

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF JUNE 23, 2017**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:03 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant  
Art Agra  
Helen Foster  
Tom Shaw  
Nancy Shevock

Trustees Absent

Rick Geisenberger  
Mike Jackson

Others Present

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

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the May 19, 2017 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the May 19, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 19, 2016 meeting.

MOTION made T. Shaw by and seconded by N. Shevock to approve the Executive Minutes of the May 19, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik reported that the Internal Auditor RFP will be released on June 30<sup>th</sup> with responses back by August 15<sup>th</sup>.

The Pension Office staff Internal auditor position has been approved. We are waiting for the hiring freeze to lift before requesting to fill.

The next Audit Committee meeting will be held on July 21<sup>st</sup>.

GASB 68 statements were released this month.

K. Makanjuola stated that in performing confirmation procedures for the audit, the auditors noted that contribution amounts recorded in the general ledger for two entities (Dover & New Castle Police) were lower than what the entities confirmed. This caused allocations of pension expense and liability to be understated for both entities. Amounts were not significant and had no material impact on the audit. Going forward, we will be using the PeopleSoft (CRIS) record of payroll submissions as the source of recording amounts due from entities, rather than relying on payments received in subsequent months when closing the books for the year.

D. Craik reported that the City of Wilmington continues to have issues reporting HR and payroll transactions in the two County/Municipal plans. Representatives from different departments within the City will be coming to the Pension Office for additional training.

**4. GOVERNANCE COMMITTEE**

Nothing to report.

**5. PENSION ADVISORY COUNCIL REPORT**

Nothing to report.

**6. PENSION ADMINISTRATOR REPORT**

Vacant Positions

D. Craik reported that we currently have eight vacant positions not including the Internal Auditor position. A Hiring Review Exceptional Request for our vacant Administrative Specialist II position has been sent to the Personnel Office for approval. This position is located at the front desk and is one of two first contacts for the office.

Reporting Schedule

Nothing has changed.

Internal Training

Internal training for July workshops has been scheduled. Group Counseling has been suspended for the months of July and August due to volume of pension applications for August payroll.

Legislation

HB 179 – this act permits State Employees who are employed by the Delaware State Police and work in a variety of job titles, all of which are more commonly referred to as “9-1-1 Operators,” to retire at 25 years without any reduction. Those employees will pay a higher employee contribution rate than other State employees. This bill was released by the House Committee last week. We will be adding a clause that the Board’s tax attorney will need to review.

HB 199 – was released from the House Committee last week. D. Craik does not foresee any issues at this time.

It was announced that July’s Board meeting will be business casual dress.

## 7. DEPUTY ATTORNEY GENERAL REPORT

Nothing to report.

## 8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that the global markets continued their advance in May. Equity market strength was supported by encouraging economic data and strong first quarter corporate earnings growth across sectors and regions. International equity performance led the way as the MSCI EAFE index advanced 3.7% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) gained 3.2%, while the Russell 3000 index was up 1.0%. Returns in international equities were helped by a US dollar that was weaker against most global currencies. In fixed income markets, increasing conviction that the Federal Reserve would increase its target rate at the June meeting led short term interest rates to increase, while longer term interest rates moved lower as inflation data remained relatively benign. For the month, the Barclays Universal bond index was up 0.8%.

DPERS Fund assets are estimated to be \$9,467.5 million at May 31, 2017, representing a net increase of \$117.7 million during the month. Estimated returns through May 31, 2017 are as follows:

<u>Fund</u>	<u>May-17</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	1.6%	10.9%	11.4%
<b>S &amp; P 500 Index</b>	1.4%	17.2%	17.5%
<b>60/35/5*</b>	1.1%	9.9%	10.9%
<b>Delaware</b>	1.4%	10.8%	11.3%
<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 the June 13<sup>th</sup> meeting the Investment Committee reviewed and discussed the following:

- Reviewed and discussed:
  - Lower risk equity managers
  - Analysis of the Fund's performance and allocations as part of the quarterly investment review
  - A recommendation to increase international equity exposure
  - A recommendation for the GASB 67 long term return assumption
- Under its authority to amend manager agreements, approved an amendment to the Schedule A of the Loomis Sayles agreement
- Convened an OPEB meeting to review results and discuss the GASB long term return assumption.

The next meeting of the Investment Committee is scheduled for Tuesday, June 27, 2017.

MOTION made by T. Shaw and seconded by N. Shevock 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 T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by A. Agra to ratify the poll vote approval to withdrawal \$75 million each from Mellon S&P 500 and Mellon Value index funds, with the proceeds of \$150 million to be invested in the Dodge & Cox International Stock fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Foster to ratify the poll vote approval to the withdrawal of \$25 million each from Mellon S&P 500 and Mellon Value index funds, with the proceeds of \$50 million to be invested in the Cash account.

MOTION ADOPTED UNANIMOUSLY

At this point R. Gooderham, G. Musto, J. Hitchens, J. Dilworth, K. Makanjoula, J. Johnson, and J. Adams left the meeting.

MOTION made by N. Shevock and seconded by A. Agra 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 T. Shaw to exit Executive Session.

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 S. Grant and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator