

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF DECEMBER 16, 2016

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

Trustees Present

Suzanne Grant
Nancy Shevock
Art Agra
Brian Maxwell
Tom Shaw
Helen Foster (via phone)

Trustees Absent

Tom Cook

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Joanna Adams, Pension Office
Khariat Makanjuola Pension Office
Josh Hitchens, Pension Office
Jennifer Dilworth, Pension Office
Paul Roth, TBV Advisors
Gary Musto, Ashford Consulting Group
Rob Gooderham, Ashford Consulting Group
Charlotte Lister, Pension Advisory Council
Joe Malloy, Pension Advisory Council
Kristen Boehmer, Pension Office
Ann Marie Johnson, Deputy Attorney General

1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting. D. Craik introduced Joanna Adams, the new Deputy Pension Administrator.

B. Maxwell presented a 25 year Service Award to Kristin Boehmer. D. Craik stated that K. Boehmer is retiring as of December 31st.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the November 18, 2016 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Public Minutes of the November 18, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the November 18, 2016 meeting.

MOTION made by N. Shevock and seconded by B. Maxwell to approve the Executive Minutes of the November 18, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. PENSION AUDIT REPORT

D. Craik stated that each Trustee has been given a copy of the FY16 Comprehensive Annual Financial Report (CAFR).

D. Craik reported that a meeting in respect to the Internal Audit function will be held this afternoon.

4. GOVERNANCE COMMITTEE

T. Shaw reported that the Committee met on December 13th to discuss and recommend to the Board the top four (4) priorities. The Committee will meet again on January 13th to prepare their presentation to the Board.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that the Council did not have a quorum for the last meeting. Their next meeting will be held in January where they will vote for officers.

6. PENSION ADMINISTRATOR REPORT

Risk Management – no report

Positions – Three of the four vacant Human Resource Specialist I positions have been filled, one has been posted. The vacant Sr. Human Resource Technician has been submitted to HRM for approval. Interviews are being conducted on the vacant Administrative Specialist II position.

Information Services

The Information Services Section is comprised of ERP Functional Support and Information Technology Sections and is responsible for providing I.T. guidance, support, policy, training and solutions to the staff and customers of the Office of Pensions.

ERP Functional Support provides PeopleSoft and Pension Office expertise in the maintenance and improvement to the Comprehensive Retirement Information System (CRIS).

Information Technology supports the office network and desktop infrastructure, Internet/Extranet/Intranet websites and the OnBase Imaging/Workflow application.

Recent accomplishments are the upgrade of OnBase to the most current version 16, upgrade of CRIS to PeopleSoft v9.2 and keeping current with all patches and updates, ACA reporting to meet IRS requirements for tax years 2015 and 2016, legislation for 25 year/no penalty to specific hazardous job codes, and completing of 2016 Pre-Retirement Workshops.

Reporting Schedule – D. Craik stated that the following items needed to be reviewed:

- Board Performance Self-Evaluation
- Charters
- Code of Conduct
- Executive Director Performance Evaluation
- Board Education Policy
- Monitoring and Reporting Policy
- Legal Counsel

7. DEPUTY ATTORNEY GENERAL REPORT

Deputy Attorney General, A. Johnson stated that the Governance Committee needed to be established and handed out the Resolution to officially create this committee. The resolution states that this committee will:

- Study and recommend to the Board legislative and administrative changes consistent with the Governance Review
- The Governance Committee shall meet at least four (4) times per calendar year
- The Governance Committee shall conduct such other inquiries as the Board may request, from time to time, including but not limited to Board education, and conflict of interest and other governance policies
- The initial chair of the Governance Committee shall be Thomas Shaw, member, Board of Pension Trustees
- The initial members of the Governance Committee shall be:
 - George Saxon, Chair, Investment Committee
 - Arturo Agra, member, Board of Pension Trustees and Investment Committee
 - Dale Stratton, member of the Investment Committee
 - James Burke, member of the Audit Committee

Appeals

A. Johnson reported that she wrote and filed a brief on behalf of the Board in the appeal of C. Haggerty to Superior Court.

B. Richardson has appealed the Boards decision to the Supreme Court.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that since the Board's last meeting, the Investment Committee met on December 13th.

U.S. equities rallied in November following Donald Trump's Presidential election victory. In the election's aftermath, the market's focus shifted to positive earnings momentum for the first time in two years and to signs of higher inflation from strong ISM and employment reports. Many also attribute the equity market's strength to potential growth and inflation from higher fiscal spending, lower taxes, and less regulation favored by President-elect Trump. As measured by the broad Russell 3000 index, US equities fell, with the MSCI EAFE index down 2.0% and the MSCI All0Country World ex-U.S. stock index (which includes emerging markets) fall 2.3%. With the prospect of increased government spending and higher inflation expectations, bond prices moved lower during this period. For the month, the Barclays Universal bond index moved down 2.2%, while the Barclays TIPS index declined 1.9% and the riskier Barclays High Yield index lost 0.5%.

DPERS Fund assets are estimated to be \$8,983.5 million at November 30, 2016, representing a net increase of \$32.5 million during the month. Estimated returns through November 30, 2016 are as follows:

<u>Fund</u>	<u>Nov-16</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.7%	3.1 %	4.7%
S & P 500 Index	3.7 %	5.7%	8.1%
60/35/5*	1.3%	2.3%	5.8 %
Delaware	0.3%	2.4%	4.6 %
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

At its December 13th meeting, the Investment Committee:

- Received and discussed an update from Ashford Consulting Group on the status of approved changes in fixed income allocations
- Received and discussed a review on the manager, Focused Investors
- Received and discussed a presentation from existing manager T. Rowe Price on their Global Growth equity fund
- Reviewed and discussed a recommendation to commit \$40 million to Lightstone Ventures Fund II
- Under its authority to amend documents relating to partnerships, the Investment Committee approved an amendment to the Limited Partnership Agreement for:
 - Trident Capital Fund-V
 - OneLiberty III
 - One Liberty IV
- The next meeting of the Investment Committee is scheduled for Tuesday, January 10th.

MOTION made by T. Shaw and seconded by N. Shevock to enter into Executive Session to consider pension personnel matters, and confidential medical records, legal matters, sensitive commercial information, proprietary business information, 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 A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw that the Board approve a commitment of \$40 million to Lightstone Ventures Fund II, subject to satisfactory review of the legal documents.

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 information, proprietary business information, 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 A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by N. Shevock to approve the Resolution to create the Governance Committee to review and recommend to the Board legislative and administrative changes consistent with the Governance Review.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 11:10 a.m., there being no further business, MOTION was made by T. Shaw and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne Grant, Chair
Board of Pension Trustees