

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF AUGUST 3, 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  
Tom Shaw  
Nancy Shevock  
Rick Geisenberger  
Mike Jackson

Trustees Absent

Helen Foster

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Ann Marie Johnson, Deputy Attorney General (via telephone)  
Josh Hitchens, Pension Office  
Jeff Johnson, Pension Office  
Jennifer Dilworth, Pension Office  
Paul Roth, TBV Advisors  
Jim Testerman, Pension Advisory Committee  
Charlotte Lister, Pension Advisory Committee  
Garry Musto, Ashford Consulting Group  
Sara Williams, 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 June 23, 2017 meeting.

**MOTION** made by T. Shaw and seconded by N. Shevock to approve the Public Minutes of the June 23, 2017 Board of Pension Trustees' meeting.

**MOTION ADOPTED UNANIMOUSLY**

The Trustees reviewed the Executive Minutes of the June 23, 2016 meeting.

**MOTION** made N. Shevock by and seconded by T. Shaw to approve the Executive Minutes of the June 23, 2017 Board of Pension Trustees' meeting.

**MOTION ADOPTED UNANIMOUSLY**

**3. PENSION AUDIT REPORT**

D. Craik reported that there was fiduciary educational training at the last Audit Committee meeting.

Internal Audit Function – the RFP closes on August 15<sup>th</sup>.

The next Audit Committee meeting will be held at the end of October.

**4. GOVERNANCE COMMITTEE**

T. Shaw reported that HB 199 has been signed by the Governor and stated there is some follow-up work to be done.

S. Grant thanked everyone on the Governance Committee for their dedication and hard work.

**5. PENSION ADVISORY COUNCIL REPORT**

No report.

**6. PENSION ADMINISTRATOR REPORT**

Risk Management

No report.

### Vacant Positions

D. Craik stated that there were no changes as the hiring freeze has not been lifted.

### Reporting Schedule

D. Craik reported that we are behind on some items. Ms. Johnson is continuing work on governance policies.

### Pension Office Activities

D. Craik stated that there were no huge differences with the statistics. He did report that the Pension Office is processing 420 pension applications for the month of August, which is the heaviest month for retirement. He also reported that there were 4 new disability cases being reviewed for the 4<sup>th</sup> quarter.

D. Craik reported that the Group Counseling sessions have been suspended until September because of the high volume of pension applications. He added that there are some workshops that have been scheduled for pension applications training.

### Legislative Update

HB 41 – the bill permits specified peace officers to retire at 25 years without any reduction. This bill has been signed by the Governor.

HB 43 - this bill clarifies that a Department of Corrections' employee who has served for 25 years with at least 20 years as a correction officer is eligible to retire at 25 years. This bill has not been signed.

HB 199 – this Act will codify some of the Board of Pension Trustees policies and practices. This bill has been signed by the Governor.

HB 265 – this bill will make full time paid firefighters in volunteer fire companies eligible to join the Delaware County and Municipal/Police firefighter Pension Plan. The bill has not been signed.

### Actuarial Services Contract

D. Craik reported that DPERS has one year left on its contract with Cheiron. He is asking for approval for a one year extension on this contract. Work will begin on an RFP in the spring.

**MOTION** made by N. Shevock and seconded by  
A. Agra to extend DPERS Actuarial Services  
Contract with Cheiron for one year.

**MOTION ADOPTED UNANIMOUSLY**

**7. DEPUTY ATTORNEY GENERAL REPORT**

Nothing to report.

**8. INVESTMENT COMMITTEE REPORT**

Mr. Musto reported that US equities posted modest gains and international equities were mixed in June. The Federal Reserve increased short-term interest rates as economic data continued to be solid, although recent inflation readings have fallen short of the Fed's 2% target. Federal officials also laid out a plan to begin to unwind the massive balance sheet that was accumulated in the aftermath of the 2008-09 financial crises. Elsewhere, comments from the European Central Bank indicated that ultra-loose monetary policy conditions may be tightened sooner than expected. US equities, as measured by the broad Russell 3000 index, advanced 0.9%, while the MSCI EAFE index was lower by 0.2% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) managed a gain of 0.3%. In fixed income markets, interest rate exposure detracted value, while credit exposure was beneficial to performance. For the month, the Barclays Universal bond index fell 0.1%.

DPERS Fund assets are estimated to be \$9,473.4 million at June 30, 2017, representing a net increase of \$5.9 million during the month. Estimated returns through June 30, 2017 are as follows:

<b><u>Fund</u></b>	<b><u>June-17</u></b>	<b><u>Fiscal Year To Date</u></b>	<b><u>12-Month</u></b>
<b>Total Fund</b>	0.3%	11.3%	11.3%
<b>S &amp; P 500 Index</b>	0.6%	17.9%	17.9%
<b>60/35/5*</b>	0.4 %	10.3%	10.3%
<b>Delaware</b>	0.4%	11.2%	11.2 %
<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. Must reported that the Investment Committee has met twice since the Board's last meeting. At the June 27<sup>th</sup> meeting the Investment Committee:

Reviewed and discussed:

- A recommendation to redeem Viking Global Equities
- A presentation on Monitoring Concentration Risk
- The Fund's asset allocation including asset class risk-return inputs

Approved the following:

- Pending legal review, directing the Fund's master custodian, Northern Trust, complete documentation for access to China's Shanghai and Shenzhen A-share markets using a Hong Kong China Connect Securities Segregated Separate Account (SPSA).
- Consent for an exception to the Limited Partnership Agreement for the Allegis Special Opportunities Fund (under its authority to amend documents relating to partnerships).
- An amendment to the T. Rowe Price Global Growth Equity Schedule A (approved under the Investment Committee's authority to amend manager agreements).

During the second meeting held on July 18<sup>th</sup>, the Investment Committee:

Reviewed and discussed:

- The Non-Traditional Investment Review Presentation.
- A recommendation for reinvestment of proceeds from the Viking Global Equity Account.
- A presentation on Asset Allocation of Illiquid Investments.

Approved the following:

- Pending legal review, an amendment to the Limited Partnership Agreement for Carlyle/Riverstone Global Energy & Power Fund III (approved under the Investment Committee's authority to amend documents relating to partnerships).

The next meeting of the Investment Committee will be held on August 22, 2017.

**MOTION** made by T. Shaw and seconded by M. Jackson 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 R. Geisenberger to exit Executive Session.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by N. Shevock and seconded by A. Agra to ratify the poll vote to approve the liquidation of the Fund's investment in the Viking Global Equity Account at the special redemption window at the end of July, allocating the proceeds to the Cash Account.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by A. Agra and seconded by T. Shaw to ratify the poll vote to approve the following re-allocation to manage the Fund's risk: Withdraw \$25 million each from the Focused Advisors, Baillie Gifford, and T. Rowe Price Global Growth Equity accounts, with the proceeds of \$75 million to be allocated to the Cash Account.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by T. Shaw and seconded by N. Shevock to approve a reduction of the long-term investment assumption from 7.2% to 7.0%.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by A. Agra and seconded by T. Shaw to approve no change in the long term assumption of 3.75% on OPEB Fund assets, noting that the actual discount rate for the OPEB liability will be determined by guidelines followed by the actuary.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by T. Shaw 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 R. Geisenberger to exit Executive Session.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by R. Geisenberger and seconded by A. Agra to approve the Board recommendation that Thomas Ruger be granted a duty connected total disability pensions.

**MOTION ADOPTED UNANIMOUSLY**

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 11:21 a.m., there being no further business, **MOTION** was made by N. Shevock and seconded by T. Shaw to adjourn the meeting.

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

David C. Craik  
Pension Administrator