

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF JUNE 28, 2019**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:02 a.m. in the Delaware Conference Room.

Trustees Present

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

Trustees Absent

Others Present

Dave Craik, Pension Office  
Joanna Adams, Pension Office  
Terri Timmons, Pension Office  
Khairat Makanjuola, Pension Office  
Josh Hitchens, Pension Office  
Jeff Johnson, Pension Office  
Jennifer Dilworth, Pension Office  
Stephenie Tatman, Pension Office  
Robert Eckstine, Pension Office  
Rob Gooderham, Windmark  
Sophia Smith, Windmark  
Joe Malloy, Pension Advisory Council  
Charlotte Lister, Pension Advisory Council  
Bonita Wurst, Gabriel, Roeder, Smith & Company  
James Anderson, Gabriel, Roeder, Smith & Company

## 1. **OPENING COMMENTS**

S. Grant welcomed and introduced the newest member of the Board, Harold Stafford. Mr. Stafford gave a synopsis of his career. Introductions were made from all attendees.

S. Grant also received an email from former Board Member, Helen Foster, thanking the Board for the opportunity to serve and wishes the Board and Staff well in their future endeavors.

S. Grant reported that DPERS has received a Certificate of Achievement for the CAFR from GFOA.

## 2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the May 31, 2019 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Public Minutes of the May 31, 2019 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 31, 2019 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Executive Minutes, as amended, of the May 31, 2019 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

## 3. **PENSION AUDIT REPORT**

### **Actuarial Audit**

Bonita Wurst and James Anderson, of Gabriel, Roeder, Smith & Company (GRS), presented the Board their Actuarial Audit.

- The Actuarial Audit is the process by which a Retirement Board retains an independent actuarial firm to provide an opinion on the quality and accuracy of the retained actuary's work.
- The purpose of the audit is to express an opinion regarding the reasonableness and accuracy of the valuation results, actuarial assumptions, and application of the actuarial cost method. It will also provide recommendations to improve the quality and accuracy of the actuarial report.

- The audit was a full replication audit.
- In the opinion of the auditing actuaries:
  - The actuarial assumptions and methods are reasonable and comply with generally accepted actuarial principles.
  - The retained actuary is processing the data correctly.
  - The retained actuary's actuarial valuation results, including accrued liability, normal cost, and employer contributions are correct to within acceptable tolerances.
- Results between GRS and the retained actuary were generally within expected boundaries.
  - Almost exact match for retired and inactive (non-retired) test cases.
  - Generally good match for active test cases with higher amounts of service credit.
  - Differences in test cases with small amounts of service likely due to differing service/age rounding conventions in valuation systems.

D. Craik will be meeting with Cheiron to review GRS comments. At the July or September Board meeting Mr. Craik will report what recommendations/actions will be taken.

S. Grant thanked the GRS team for their hard work and presentation. At this time GRS left the meeting.

### **Fraud**

S. Tatman reported that there had not been any Fraud calls. The next Audit Committee meeting will be held on July 19<sup>th</sup>.

### **Cyber Risk**

Earle Dempsey with the Department of Technology and Information (DTI) introduced Soloman Adote, Chief Security Officer, of DTI.

Mr. Adote gave an overview on Cyber Risk:

- 91% of emails with attachments in 2017 were phishing emails
- Ransomware is leading the way in cyber security events
- Cyber-crime damages could reach \$6 trillion by 2021
- 93% of breaches could have been avoided

There was an external third party application review:

- Assessment performed April 2016 through June 1, 2018
- Findings: strong focus on security – no high risk findings
- Medium and Low risk findings related to system hardware

Mr. Adote also highlighted some areas for enhancement that could improve security of the system. The Board held a discussion and asked questions.

At this point in the meeting Mr. Dempsey and Mr. Adote left the meeting.

**4. GOVERNANCE COMMITTEE**

Nothing to report

**5. PENSION ADVISORY COUNCIL REPORT**

Nothing to report

**6. PENSION ADMINISTRATOR REPORT**

Positions

D. Craik reported that we have filled five positions. One of our vacancies is on hold and the other position is being re-classed.

Activities

The following activities have been scheduled:

- July 2<sup>nd</sup> – Group Counseling
- July 10<sup>th</sup> – SEPP Workshop
- July 11<sup>th</sup> – Monthly Payroll & Human Resources
- July 16<sup>th</sup> & 17<sup>th</sup> – Pension Application Training

Reporting Schedule

D. Craik reported that nothing has changed.

Best Practices

D. Craik stated that the Governance Committee will be reviewing the Best Practices spreadsheet at its next meeting.

Legislation

SB76 Governance bill, was introduced last Tuesday and on Wednesday was voted on and passed the Senate. The Auditor's Office is against a portion of this bill but Mr. Craik does not foresee any issues.

HB 68 - Burial Benefit bill remains in Committee. Mr. Craik does not see this bill going anywhere at this time.

The Auditor's Office has requested to conduct a performance audit of benefit payments for FY18. This area has been audited twice in the past year by BDO and the Auditor's Office. Mr. Craik stated that the Auditor's Office wants to begin in July but our office has asked to push to until September. We are waiting to hear from them.

## 7. DEPUTY ATTORNEY GENERAL REPORT

Nothing to report.

## 8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that U.S. stock prices fell in May due to renewed trade rhetoric and indications of a slowing economy. Global equity markets also reflected weak returns, while fixed income markets were positive. US equities, as measured by the S&P 500 index, posted a 6.4% loss for the month. International equity performance was mixed compared to US equities as the MSCI EAFE index fell 4.8% and the MSCI Emerging Markets index was down 7.3%. In fixed income markets, the Bloomberg Barclays Universal index was up 1.5%, while the riskier Bloomberg Barclays High Yield index was down 1.2%.

Mr. Gooderham reported that DPERS Fund assets are estimated to be \$10,384.6 million at May 31, 2019, representing a net decrease of \$182.4 million during the month. Estimated returns through May 31, 2019 are as follows:

<u>Fund</u>	<u>May-19</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	-1.4%	4.0%	4.0%
<b>S &amp; P 500 Index</b>	-6.4%	3.1%	3.8%
<b>60/35/5*</b>	-3.1%	4.8%	5.1%
<b>Delaware</b>	-2.9%	2.8%	2.6 %
<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. Gooderham reported that the Investment Committee had met twice since the May Board meeting.

At the June 11<sup>th</sup> meeting the Investment Committee reviewed and discussed:

- A review of the Bank Loan Asset Class
- A presentation by T. Rowe Price on their Floating Rate Fund
- A presentation on Long Term Return Assumptions: Actuarial & GASB 67
- A review of the new Board Notification Format

The Investment Committee approved under its authority:

- A withdrawal of the available 9/30/19 tranche for Centerbridge Credit Partners (~\$5 million)

At the June 25<sup>th</sup> meeting the Investment Committee reviewed and discussed:

- A presentation of the New Risk Dashboard
- A recommendation for IDG Breyer Capital Fund, L.P.

The Investment Committee approved under its authority:

- An amendment to the Limited Partnership Agreement for Advanced Technology Ventures VIII
- A commitment of \$35 million to IDG Breyer Capital Fund, L.P., subject to confirmation to contract terms discussed

The next meeting of the Investment Committee is scheduled for Tuesday, July 16<sup>th</sup>.

MOTION made by A. Agra 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 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 11:44 a.m., there being no further business,  
MOTION was made by R. Geisenberger and  
seconded by N. Shevock 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