

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
MCARDLE BUILDING
860 SILVER LAKE BLVD., SUITE 1
DOVER, DE 19904-2402

When Calling Long Distance
Toll Free Number 1-800-722-7300
E-mail: pensionoffice@state.de.us

Telephone (302) 739-4208
FAX # (302) 739-6129
www.delawarepensions.com

BOARD OF PENSION TRUSTEES
MEETING MINUTES OF DECEMBER 15, 2017

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:03 a.m. Greenville Country Club, Greenville, Delaware.

Trustees Present

Suzanne Grant
Rick Geisenberger
Helen Foster
Tom Shaw
Mike Jackson

Trustees Absent

Art Agra
Nancy Shevock

Others Present

Dave Craik, Pension Office
Joanna Adams, Pension Office
Terri Timmons, Pension Office
Stephenie Tatman, Pension Office
Ann Marie Johnson, Deputy Attorney General
Khariat Makanjuola, Pension Office
Josh Hitchens, Pension Office
Jennifer Dilworth, Pension Office
Joe Malloy, Pension Advisory Committee
Jim Testerman, Pension Advisory Committee
Rob Gooderham, Ashford Consulting Group
Gary Musto, Ashford Consulting Group
Robert Paretta, Audit Committee
Araya Debessay, Audit Committee
William Barouski, Northern Trust
Kimberly A. Miller, Northern Trust
Erin Goldner, Hope Street DE, Inc.

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting. Ms. Grant thanked Audit Committee Members Araya Debessay and Robert Paretta for their time and thanked Governance Committee Chair Tom Shaw and the entire Committee for all their hard work this past year.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the November 17, 2017 meeting.

MOTION made by T. Shaw and seconded by M. Jackson to approve the Public Minutes of the November 17, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the November 17, 2017 meeting.

MOTION made by H. Foster and seconded by T. Shaw to approve the Executive Minutes of the November 17, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by M. Jackson Executive Session 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 ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

3. PENSION AUDIT REPORT

D. Craik introduced Stephenie Tatman, who was hired as the Internal Auditor for the Office of Pensions.

4. GOVERNANCE COMMITTEE

No report.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that the next meeting would be held in January where elections will take place.

6. PENSION ADMINISTRATOR REPORT

Risk Management

No report.

Positions

D. Craik reported that we have filled the position of Administrative Specialist III. A second interview has been scheduled for the HRIS Lead position. Interviews will be scheduled the first of the year for the vacant H.R. Manager I position, and two other vacancies are still on hold.

Reporting Schedule

No report.

Activity Report

Workshops have been scheduled for DVFA Pension Officer refresher training along with other agency trainings.

7. DEPUTY ATTORNEY GENERAL REPORT

Ms. Johnson reported that the Board's Handbook has been updated. The next task will be working on and updating the Reporting Schedule.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that US equities posted strong results and international equities were modestly higher as the rally in global equity markets continued in November. The broad Russell 3000 index finished the month with a 3.0% return as market sentiment was boosted by Congress' progress on tax reform legislation, and the monetary policy continuity indicated by the nomination of Jerome Powell as the next Federal Reserve Chair. Helped by a broadly weaker US dollar, international equities posed positive returns as the MSCI EAFE index was up 1.0% and the MSCI-All-Country World ex-U.S. stock index (which includes emerging markets) advanced 0.8%. Most fixed income markets posted modest losses as interest rates and credit spreads both increased over the period. For the month, the Barclays Universal bond index was down 0.2%, the Barclays TIPS index gained 0.1%, while the riskier Barclays High Yield fell 0.3%.

DPERS Fund assets are estimated to be \$9,899.8 million at November 30, 2017, representing a net increase of \$165.2 million during the month. Estimated returns through November 30, 2017 are as follows:

<u>Fund</u>	<u>Nov-17</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	2.0%	5.9%	14.3%
S & P 500 Index	3.1%	10.2%	22.9%
60/35/5*	1.8%	6.3%	14.7%
Delaware	1.3%	6.0%	15.2%
Benchmark**			

*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 the December 12th meeting, the Investment Committee reviewed and discussed:

- A presentation from T. Rowe Price on their Asia Opportunities Strategy
- Asset Allocation presentations on:
 - Vanguard Short Term Federal
 - Centerbridge
 - T. Rowe Price Asia Opportunities
 - Risk Reduction
- The Investment Committee approved the amendments to the Limited Partnership Agreements for Trident Capital Fund V, Trident Capital Fund VI and Marcus Capital Partners Fund II

The next meeting of the Investment Committee is scheduled for Tuesday, January 16th.

MOTION made by H. Foster 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 ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Geisenberger and seconded by H. Foster to ratify the poll vote of the recommendation to liquidate the Vanguard Short Term Federal account, with proceeds of approximately \$200 million be allocated to the Cash account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by T. Shaw to approve the investment of \$50 million in T. Rowe Price's Asia Opportunities strategy, funded by the withdrawal of \$25 million each from the Baillie Gifford Long Term Global Growth and T. Rowe Price Global Growth accounts.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by H. Foster to approve the liquidation, at the end of March 2018, of the redeemable portion of the Centerbridge Credit Partners investment (approximately \$17.4 million) with proceeds allocated to the Cash account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Geisenberger and seconded by T. Shaw to approve the following re-allocation to manage the Fund's risk: liquidate the balance of the Harvest Advisors account; withdraw \$50 million from Baillie Gifford and \$31 million from T. Rowe Price Global Growth with proceeds to be allocated to the Cash account.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 11:02 a.m., there being no further business, MOTION was made by T. Shaw and seconded by H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator