that the actuarial contract should be reviewed to make sure what is defined as proprietary information and whose proprietary information that is. Mr. Gysling noted that we should establish this will be reviewed every three to five years.

The Board discussed which firms to invite. Mr. Grimaldi stated that we would ask anybody that comes in to give us a diagnostic look at our current investments but also to quantify what our annual savings would be. It was noted that the key investment returns in the long run are the fees. Low-priced firms mentioned were Fidelity, Vanguard or T. Rowe Price, particularly because they deal

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with index funds. Mr. Grimaldi stated that index funds are really cheap and you buy the index and do not have to worry about paying a manager. Higher priced firms mentioned were J.P. Morgan, UBS or Merrill Lynch, which is Bank of America now.

**Steve Cunliffe made a motion to bring in Fidelity, Vanguard, J.P. Morgan and UBS for interviews.**

\* The motion was seconded by Lynn Beaty and approved.

For: (6) Grimaldi, Coupe, Beaty, Martin, Cunliffe, Gysling

Against: (0)

- *Board decided they will not to bring in NEPC because they are different from the other firms the Board is planning to interview. For instance, they only consult instead of managing money and while they provide similar services, they do not have fiduciary responsibility.*
- *Board will ask firms to evaluate our asset mix and estimate the cost savings that we would see through changing the management.*

◆ MFS International Trade Authorization Letter – David Grimaldi signed the MFS International Trade Authorization Letter to authorize the July 31 transfer.

◆ Other Business – Board discussed who will handle contacting the investment firms and setting up the interviews. OPEB does not have anyone delegated as administrator to the Board. *The Board decided that Michael Coupe will provide Joanna Finnigan with contact information and she will handle setting up the interviews. The investment firms will need to be provided with a copy of the portfolio, the current fees and our Investment Policy Statement.*

*The Board discussed reviewing Investment Policy Statement at the next meeting.*

◆ Date for next meeting – August 21, 2013 at 1:00 p.m.

*The Board scheduled to bring in Investment Managers for interviews on September 20, 2013, starting at 1:00 p.m.*

**John Gysling made a motion to adjourn the meeting at 2:45 p.m.**

\* The motion was seconded by Lynn Beaty and approved.

For: (6) Grimaldi, Coupe, Beaty, Martin, Cunliffe, Gysling

Against: (0)