

NEW CASTLE COUNTY GOVERNMENT EMPLOYEES' PENSION PROGRAM MINUTES of October 17, 2018

The regular meeting of the Board of Trustees was held on October 17, 2018 in the Government Center (Large Executive Conference Room), 87 Reads Way, New Castle, DE 19720.

The meeting was called to order at 8:22 a.m.

<p><u>TRUSTEES PRESENT:</u> Daniel McFadden, Chairperson Douglas Merrill, FOP Lodge #5 Michael Finnigan, Trustee, Retirees Paul Frese, Trustee Non-Union Members Regis Yurcich, Trustee, Local #1607 Rich Piekarski, Jr., Trustee, Local #3109 Robert Barczak, Trustee, Local #459 Terry Stone, Trustee</p>	<p><u>TRUSTEES ABSENT:</u> Daryl Brown, Trustee David Gregor, CFO Deloris Arrington, CHRO Saul Polish, Trustee, Local #3911</p> <p><u>OTHERS PRESENT:</u> John Spence, NCC Bob Wasserbach, County Auditor</p>
<p><u>STAFF PRESENT:</u> Susan Lawler, Pension/Benefits Coordinator Sanjay Bhatnagar, Asst. County Attorney I Rowena P. Liles, Program Analyst</p>	<p><u>INVITED GUESTS:</u> Kevin Leonard, NEPC (teleconference)</p>

APPROVAL OF THE MINUTES (8:22 a.m.)

The minutes from the September 19, 2018 meeting are attached for approval.

A motion was made by Mike Finnigan and seconded by Paul Frese to approve the minutes from the September 19, 2018 meeting.

*THE MOTION WAS ADOPTED UNANIMOUSLY.

APPROVAL OF THE INVOICES (8:23 a.m.)

Eaton Vance	\$13,396.94	3 rd Quarter 2018
Northern Trust Co.	\$10,169.01	3 rd Quarter 2018
Peregrine Capital Mgt.	\$37,549.05	3 rd Quarter 2018
Real Estate Mgt.	\$20,682.84	3 rd Quarter 2018
Systematic Financial Mgt.	\$41,466.84	3 rd Quarter 2018

A motion was made by Rich Piekarski and seconded by Mike Finnigan to approve the payment of invoices.

*THE MOTION WAS ADOPTED UNANIMOUSLY.

COORDINATOR'S REPORT by Susan Lawler (8:23 a.m.)

- ❖ Gross Payroll and Employer Contributions for the month of August, 2018.
- ❖ Pension Trust Asset Summary – August, 2108
- ❖ Pension Payments – September, 2018
 - Payees for September 1,454
 - Active Participants 1,047

COORDINATOR’S REPORT (Cont’d)

- DelPen 373
- Benefits total \$3,506,344.18

CAPITAL CALLS (8:23 a.m.)

- Northstar Mezz Partners \$40,548.00 10/05/2018

DISTRIBUTION OF CAPITAL (8:23 a.m.)

- Brookfield Capital Partners Fd IV \$71,430.55 09/21/2018
- Lexington Partners \$38,640.00 09/28/2018
- Crescent Direct Lending \$252,577.00 10/09/2018

APPROVAL OF THE APPLICATIONS FOR BENEFITS (8:23 a.m.)

Service Retirements

(09648) vested	\$1,235.10	01/25/2019	RetGen
(08599)	\$1,512.67	09/15/2018	RetGen
(05859)	\$2,652.61	11/03/2018	PenPln
age 62 reduction	\$2,086.20	-----	-----
(08099)	\$1,812.88	01/01/2019	RetGen
(10694)	\$1,117.64	10/13/2018	RetGen
(08272) vested	\$3,116.52	11/22/2018	RetGen

DelPen Retirements

- (07759) 10/06/2018

APPROVAL OF THE SURVIVOR BENEFITS (8:23 a.m.)

(14216)	\$989.10	07/23/2018	PenPln
(07009)	\$689.77	09/01/2018	RetGen

APPROVAL OF THE LUMP SUM BENEFITS (8:23 a.m.)

(14217)	\$2,620.04	10/01/2018	RetGen
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APPROVAL OF THE REFUND BENEFITS (8:24 a.m.)

(11949)	\$3,788.87	10/01/2018	CPGen
(13530)	\$2,263.16	10/01/2018	CPGen
(05998)	\$24,031.11	10/01/2018	RetPol
(13484)	\$4,451.34	10/01/2018	CPGen

A motion was made by Doug Merrill and seconded by Mike Finnigan to approve the service retirements, survivor, lump sum and refund benefits.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**

OLD BUSINESS (8:26 a.m.)

- None

NEW BUSINESS (8:29 a.m.)

- Review the Preliminary Investment Performance “Flash” report for the period ending September 30, 2108 – (Kevin Leonard, NEPC).

NEW BUSINESS (Cont'd)

- *Systematic Financial Mgt. ownership changes were discussed. There is no effect to the County's investments.*
- *Investment Managers portfolio review for November, 2018 with Stone Harbor and MFS.*
- *Recommendations on rebalancing the domestic equity and non-U.S. equity will be coming up.*

Regis – Last month the State of Pennsylvania was in the news their Pension Funds what was for them had billions of unreported fees for private equity and real estate. Do you have a comment on that? Pennsylvania passed a different reporting disclosure procedure for private equity. I didn't know if we had anything similar exposure.

Kevin - As you mentioned, there was an article regarding the State of Pennsylvania employees there is a lot of stuff going on with that particular fund in regards to the overall fees. We don't work with actually with the real estate side with their real estate consultant we're not their general consultant. There is a lot of political stuff going on there right now. I think in general what that article is getting at is what we are seeing throughout the industry is the reporting of fees that are being paid or fees charged by these alternative private equity, debt, real estate and hedge funds. What the crux is they are getting at is there are management fees and then there are clearly incentive fees. You pay a management fee and then you pay an incentive fee. You pay a carry fee and some of this is what they are getting at is how public funds are disclosing the fees and how you should be reporting those fees. I would say this started on the West coast and there's been a lot of press in California where California pension funds are going to be required to report all fees paid and break it down by management, incentive, carry fees. The issue is not one standard. So how some public funds report their fees they'll just report the management fees. Your private equity and debt managers everything they show you is net of fees. Now how you report your fees is probably based of what the management fees are or maybe you're reporting all in fees. What the industry is trying to get at is breaking down each of the components of the fees so management, carry, incentive fees. What we are seeing here is some public funds only report the management fees. Some public funds report everything. There is pressure right now in the industry to have one way to report all of these private equity, debt and private real estate fees so that everyone is reporting it in the same manner. What that article I think is getting at is what I mentioned earlier seems political to me is there is an accusation that Pennsylvania is not disclosing all of their fees. I don't know how they are disclosing their fees. Now if they're only disclosing management fees then yes they are under estimating all the fees they're paying to their private equity managers. So I think this is something in the beginning stages where I think eventually you'll see a standard requirement on how all institutional investors will be reporting their private equity fees. There is not one standard that everyone is reporting to.

Bob Wasserbach – I haven't read the article, but I'm willing to ask the external auditors now about how we report the fees before we go into January when they come in to present the results of their audit.

Dan – I appreciate the offer, but we can wait until January.

ADJOURNMENT (8:55 a.m.)

A motion was made by Doug Merrill and seconded by Mike Finnigan to adjourn the meeting at 8:55 a.m.

***THE MOTION WAS ADOPTED UNANIMOUSLY.**