**MINUTES FROM MEETING OF DEFERRED COMPENSATION COUNCIL**

**DELAWARE STATE TREASURY CONFERENCE ROOM**

**PUBLIC SESSION**

**November 12, 2014, 10:00 AM**

A meeting of the Deferred Compensation Council (the “Council”) was held on Wednesday, November 12, 2014 at 10:00 am in the Conference Room of the Delaware State Treasury located at 820 Silver Lake Blvd., Suite 100, Dover, Delaware.

**Board Members in Attendance**:

The Honorable Tom Cook, Secretary of Finance

Ms. Jenifer Vaughn, (on behalf of Karen Weldin Stewart, Insurance Commissioner)

Mr. Robert Scoglietti (on behalf of Director Visalli)

Mr. Ralph Cetrulo (by phone)

**Others in Attendance**:

The Honorable Paul Baumbach, State House of Representatives

The Honorable W. Charles Paradee, State House of Representatives

Deputy Attorney General Peter Jamison

Mr. Steve McVay, Director of Finance & Investment Services

Mr. Michael Green, Financial Investment Program Manager

Mr. Dan Kimmel, Financial Investment Program Specialist

Mr. Jeffrey Hoover, Investment Manager

Ms. Colleen Denham, Administrative Specialist II

Mr. Peter Mahoney, Fidelity

Ms. Yvette Friberg, Fidelity

**OPENING COMMENTS**

Secretary of Finance, Tom Cook called the meeting to order at approximately 10:15 AM.

**MINUTES**

There was a motion to approve the public minutes of the August 6, 2014 meeting.

MOTION made by Ms. Vaughn and seconded by Mr. Scoglietti to approve the minutes.

MOTION ADOPTED UNANIMOUSLY

**UPDATE ON 403(b) PLAN**

Mr. Kimmel provided an update on the numbers and assets for the 403(b) Plan including hardships. Assets as of October 31, 2014 totaled $268.1 million with 7,278 total accounts, of which 5,074 are active (currently contributing). Total hardships year to date are 46 and forecast is for 54 hardships by yearend. Contributions to the plan year to date are $17.1 million versus $16.7 million previous year.

Mr. Paradee provided comments regarding his clients who are complaining about the level of service provided by 403 (b) providers. He also commented on the number of plans currently provided verses the number of plan providers in the past. Mr. Kimmel stated the purpose of doing an RFP is to hire a plan advisor to bring the plan into Department of Labor guidelines. Mr. Paradee stated if we do reduce the number of plans we should insure we increase the level of service provided to participants by the plans.

Council was informed that the plan auditor ParenteBeard LLC was acquired by Baker Tilly. The audit for 2013 is progressing and with a few computation issues being worked out.

**UPDATE ON THE 457(b) Plan**

Mr. Green provided an update on the numbers and assets for the 457(b) Plan. Assets as of October 31, 2014 totaled $540.7 million with 16,715 accounts, of which 12,528 active (currently contributing).

Council was informed that the 457(b) Roth option is being setup to be active on June 24, 2015 pay cycle. The Deferred Compensation team is working with the payroll team and Fidelity to implement.

**CONTRACT FOR FINANCIAL STATEMENT PREPARATION 403(b), 457(b) and 401(a)**

Mr. McVay recommended adding additional duties for ParenteBeard Baker Tilly to prepare financial statements for the 457(b) and 401(a). Currently, ParenteBeard Baker Tilly is preparing the financial statement for the 403(b). ParenteBeard Baker Tilly was asked to provide a quote for preparing financial statements for the 457(b) and 401(a). Mr. McVay also asked for a one year extension

A motion was made by Council to extend the ParenteBeard Baker Tilly contract for one year to (December 31, 2015) and authorize the staff to more forward to add the additional tasks to the current contract with Baker Tilly.

MOTION made by Mr. Scoglietti and seconded by Ms. Vaughn.

MOTION ADOPTED UNANIMOUSLY

**FIDELITY PROPOSED FUND PLAN STRUCTURE**

Mr. Mahoney from Fidelity provided an update on the services provided to the deferred compensation plans and the willingness to assist in the current undertakings of the state to improve the plans. Ms. Friberg described the “core lineup of funds” and suggested to move to a streamlined three tier structure to include the current target date funds, active and passive fund options and the self- directed broker option. Ms. Friberg stated many states are moving to a consolidated fund line-up to assist them in fulfilling their fiduciary duty.

**PIMCO TOTAL RETURN FUND DISCUSSION**

Ms. Fridberg stated as part of the ongoing screening process, Fidelity looks for funds that are underperforming. Fidelity is suggested to the Council to give special attention and consider finding a complementary fund to replace the PIMCO Total Return Fund, due to the funds recent performance, management changes, and massive redemptions (redemptions to date are $52 billion). Mr. Mahoney stated that once the decision is made to eliminate a fund it is a 90 day process to implement. Council members discussed the merits of putting the PIMCO Total Return on a “Watchlist” for further consideration and evaluation.

A motion was made by Council was made to place PIMCO Total Return fund on a “Watchlist” and place on the next meeting’s agenda for discussion.

MOTION made by Ms. Vaughn and seconded by Mr. Scoglietti

MOTION ADOPTED UNANIMOUSLY

**RPF PRESENTATIONS FOR CONSULTING SERVICERS**

Mr. Scoglietti stated the council authorized an RPF process to find a consulting firm to provide council and staff with the services to include: streamlining of the 403(b) program and analysis for the consolidation 457(b) funds down from the 300 plus lineup to a more manageable number. Also provide ongoing support of council to review of current vender providers, investment policy statement review, and best practices. RPF was released in July and responses received in August. The RPF committee consisted of Stephen McVay, Mike Green, Mr. Scoglietti, and Dan Kimmel. 13 responses were submitted and 2 companies, Bolton Partners and Cammack Retirement Group were selected to present to the council.

A motion was made by Council to enter Executive Session.

MOTION made by Mr. Scoglietti and seconded by Ms. Vaughn.

MOTION ADOPTED UNANIMOUSLY

A motion was made by Council to exit Executive Session and enter Public Session.

MOTION made by Mr. Scoglietti and seconded by Ms. Vaughn.

MOTION ADOPTED UNANIMOUSLY

Mr. Scoglietti suggested references to be checked on both Bolton Partners and Cammack Retirement Group. Mr. Scoglietti also suggested DCC have another meeting to vote on the candidates since Mr. Centrailia was no longer available on the phone.

Mr. Cook has spoken with Mr. Ken Simpler on how to proceed with the office transition. He mentioned he could reach to the Governor’s Office, if assistance was needed.

Mr. Green suggested we should have someone from the Pension Office whom was on their investment committee attend the DCC meetings at some point.

A motion was made to adjourn the meeting at 12:40pm.

MOTION made by Mr. Scoglietti and seconded by Ms. Vaughn.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

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The Honorable Tom Cook, Secretary of Finance

Co-Chair for the Deferred Compensation Council