

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF APRIL 28, 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
Mike Jackson
Helen Foster
Rick Geisenberger
Tom Shaw
Nancy Shevock

Trustees Absent

Others Present

Dave Craik, Pension Office
Joanna Adams, Pension Office
Terri Timmons, Pension Office
Ann Marie Johnson, Deputy Attorney General
Khariat Makanjuola, Pension Office
Josh Hitchens, Pension Office
Jennifer Dilworth, Pension Office
Jeff Johnson, Pension Office
Paul Roth, TBV Advisors
Rob Gooderham, Ashford Consulting Group
Gary Musto, Ashford Consulting Group
Charlotte Lister, Pension Advisory Council
Joe Malloy, Pension Advisory Council

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the March 31, 2017 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the March 31, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the March 31, 2017 meeting.

MOTION made by A. Agra and seconded by T. Shaw to approve the Executive Minutes of the March 31, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik reported that there are two paths for the Internal Audit function. OMB's Human Resource Management has found a position for us and is in the process of being reclassified, and we will also be preparing a RFP for an external auditor to perform the functions. D. Craik stated he will need a committee to help with this process.

An Audit Committee meeting was held last week which was the entrance audit for the FY17 audit. Audit firm BDO was also present at this meeting. D. Craik stated we are two months ahead of where we were last year. BDO also gave an update on GASB 68.

The next Audit Committee meeting will be held on July 21st with the exit audit meeting being held on October 20th.

4. **GOVERNANCE COMMITTEE**

T. Shaw stated that during the last meeting the Committee discussed the path forward and the proposed legislation. The next Governance Committee meeting will be held on May 3rd.

5. PENSION ADVISORY COUNCIL REPORT

Nothing to report.

6. PENSION ADMINISTRATOR REPORT

Risk Management

P. Roth presented the Dashboard report from the sections of the office. He stated he is still working on automating this report. Questions arose on what looked like a back log of work. D. Craik stated that it will look like this as employees submit their pension applications, in some cases, up to a year in advance. J. Adams also spoke about the many new Pension Office employees that are still in training.

Positions

D. Craik reported that nothing has changed since the last meeting. The Office of Pensions has three vacant full-time positions and there are three employees who will be retiring within the next six months.

Reporting Schedule

D. Craik stated that the Core Functions and Flowcharts of Investment Activities have been reviewed. This review is on the Investment Reporting Schedule. There was a meeting held with Ashford Consulting Group and necessary updates/changes have been made.

Pension Office Activities

- Healthcare additions and changes increased during the 3rd quarter due to a heavy February for new loads
- Estimates dropped during this same time frame
- Phone calls increased due to the mailing of tax forms
- Refund of contributions decreased
- Incoming/outgoing mail increased
- Internet homepage visits has increased

Disability Activities

There were six new cases that were reviewed for the 3rd quarter.

Legislation

HB41 - An act to amend Title 29 of the Delaware Code relating to the State Employees' Pension Plan and Delaware State University Police. This Bill passed the House, was amended by the Senate and has now been sent back to the House.

HB43 – An act to amend Title 29 of the Delaware Code relating to the State Employees; Pension Plan and Department of Corrections employees. This Bill passed the House, was amended by the Senate and has now been sent back to the House.

SB22 – An act to amend Title 29 of the Delaware Code relating to service pensions for certain State employees. It is awaiting consideration in Committee. D. Craik has been in discussions with Senator Ennis in reference to this Bill.

Appeal Hearings

Two Appeal Hearings have been scheduled for July and September. D. Craik stated that we only have one Hearing Officer signed up both and need two volunteers. A. Agra volunteered for July and R. Geisenberger for September.

Town of Smyrna

The Town of Smyrna joined the County & Municipal Police Pension Plan on January 1, 2016 with 25 officers. The Town purchased all prior service. There are five officers whose service did not transfer over to the County/Municipal Police/Firefighter pension plan as it was service that was considered as a general employee. The Town has requested that these officers be transferred back into the Town's closed plan to receive their full benefits. The Pension Office is in the process of transferring those individuals.

7. DEPUTY ATTORNEY GENERAL REPORT

Code of Conduct

Ms. Johnson stated that she had not heard anything from Board members concerning further changes so included in the Board packets is a final draft of the Code of Conduct. Ms. Johnson also recommends that the Board perform an annual certification of all policies.

MOTION made by N. Shevock and seconded by A. Agra to adopt the revised Code of Conduct policy as of April 28, 2017.

MOTION ADOPTED UNANIMOUSLY

Haggerty Appeal

Ms. Johnson reported that Superior Court has affirmed the Board's decision in Ms. Haggerty's appeal to the Court.

Richardson Appeal

Ms. Johnson reported that Mr. Richardson's attorney has asked for oral arguments in this case, and the request is pending decision in the Supreme Court.

Understanding Public Pensions

Ms. Johnson provided a handout published by AARP, in collaboration with the Center for State & Local Governments Excellence, titled *Understanding Public Pensions, A Guide for Elected Officials*. This publication stresses that it is important for elected officials to better understand public pension plans and deferred compensation plans, and the role they can play in meeting the retirement needs of employees, employers, and taxpayers.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that international equities posted strong results and domestic equities were modestly higher as the rally in global equity markets continued in March. Economic data continued to broadly indicate a pick-up in economic activity across regions. Optimism for domestic equity markets suffered a setback during the month as the failure of a Republican-led Congress to pass healthcare reform cast doubt on the viability of other key items on the Trump administration's agenda, mainly tax reform and increased infrastructure spending. US equities as measured by the broad Russell 3000 index edged up 0.1%, while the MSCI EAFE index advanced 2.8% and the MSCI All-Country world ex-U.S. stock index (which includes emerging markets) was up 2.5%. In fixed income markets, the decision by the Federal Reserve to hike its target rate led short term interest rates to increase, while longer term interest rates were little changed. For the month, the Barclays Universal bond index was flat. The Barclays U.S. TIPS index lost 0.1% and the Barclays US Corporate High Yield index lost 0.2%.

DPERS Fund assets are estimated to be \$9,278.4 million at March 31, 2017, representing a net increase of \$19.1 million during the month. Estimated returns through March 31, 2017 are as follows:

<u>Fund</u>	<u>Mar-17</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.4%	7.9%	10.1%
S & P 500 Index	0.1%	14.4%	17.2%
60/35/5*	0.0%	7.7%	10.3%
Delaware	0.5%	8.1%	10.1%
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 April 18th meeting the Investment Committee:

- Reviewed and discussed presentations from Ashford Consulting Group on:
 - Annual Manager Fee Review
 - Asset Allocation Process Overview
- Reviewed and discussed the annual updates on:
 - DPERS Flowcharts
 - DPERS Code of Conduct
- Discussed the status of prior approvals

The next meeting of the Investment Committee is scheduled for Tuesday, May 16, 2017.

MOTION made by T. Shaw and seconded by H. Foster 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 A. Agra and seconded by N. Shevock 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 11:26 a.m., there being no further business,
MOTION was made by A. Agra and seconded by
N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne Grant, Chair
Board of Pension Trustees