



**MINUTES FROM MEETING OF
THE DEFERRED COMPENSATION COMMITTEE
FEBRUARY 15, 2017**

A meeting of the Deferred Compensation Committee was held on February 15, 2017
At 10:00 AM in the Conference Room of the Office of the State Treasurer (OST)
Located at 820 Silver Lake Blvd., Suite 100, Dover, DE 19904

Committee Members Represented or in Attendance:

Mr. Charles Campbell-King, Chair
The Honorable Ken Simpler, State Treasurer
The Honorable Trinidad Navarro, Insurance Commissioner
Secretary Richard J. Geisenberger, Department of Finance
Mr. Robert Scoglietti, Acting Director, Office of Management & Budget
Mr. Ralph Cetrulo, Public Member At-Large
Mr. Edward Seibert, State Employee Member At-Large

Others in Attendance:

Ms. Ann Marie Johnson, Deputy Attorney General
Mr. Jason Staib, Deputy Attorney General (Telephonically)
Ms. Valerie Watson, Department of Finance
Ms. Jennifer Vaughn, Department of Insurance
Mr. Vince Ryan, Department of Insurance
Ms. Nora Gonzalez, Deputy State Treasurer, Office of the State Treasurer
Mr. John Meyer, Director of Contributions and Plan Management, Office of the State Treasurer
Mr. Mike Green, Financial Investment Program Manager, Office of the State Treasurer
Ms. Martha Sturtevant, Executive Assistant, Office of the State Treasurer
Ms. Kasi Boyles, Voya Financial (Telephonically)
Ms. Natalie Daniels, Voya Financial (Telephonically)
Mr. Mike Sanders, Cammack Retirement Group (Telephonically)

CALLED TO ORDER

Mr. Campbell-King called the meeting to order at 10:00 AM and introductions were made around the table.

APPROVAL OF THE MINUTES

Mr. Meyer indicated that to facilitate the review from the members the minutes from the strategic planning sessions held in January 18, 2017 and February 15, 2017 would be distributed jointly and in anticipation to the next Deferred Compensation Committee (Committee) meeting on April 4, 2017.

REPORT FROM DEPUTY ATTORNEY GENERAL

Ms. Johnson distributed an updated version of the 457(b), 403(b) and 401(a) Plan Updates Memorandum dated January 13, 2017 and asked for feedback.

The Committee discussed the language related to the 401(a) match contributions and agreed to preserve the language in the Plan Document (though members acknowledged that reinstating the match program in the near-term was unlikely). Mr. Simpler asked Voya if there was data available to illustrate the potential impact of a match plan in retirement readiness and participation rates. Mr. Geisenberger inquired as to why the 401(a) was created in a separate account and queried whether the maintenance costs of audits, compilations and legal expenses could be eliminated by combining accounts. Ms. Gonzalez replied that there is a budget of \$50,000 annually to maintain the 401(a) accounts and that it is paid through the Revenue Credit Program. Ms. Johnson stated she would inquire with ICE Miller about consolidating accounts.

Mr. Geisenberger asked for a definition of “Non-Governmental Plan”. Ms. Johnson said she would get back to him with clarification. Ms. Boyles added that it was standard language.

Mr. Campbell-King asked for a summary of legacy vendor loans. Mr. Simpler noted that there continue to be violations, noting two new violations in the first quarter of 2017.

A MOTION was made by Mr. Simpler and seconded by Mr. Siebert to recommend the approved proposals in the revised memo prepared by counsel and the corresponding changes to the Plans to the Plans Management Board.
MOTION ADOPTED UNANIMOUSLY

DIRECTORS REPORT

Plan Sponsor of the Year

Mr. Meyer announced that Delaware was nominated by Plan Sponsor Magazine for the Plan Sponsor of the Year, along with Ohio and Nevada. OST plans to attend on behalf of the Committee. The event will held in New York City.

