

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JANUARY 26, 2018

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
Rick Geisenberger

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
Jeff Johnson, Pension Office
Jennifer Dilworth, Pension Office
Stephenie Tatman, 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, Windmark Investment Partners
Seth Yablonsvitz, Windmark Investment Partners

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting. Ms. Grant noted that the CII Conference is in March, which an email was previously sent to Board members.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the December 15, 2017 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Public Minutes of the December 15, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the December 15, 2017 meeting.

MOTION made by H. Foster and seconded by A. Agra to approve the Executive Minutes of the December 15, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik reported that the Audit Committee met in early January. Members of KPMG attended.

A draft Internal Audit Charter (IA) was presented to the Audit Committee. The purpose of the Audit Charter is to formally identify and document the responsibilities of the Internal Auditor, including the IA's mission, scope, role, accountability and reporting process consistent with accounting standards. After discussion, the Board asked that the Charter require that the Internal Auditor report to the Board at least once a year. Additionally, any matter of concern should be brought to the Board's attention.

D. Craik asked that the Board approve the Internal Audit Charter's (IA) delegation of duties to include the changes.

MOTION made by N. Shevock and seconded by A. Agra to approve the Internal Audit Charter's delegation of duties with the recommended changes.

MOTION ADOPTED UNANIMOUSLY

Summary of Audit Projects

S. Tatman reviewed the summary of internal audit projects that were approved by the Audit Committee.

- Benefit Payments (High Effort)
 - Assessment of policy/procedure and process/control effectiveness across the following sub-process areas:
 - New retiree payment verification (inclusive of pension and healthcare)
 - Recurring/ongoing payment process;
 - Death monitoring;
 - Death benefit payment verification;
 - Change management to pensioner information (e.g., beneficiaries, bank account, etc.); and
 - Affordable Care Act reporting
 - Establish data analytic techniques during this audit based on the “data-rich” information. Analytics established will be part of ongoing monitoring.
 - Cash Management (Moderate Effort)
 - Assessment policy/procedure and process/control effectiveness over cash management processes across the following areas:
 - Cash flow planning/forecasting;
 - Cash reports handling/recording;
 - Cash movement and compliance (including wires);
 - Cash accounting recording and reconciliation (between State Treasurer, custodian, investment advisor, and general ledger)
 - Census Data (Moderate Effort)
 - Assessment of effectiveness of process/controls to validate completeness and accuracy of census data used by the dependent work streams (pension liability, annual statements, benefits, payments, etc.) for all participating plans. Focus areas include:
 - Coordination with Actuary;
 - Validation of Pension Data with participating agency/entity;
 - Interaction/follow-up with active and retired members
- ❖ Scope summary provided is high level in nature and will be refined further during Audit planning.
- ❖ High Effort (500-800 hours); Moderate Effort (300-500 hours); Low Effort (Less than 300 hours)

The next meeting of the Audit Committee will be held on May 4, 2018.

4. GOVERNANCE COMMITTEE

T. Shaw stated that everyone is aware of the Governance Committee's accomplishments for the past year, and thanked everyone involved. The next steps going forward is to refer back to the AON Governance Review priority list in order to choose the next priority for the Committee.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that at the January meeting voting took place for the officers for 2018. All present officers were re-elected.

Mr. Malloy stated that the Council would lobby for the following:

- Post Retirement increase
- Keeping the current structure in place for health insurance
- Increase in the Burial Benefit for retirees

The next Pension Advisory Council meeting will be on April 10, 2018.

6. PENSION ADMINISTRATOR REPORT

Risk Management

No Report.

Reporting Schedule

D. Craik stated that after today this schedule will be updated.

Position Report

- H.R. Manager I – recently filled
- HRIS Lead – position re-posted
- Three H.R. Specialist V – request to fill submitted to OMB for approval
- Two H.R. Specialist I – on hold

Quarterly Activities

- New Pension Applications, Healthcare additions and changes were down in the 2nd quarter compared to the 1st quarter due to healthcare re-opening.
- Refunds have increase due to the office working on an actuary project.

Disability Report

- Average new cases are one to two each month.

Activities

- These are the upcoming training sessions for outside entities.

Information Security Training

D. Craik stated that it was once again time for the Trustees to take the annual Information Security training (CBT). This is a mandatory training course that occurs every two years. This will also refresh your knowledge on a variety of cyber security topics.

Request for Proposal

The Request for Proposal (RFP) for Actuarial services has begun. A recommendation should be presented at the April Board meeting. We will be hiring two firms, one to perform the normal actuarial services and the second firm to perform an actuarial audit.

7. DEPUTY ATTORNEY GENERAL REPORT

In the appeal case of Christianne Haggerty, the Supreme Court has affirmed the Board's decision.

S. Grant stated that on behalf of the Board and the Pension System many thanks to Ann Marie Johnson for all the hard work with this case.

8. INVESTMENT COMMITTEE REPORT

S. Yablonovitz thanked the Board for their support and partnership throughout the past years. Ashford Consulting Group has officially changed their name to Windmark Investment Partners.

R. Gooderham reported that global equity markets capped off a strong year with gains in December. Positive market sentiment was supported by encouraging economic data and the passage of tax reform legislation. US equities as measured by the broad Russell 3000 index advanced 1.0%, while the MSCI EAFE index was up by 1.6% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) gained 2.2%. In fixed income markets, shorter-term interest rates moved up (prices lower) as the Federal Reserve hiked rates, while longer-term interest rates fell (prices higher) as inflationary pressures remain subdued. For the month, the Barclays Universal bond index was up 0.4%, the Barclays TIPS index gained 0.9%, while the riskier Barclays High Yield index rose 0.3%.

DPERS Fund assets are estimated to be \$9,935.6 million at December 31, 2017, representing a net increase of \$35.6 million during the month. Estimated returns through December 31, 2017 are as follows:

<u>Fund</u>	<u>Dec-17</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.7%	6.7%	14.0%
S & P 500 Index	1.1%	11.4%	21.8%
60/35/5*	0.9%	7.3%	14.2%
Delaware	1.0%	7.1%	14.8%
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 its January 16th Investment Committee meeting the Committee reviewed and discussed:

- A review of macroeconomic and asset class indications
- A presentation on the Fund's Non-Traditional Investments

In addition, under its authority to approve amendments to manager agreements, Mr. Gooderham reported that the Investment Committee had approved an amendment to the limited partnership agreement for Summit Partners Private Equity Fund VII-A.

The next meeting of the Investment Committee is for Tuesday, January 30, 2018.

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 T. Shaw 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 11:15 a.m., there being no further business,
MOTION was made by H. Foster and seconded
by T. Shaw to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne Grant, Chair
Board of Pension Trustees