



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

Trustees Absent

Art Agra

Others Present

Dave Craik, Pension Office
Joanna Adams, Pension Office
Terri Timmons, Pension Office
Khairat Makanjuola, Pension Office
Stephenie Tatman, Pension Office
Josh Hitchens, Pension Office
John McCartney, Pension Office
Paul Roth, TBV Advisors
Rob Gooderham, Windmark
Sara Williams, Windmark
Jim Testerman, Pension Advisory Council
Charlotte Lister, Pension Advisory Council

1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting. Ms. Grant is focusing on scheduling the December Board meeting in Greenville. As part of the Board's ongoing education Ms. Grant will be obtaining a speaker. More information will be forthcoming.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the July 27, 2018 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the July 27, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the July 27, 2018 meeting.

MOTION made T. Shaw by and seconded by N. Shevock to approve the Executive Minutes, as amended, of the July 27, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. PENSION AUDIT REPORT

Per D. Craik, the Audit exit meeting has been changed to November 2nd. BDO Auditors will be at our November meeting to report to their findings to the Board.

S. Tatman announced that she and KPMG have been working on a Fraud Awareness seminar. Supervisors and Managers will be attending this seminar on November 27, 2018 from 9:00 a.m. to 11:00 a.m. She stated that the Board members are welcome to attend this seminar.

4. GOVERNANCE COMMITTEE

Nothing to report.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman announced that he was been chosen as the Air National Guard Camp Honoree at Bethany Beach. A ceremony will be held on October 14th where the camp will be named after Mr. Testerman. The Board congratulated Mr. Testerman.

6. PENSION ADMINISTRATOR REPORT

Risk Management

Nothing to report.

Positions

D. Craik reported that five vacant positions have been filled since the last Board meeting. Two vacant positions have been approved and interviews will be held soon. We also have three vacant positions where we have submitted requests to fill.

Budget Report

D. Craik stated that he would be presenting the Operating Request to the Office of Management and Budget for FY20 for the Closed State Police Pension Plan. There are approximately 500 retired members still in the Plan. The FY19 allocation was set to drawdown on the balance that had built up in the Closed State Police Pension Plan and as of June 30, 2019 that balance is expected to be \$2 million. If the FY20 allocation continues to drawdown the balance there will be an additional funding need of \$800,000; however if the balance remains as it is there will be an additional need of \$2.8 million. An automatic COLA is granted each year on July 1st.

Next month, the System's Actuary, Cheiron, will present the pension rate for all of the other plans.

Activities Report

We have seven upcoming workshops/classes in October. On October 24th, we will have the Delaware State Police workshop where we are expecting at least 50 attendees. There are always many questions generated during this workshop.

Reporting Schedule

The Reporting Schedule was reviewed during the last Governance Committee meeting and as a result, some items were changed to Bi-Annual reviews.

7. DEPUTY ATTORNEY GENERAL REPORT

Ms. Johnson reported that the Request for Proposal (RFP) for Tax Council closes on Monday, October 1st. The Request for Proposal (RFP) for Investment Council closes on October 30th.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that, in the first two months of the fiscal year, signs of robust economic and earnings growth in the US overshadowed mounting trade tensions, pushing the Russell 3000 index higher by 6.9%. Meanwhile, the growing trade dispute and a strengthening US dollar combined to push international equities lower by 1.6%, as measured by the MSCI All-Country World ex- U.S. stock index (which includes emerging markets). In fixed income markets, yields moved modestly lower, helping the Barclays Universal bond index post a 0.7% gain, the Barclays TIPS index was up 0.2%, while the riskier Barclays High Yield index gained 1.8%.

Mr. Gooderham reported that DPERS Fund assets are estimated to be \$10,242.2 million at August 31, 2018, representing a net increase of \$317.3 million during July and August. Estimated return for the period ending August 31, 2018 are as follows:

<u>Fund</u>	<u>Aug-18</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.7%	3.9%	10.7%
S & P 500 Index	3.3%	7.1%	19.7%
60/35/5*	2.2%	4.5%	11.1%
Delaware	1.1%	3.0%	7.8%
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 the Investment Committee had met three times since the last Board meeting. He noted that at its August 21st meeting, the Investment Committee reviewed and discussed presentations on:

- Second quarter and fiscal year end performance
- A presentation from DoubleLine on their Total Return strategy
- Allocation recommendations to manage risk and diversity fixed income assets
- The Investment Policy Statement

Mr. Gooderham reported that, at its September 12th meeting, the Investment Committee reviewed and discussed presentations on:

- Recommended edits to the Investment Policy Statement
- A presentation from T. Rowe Price on their Asia Opportunities strategy
- The annual review of Northern Trust
- The draft CAFR Investment Section

Mr. Gooderham reported that, at its September 25th meeting, the Investment Committee reviewed and discussed presentations on:

- A fixed income asset allocation recommendation
- A presentation from Flagship Pioneering
- The annual Commission report
- The annual Proxy Voting report
- Convened an OPEB meeting

The next meeting of the Investment Committee is scheduled for Tuesday, October 9, 2018.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Geisenberger and seconded by N. Shevock to ratify the Poll Vote and approve the recommendation to withdraw the following amounts for risk reduction purposes: \$20 million from Baillie Gifford, \$30 million from TRP global Growth Equity, \$20 million from AJO Managed Volatility, \$20 million from Focused Investors, \$20 million from Wellington Dividend Growth, \$20 million from BNYMellon S&P 500, and \$20 million from BNYMellon large Cap Value. The proceeds of \$150 million are to be allocated to the Cash Account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to ratify the Poll Vote and approve the recommendation to invest \$400 million in a new separate account managed by DoubleLine in their Total Return strategy, to be funded with \$200 million from each of the BNYMellon Aggregate Bond Index fund and the Cash Account, pending completion of satisfactory documentation.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Foster to ratify the Poll Vote and approved the recommendation to liquidate the BNYMellon High Yield account, with proceeds of approximately \$132.5 million to be allocated to the Cash Account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by N. Shevock the recommendation of funding sources for the \$400 million investment to the DoubleLine total Return strategy. The revised funding will be \$135 million from the BNYMellon Aggregate Bond Index fund and \$265 million from the Cash Account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to adopt the amended Investment Policy Statement.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by R. Geisenberger to approve the ligation, at the end of December 2018, of the redeemable portion of the Centerbridge Credit Partners investment (approximately \$2 million) with proceeds allocated to the Cash Account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Foster to co-mingle the assets of OPEB and DPERS Funds.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 11:14 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



Suzanne Grant, Chair
Board of Pension Trustees