

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF NOVEMBER 22, 2019**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:00 a.m. in the Delaware Conference Room.

Trustees Present

Suzanne Grant  
Nancy Shevock  
Mike Jackson  
Art Agra  
Tom Shaw  
Rick Geisenberger

Trustees Absent

Harold Stafford

Others Present

Dave Craik, Pension Office  
Joanna Adams, Pension Office  
Terri Timmons, Pension Office  
Jamie Mayan, Pension Office  
Ann Marie Johnson, Deputy Attorney General  
Khairat Mekanjuola, Pension Office  
Jeff Johnson, Pension Office  
Stephenie Tatman, Pension Office  
Rob Gooderham, Windmark  
Sara Williams, Windmark  
Jim Testerman, Pension Advisory Council  
Robin Hartnett-Sterner, Pension Office

Keith Hammond, BDO  
Jim Doyle, BDO  
Amy Cole, Pension Office  
Mary Wood, Pension Office  
Kristal Diaz, Pension Office  
Christy Ulmer, Pension Office  
Michelle Davis, Pension Office  
Charlotte Lister, PAC

## 1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting. D. Craik introduced to the Board, three of our employees, Christy Ulmer, Michele Davis and Robin Hartnett Sterner.

## 2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the October 25, 2019 meeting.

**MOTION** made by T. Shaw and seconded by A. Agra to approve the Public Minutes of the October 25, 2019 Board of Pension Trustees' meeting.

**MOTION ADOPTED UNANIMOUSLY**

The Trustees reviewed the Executive Minutes of the October 25, 2019 meeting.

**MOTION** made by T. Shaw and seconded by A. Agra to approve the Executive Minutes, as amended, of the October 25, 2019 Board of Pension Trustees' meeting.

**MOTION ADOPTED UNANIMOUSLY**

## 3. PENSION AUDIT REPORT

Keith Hammond and Jim Doyle, of BDO, discussed the wrap up of the Comprehensive Annual Financial Report. Mr. Hammond stated that they had met with the Audit Committee last week and went into a lot of detail with them.

Mr. Hammond stated that BDO has substantially completed their audits of the financial statements as of and for the year ended June 30, 2019 for the Pension System and OPEB Trust. He further remarked that BDO issued an unmodified opinion on the financial statements of both the Pension System and OPEB Trust.

The following key items remain:

- Update our understanding of subsequent events, including obtaining final correspondence with legal counsel through opinion date; and
- Obtain signed management representation letters.

The significant accounting practices and policies are those included in financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within the financial statements of the Pension System and OPEB Trust.

Significant accounting estimates include:

- Valuation of the co-mingled investments and related net appreciation/depreciation and underlying disclosures
- For the Pension System, total and net pension liability and related disclosures and underlying assumptions
- For the OPEB Trust, total and net OPEB liability and related disclosures and underlying assumptions

Mr. Hammond stated that there were no corrected misstatements, other than those that were clearly trivial, related to accounts and/or disclosures that we brought to the attention of management. A discussion was held regarding the quality of the financial reporting for the Pension System and OPEB Trust.

BDO is required to communicate, in writing and in a timely manner, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Entities' internal controls over financial reporting. In conjunction with our audits of the financial statements, we noted no material weaknesses.

Jim Doyle provided a summary of other required items, along with specific discussion points as they pertain to the Entities.

**MOTION** made by N. Shevock and seconded by A. Agra to approve the FY19 Comprehensive Financial Report.

**MOTION ADOPTED UNANIMOUSLY**

S. Tatman reported that the RFP was posted the beginning of November and the proposals are due December 6<sup>th</sup>. The Evaluation Committee will be scoring the proposals in mid-December.

**4. GOVERNANCE COMMITTEE**

Nothing to report.

**5. PENSION ADVISORY COUNCIL REPORT**

C. Lister stated that the Committee is continuing to discuss ongoing initiatives.

## **6. PENSION ADMINISTRATOR REPORT**

### Positions

D. Craik reported on the following:

- H.R. Specialist I - Request to Fill submitted
- Pension Administrator – interviews completed
- Sr. H.R. Technician – is being re-classed to an H.R. Specialist I

### Reporting Schedule

D. Craik stated that the Board Self-Assessment List and the Best Practices List will be combined.

### Monthly Activities

The classes for the month of December will include Retirement Group Counseling and Pension Application training.

### Office Space

The lease for the 3 Mill Road location ends December 31st. D. Craik and J. Adams, working with Facilities, have been looking at different places to locate in the Wilmington area.

## **7. DEPUTY ATTORNEY GENERAL REPORT**

Nothing to report.

## **8. INVESTMENT COMMITTEE REPORT**

Mr. Gooderham reported that there are signs of progress in US-China trade negotiations, better than expected corporate earnings and more accommodative monetary policies helped global stocks move higher in October. US stocks, as measured by the broad Russell 3000 index, posted a 2.2% gain for the month. International equities provided higher performance as the MSCI EAFE index was up 3.6% and the MSCI Emerging Markets index gained 4.2%. In fixed income markets, yields and credit spreads were a little changed. For the month, the broad Bloomberg Barclays Universal bond index and the riskier Bloomberg Barclays High Yield index both posted a 0.3% gain.

DPERS Fund assets are estimated to be \$10,805.0 million at October 31, 2019, representing a net increase of \$83.5 million during the month. Estimated returns through October 31, 2019 are as follows:

| <u>Fund</u>                | <u>Oct-19</u> | <u>Fiscal Year To Date</u> | <u>12-Month</u> |
|----------------------------|---------------|----------------------------|-----------------|
| <b>Total Fund</b>          | 1.1%          | 2.3%                       | 8.6%            |
| <b>S &amp; P 500 Index</b> | 2.2%          | 3.9%                       | 14.3%           |
| <b>60/35/5*</b>            | 1.4%          | 3.4%                       | 13.5%           |
| <b>Delaware</b>            | 1.6%          | 2.6%                       | 12.3%           |
| <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

At the November 19<sup>th</sup> Investment Committee meeting, Mr. Gooderham stated the following items were discussed:

- The Pension Office's annual cash flow forecast
- A presentation from Kiltearn on their Global Equity Strategy
- A presentation by Cheiron on the Fund's latest actuarial valuation results
- Third Quarter 2019 Investment Review
- Private Investment Quarterly Review

Item that was approved under the Investment Committee's authority was:

- An amendment to the Limited Partnership Agreement for Summit Subordinated Debt Fund IV, L.P.

The next meeting of the Investment Committee is scheduled for Friday, December 6, 2019.

**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 ADOPTED UNANIMOUSLY**

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

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by A. Agra and seconded by N. Shevock to approve the Board's recommendation to deny Dr. Edward McDonough's request to waive his \$7,641 penalty.

**MOTION ADOPTED UNANIMOUSLY**

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 11:40 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

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Suzanne Grant, Chair  
Board of Pension Trustees