

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF NOVEMBER 17, 2017**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:01 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant  
Art Agra  
Helen Foster  
Tom Shaw  
Nancy Shevock  
Mike Jackson

Trustees Absent

Rick Geisenberger

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Ann Marie Johnson, Deputy Attorney General  
Khariat Mankanjuola, Pension Office  
Josh Hitchens, Pension Office  
Jeff Johnson, Pension Office  
Paul Roth, TVB Advisors  
Joe Malloy, Pension Advisory Committee  
Jim Testerman, Pension Advisory Committee  
Rob Gooderham, Ashford Consulting Group  
Gary Musto, Ashford Consulting Group

**1. OPENING COMMENTS**

S. Grant welcomed everyone to the meeting. Heartfelt condolences are being sent to R. Geisenberger and his family.

**2. APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the October 27, 2017 meeting.

MOTION made by T. Shaw and seconded by A. Agra to approve the Public Minutes of the October 27, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the October 27, 2016 meeting.

MOTION made N. Shevock by and H. Foster seconded by to approve the Executive Minutes of the October 27, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

**3. PENSION AUDIT REPORT**

Ms. Johnson is still working on contract with KMPG. Planning session scheduled for Monday with KMPG.

D. Craik reported that the FY17 CAFR was released today. The next Audit Committee meeting will be held in January.

**4. GOVERNANCE COMMITTEE**

No report.

**5. PENSION ADVISORY COUNCIL REPORT**

J. Malloy advised that the November Advisory meeting was held earlier this week at Ashford Consulting Group. The Committee did not have a quorum so the minutes would not be approved.

## **6. PENSION ADMINISTRATOR REPORT**

### Risk Management

No report.

### Positions

D. Craik reported that we have two positions that interviews have been scheduled for. The vacant H.R. Manager I position was approved to post this morning.

### Reporting Schedule

Some items on the scheduled will be changed/updated today.

### December Board Meeting

This meeting will be held at the Greenville Country Club. A dinner meeting for the Investment Committee members will be held the night before.

### Activity Report

Workshops have been scheduled for New Castle County Police and Fire for new recruits.

### Critical Reclassification/Promotional Standards

D. Craik reported that a two-step process for the Critical Reclassification for Member Services began in the spring of this year. This opened up the career ladder for the HR Specialists series to allow the promotion from I-II-III and developed promotional standards for each level. We also had a Critical Reclassification for supervisor and manager level positions.

At this time we have 13 H.R. Specialist I positions that can promote through the career ladder to H.R. Specialist II and then to H.R. Specialist III.

#### Critical Reclassifications:

- 1 H.R. Specialist V position reclassified to H.R. Manager II
- 3 H.R. Specialist IV positions reclassified to H.R. Manager I
- 5 H.R. Specialist III positions reclassified to H.R. Specialist V

#### Statistics:

- 9 of the 9 supervisory/managerial positions within Member Services reclassified to a higher level equitable to other agencies
- 12 H.R. Specialist I employees that can promote to H.R. Specialist II
  - 7 of the 13 are eligible to apply now
- 6 H.R. Specialist II employees that can promote to H.R. Specialist III
  - 5 of the 6 are eligible to apply now
- 28 out of the 59 employees (47%) were/are promoted

D. Craik and S. Grant thanked M. Jackson for all of his help with getting this reclassification completed.

## **7. DEPUTY ATTORNEY GENERAL REPORT**

Ms. Johnson reported that the final draft of the handbook has been completed.

Proposed Tax Reform Bill: the bill proposed by the House proposes to eliminate UPBT exemption for governmental plans. Ms. Johnson stated there could be implications for several of the Fund's investments if this passes. NAPPA and several law firms are sending comments to Congress to request that this provision be eliminated.

Ms. Johnson reported that she and Ms. Starr, the temporary paralegal have indexed and digitalized formal and informal Attorney General's opinions in a shared drive at Open. The compendium of legal opinions will provide a valuable resource. Board public and executive session minutes and Audit Committee meeting minutes dating back to 1983 have also been digitalized.

## **8. INVESTMENT COMMITTEE REPORT**

S. Grant gave a quick background of the nomination for the new Investment Committee Member. Dave Bills, currently a Board Member at Modine, formerly served as a Senior Vice President, Corporate Strategy, at the DuPont Company. Mr. Bills also serves on the Advisory Board of the Lerner College of Business at UDE and the Board of the Delaware Art Museum as a member of the Finance and Strategic Planning Committees. He has a BS in Chemical Engineering, from the University of Wisconsin-Madison and a MBA, from the Harvard Business School. Mr. Grant stated the Investment Committee Chair, G. Saxon, has met with Mr. Bills and is very enthusiastic about him joining the Committee.

MOTION made by A. Agra and seconded by T. Shaw to approve the nomination for the new Investment Committee member, David Bills.

MOTION ADOPTED UNANIMOUSLY

Mr. Gooderham reported that equity markets again rose in October as economic data continued to point to an upswing in global growth. US equities as measured by the broad Russel 3000 index advanced 2.2%, while the MSCI EAFE index gained 1.5% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 1.9%. Despite strong signs of global growth, bond yields were relatively steady as signs of inflation remained below expectations, helping the dollar rise against other world currencies. For the month, the Barclays Universal bond index was up 0.1%, the Barclays TIPS index gained 0.2%, while the riskier Barclays High Yield index was up 0.4%.

DPERS Fund assets are estimated to be \$9,726.0 million at October 31, 2017, representing a net increase of \$62.0 million during the month. Estimated returns through October 31, 2017 are as follows:

<b><u>Fund</u></b>	<b><u>Oct-17</u></b>	<b><u>Fiscal Year To Date</u></b>	<b><u>12-Month</u></b>
<b>Total Fund</b>	1.0%	3.7%	12.7%
<b>S &amp; P 500 Index</b>	2.3%	6.9%	23.6%
<b>60/35/5*</b>	1.4%	4.5%	14.1%
<b>Delaware</b>	1.3%	4.7%	14.1%
<b>Benchmark**</b>			

\*Benchmark mix of 60% S&P500 Index, 35% Barclays Government and Credit Bond Index, 5% T-bills.

\*\*Benchmark mix of 38% Russell 3000 Index, 20% MSCI ACWI exUS, 38.5% Barclays Universal Bond Index, 1.5% Barclays TIPS Index, 2% T-bills

Mr. Gooderham reported that, at its November 14<sup>th</sup> meeting, the Investment Committee reviewed and discussed:

- The Fund's performance and allocations as part of the third quarter investment review
- A presentation by Cheiron on the Fund's latest actuarial valuation results
- A presentation of the REIT asset class
- A presentation on Asia emerging markets
- Cherry Tree Ventures III Wind Down
- Annual cash flow forecast
- The OPEB Trust's performance and allocations as part of the quarterly OPEB investment review

The next meeting of the Investment Committee is scheduled for Tuesday, December 12<sup>th</sup>.

MOTION made by N. Shevock and seconded by T. Shaw to enter into Executive Session to consider pension personnel matters, and confidential medical records, legal matters, sensitive commercial trade secrets and confidential financial information.

The Board then moved into Executive Session to discuss pending personnel matters, and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION made by H. Foster and seconded by T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 10:35 a.m., there being no further business,  
MOTION was made by A. Agra and seconded by  
H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Suzanne Grant, Chair  
Board of Pension Trustees