Mission Statement

Mr. Meyer reviewed examples of the proposed Mission Statement and asked for additional feedback. The Committee discussed several permutations and focused on conveying the message of comprehensive retirement preparedness.

A MOTION was made by Mr. Seibert and Mr. Cetrulo to recommend the adoption of the Deferred Compensation Plans Mission Statement as revised.

MOTION ADOPTED UNANIMOUSLY

Mr. Meyer reviewed defined goals and strategies for the Plans:

Increase in Participation

The Committee discussed participation trends compared to the industry average. Ms. Daniels stated that Delaware was approximately 20% below the benchmark as compared to other state plans that do not offer a match plan. The Committee asked Voya to provide specifics of the comparable plans.

Mr. Meyer said data was being collected to segment out participant data, behavior, geography, and new-hire auto enroll statistics. He added OST has participated in “meet and greets” with multiple State agencies and schools to promote participation and Voya representatives are meeting one-on-one with participants and Plan education will be made available at HR trainings.

The Committee discussed creating participant testimonials to champion the program, auto-enrollment of new-hires, and outreach to educators, staff development days and HR orientations. The Committee discussed educating participants on the limitations of pension and social security income.

Retirement Readiness Metrics

Mr. Meyer queried the Committee on setting the appropriate target percentage of retirement ready participants and by what target year, as well as the target replacement income recommendations.

The Committee considered recommendations for replacement income ranging from 85% to 100%. Mr. Meyer said 10% of the 10,700 active 457(b) participants will currently receive 10% of their retirement income from the Plan. The Committee agreed that 100% total replacement income is the most conservative and least confusing with a goal of 15% replacement from DCC Plans.

Mr. Geisenberger asked about the benchmarks for pension and social security and asked how the strategy might look different for employees who plan to retire as State employees versus employees who do not. Mr. Masood said Social Security can provide 40% of replacement income. Mr. Simpler said (not including educators) the average tenure of State employees is 12 years, but the average retiree serves 23 years and receives an average of 40% replacement income from his/her State pension. Mr. Navarro noted that Wilmington/County and State Police Troopers do not receive social security.

Managing Investment Performance

Mr. Meyer asked the Committee to consider benchmarks for investment performance. Mr. Campbell-King asked what a reasonable timeframe was for not meeting benchmark. Mr. Green said that four quarters of underperformance is standard. He added that the Investment Policy Statement (IPS) provides the framework and would give guidance about how and when changes are made. Mr. Sanders said that occasionally a fund will need to be changed, and that a window of communication would be provided to participants to make changes before they were mapped over.

Mr. Simpler noted that the Committee has a fiduciary duty to select the appropriate funds. He asked Cammack what standards should apply in evaluating fund performance. Mr. Sanders said the IPS has been drafted by Cammack and is awaiting review by the Plans Management Board. Mr. Sanders added that the IPS is specific to a defined contribution plan and that the Committee can determine performance benchmarks.

Mr. Simpler suggested that Cammack should explain the recommended funds lineup to the Committee to better understand the metrics involved in selections.

The Committee asked for clarification on fiduciary responsibility. Mr. Campbell-King asked Ms. Johnson to recirculate the memo on indemnification and sovereign immunity.

NEW BUSINESS

Ms. Johnson acknowledged the upcoming governance and fiduciary training. She stated that the new ethics counsel has also prepared a relevant presentation, but added that would be an additional training.

Mr. Simpler asked the committee to consider approving a full time admin for Plan support paid for by the Plans. He noted the tremendous amount of work to be undertaken in promoting the Plans to participants and the inability to retain and properly train casual seasonal hires.

PUBLIC COMMENTS

No members of the public present for comment.

ADJOURNMENT

Mr. Meyer said that the next Committee meeting is scheduled for April, 4 2017.

A MOTION was made by Mr. Scoglietti and seconded by Mr. Seibert to adjourn the meeting at 11:25 AM.
MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Charles Campbell-King
Chair, Deferred Compensation Committee