

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF APRIL 27, 2018

The meeting of the Board of Pension Trustees was called to order by Tom Shaw, Acting Chair, at 9:01 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Helen Foster
Nancy Shevock
Mike Jackson
Art Agra
Tom Shaw
Rick Geisenberger

Trustees Absent

Suzanne Grant

Others Present

Dave Craik, Pension Office
Joanna Adams, Pension Office
Terri Timmons, Pension Office
Khariat Makanjuola, Pension Office
Jeff Johnson, Pension Office
Jennifer Dilworth, Pension Office
Stephenie Tatman, Pension Office
Josh Hitchens, Pension Office
Khairat Makanjoula, Pension Office
Jeff Johnson, Pension Office
Paul Roth, TBV Advisors
Garry Musto, Windmark
Rob Gooderham, Windmark
Charlotte Lister, Pension Advisory Council

1. OPENING COMMENTS

T. Shaw welcomed everyone to the meeting.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the March 23, 2018 meeting.

MOTION made by N. Shevock and seconded by R. Geisenberger to approve the Public Minutes of the March 23, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the March 23, 2018 meeting.

MOTION made A. Agra by and seconded by N. Shevock to approve the Executive Minutes of the Marche 23, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. PENSION AUDIT REPORT

D. Craik stated that the next Audit Committee meeting would be held on May 4th. This will be the Entrance Audit with BDO. There will be standalone OPEB financial statement for FY18 and will audited by BDO. Stephene Tatman and members of KPMG will present the first draft of our internal audit.

4. GOVERNANCE COMMITTEE

Nothing to report.

5. PENSION ADVISORY COUNCIL REPORT

Nothing to report.

6. PENSION ADMINISTRATOR REPORT

Risk Management

Nothing to report.

Positions

D. Craik reported that one of our employees is transferring to PHRST as of Monday. We are currently scheduling second interviews for two of the H.R. Specialist V vacancies.

Quarterly Activities – 3rd Quarter

- Phone calls increased due to the mailing of tax documents and retiree annual statements.
- Incoming mail and imaged items increased during the 3rd quarter due to retirees responding to annual statements.
- Internet usage has increased and we believe the reason is due to the declining number of participants attending the pre-retirement workshops.

Disability – there were four new cases for the quarter.

Activities Report

- Summary of the Pre-Retirement Workshops sponsored by the Pension Advisory Council. Each location was below average in attendance.
- Group counseling sessions will begin again in May.
- Upcoming training – these are training sessions for outside entities.

Reporting Schedule

D. Craik reported that the Governance Committee would review.

County & Municipal Police/Firefighters - New Entry

Christiana Fire Company has asked to join the County & Municipal Police/Firefighters Plan. They currently have twenty paid firefighters and wanted to buy prior service for only five of their employees. Issues have been discussed with tax attorney Ice Miller and Christiana Fire Company. If approved it would allow them to join as of July 1st.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Christiana Fire Company to join the County & Municipal Police/Firefighters Pension Plan and purchase prior years' service for five of their employees, as of July 1, 2018.

MOTION ADOPTED UNANIMOUSLY

7. DEPUTY ATTORNEY GENERAL REPORT

Nothing to report.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that the equity markets were volatile in March as global trade war concerns overshadowed generally positive economic news and rising earnings expectations. The announcement of tariffs on steel, aluminum and certain Chinese imports by the Trump administration along with the subsequent retaliatory trade tariffs announced by China unsettled financial markets throughout the month. US equities as measured by the broad Russell 3000 index declined 2.0%, while the MSCI EAFE index and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) each fell 1.8%. Despite the Federal Reserve announcing a rate hike in March, interest rates move lower (prices higher) over the period as easing inflation expectations and elevated equity market volatility combined to boost demand for safe-haven securities. For the month, the Barclays Universal bond index was up 0.5%, the Barclays TIPS index rose 1.1%, while the riskier Barclays High Yield index fell 0.6%.

DPERS Fund assets are estimated to be \$9,822.9 million at March 31, 2018, representing a net decrease of \$113.5 million during the month. Estimated returns through March 31, 2018 are as follows:

<u>Fund</u>	<u>Mar-17</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	-1.0%	6.5%	9.9%
S & P 500 Index	-2.5%	10.6%	14.0%
60/35/5*	-1.3%	6.3%	9.1%
Delaware Benchmark**	-0.9%	6.0%	9.1%

*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 10th meeting the Investment Committee reviewed and discussed the following:

- A presentation from T. Rowe on their Global Growth Equity strategy
- A discussion on Asset Allocation
- A review of Manager Fees
- The annual update of the DPERS Flowcharts

Mr. Gooderham reported that at the April 24th meeting the Investment Committee reviewed and discussed the following:

- A presentation from Bridgewater on their Pure Alpha Major Market II strategy
- A presentation from Blackrock on Index Fund Management
- A recommendation concerning index fund management

Mr. Gooderham also reported that the Investment Committee had approved, under the authority granted to them by the Board:

- An amendment to the Limited Partnership Agreement for Summit Subordinated Debt Fund III-A.
- A schedule amendment to the Bridgewater Pure Alpha Major Markets II agreement.
- A schedule amendment to the BNY Mellon agreement.

MOTION made by A. Agra and seconded by R. Geisenberger 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 N. Shevock and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Foster to reverse the prior approval to fund the T. Rowe Price Asia Opportunities account and instead approve that accounts funding by a \$50 million withdrawal from the Wellington Dividend Growth equity account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Geisenberger and seconded by A. Agra to appoint BlackRock as investment manager subject to satisfactory legal review of the documents.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by R. Geisenberger to approve the transfer of all assets from the following BNY Mellon index funds – Large Cap Value, Equity (S&P 500), and Aggregate Bond – to BlackRock funds with similar mandates, with the equity index funds to include securities lending while the bond fund does not.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra 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 N. Shevock and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by N. Shevock to extend Ice Miller's contract for one year.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Geisenberger and seconded by N. Shevock to begin negotiations with Cheiron for regular and special actuarial services.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by R. Geisenberger to begin negotiations with Gabriel, Roeder, Smith & Company for actuarial audit services.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 10:54 a.m., there being no further business, MOTION was made by H. Foster and seconded by A. Agra to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Tom Shaw, Acting Chair
Board of Pension Trustees