

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF APRIL 29, 2016

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:05 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant
Nancy Shevock
Helen Foster
Tom Shaw
Art Agra

Trustees Absent

Tom Cook
Ann Visalli

Others Present

Dave Craik, Pension Office
Kathy Kunkle, Pension Office
Terri Timmons, Pension Office
Ann Marie Johnson, Deputy Attorney General
Josh Hitchens, Pension Office
Lincoln Nathan, Pension Office
Jennifer Dilworth, Pension Office
Brian Maxwell, OMB
Paul Roth, TBV Advisors
Seth Yablonovitz, Ashford Consulting Group
Garry Musto, Ashford Consulting Group

1. OPENING COMMENTS

S. Grant introduced and welcomed Brian Maxwell to the Board of Pension Trustees. Mr. Maxwell has been selected to replace Ann Visalli as the Director of the Office of Management and Budget. Ms. Visalli has resigned her position as of May 13th.

S. Grant also thanked Kathy Kunkle, Deputy Pension Administrator, for her years of state service and for stepping in to help the Pension Office with the administrative duties. S. Grant stated that on behalf of the Board of Pension Trustees we thank you for your dedication.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the March 25, 2016 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the March 25, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the March 25, 2016 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Executive Minutes of the March 25, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik reported that usually by this time we would normally be in the entrance audit but this has not happened yet, due to delay by the Auditors' office. We are hoping to hear from the Auditor's Office on the time line for the chosen firm for the audit, and with regard to the contract.

At the last Audit Committee meeting the Investment Flow Charts were reviewed.

4. **PENSION ADVISORY COUNCIL REPORT**

Nothing to report

5. **PENSION ADMINISTRATOR REPORT**

Legislative update

A bill has been drafted in House for 911 communication employees who would like a 20 year pension. D. Craik stated that we need to see what the cost would be before moving forward.

The Pension Office is expecting a high volume of pension applications for January 2017 for the Correctional Officers.

The following are the current vacancies within the office:

- ☐ Deputy Pension Administrator
- ☐ Administrative Specialist II
- ☐ Training /Education Administrator I
- ☐ 5 Human Resource Specialist I positions

Quarterly Activities

The 3rd quarter statistics saw a rise in the healthcare additions and changes; incoming phone calls; incoming/outgoing mail, and documents imaged into our system.

We have had 4 new disability cases for 3rd quarter.

Computer Based Training

The Learning Management Center (LMS) has sent an email to all Pension Office account holders (including Board members) regarding a requirement to complete the mandatory CBT (Computer Based Training) Security coursework. This training is mandated by the Department of Technology and Information's Chief Security Officer and applies to everyone that has a State of Delaware email account. This course is to be completed by June 30th.

Repayment Schedule

It is recommended that the Pension Administrator be given the authority to approve a repayment schedule for a period of up to two years, for an employee who had underpaid employee pension contributions into a pension plan.

MOTION made by N. Shevock and seconded by T. Shaw to allow the Pension Administrator the authority to approve a repayment scheduled for a period of up to two years, for an employee who has underpaid employee pension contributions into a pension plan.

MOTION ADOPTED UNANIMOUSLY

6. **DEPUTY ATTORNEY GENERAL REPORT**

Nothing to report

7. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Mar-16</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	3.8%	-3.3%	-2.9%
S & P 500 Index	6.8%	1.5%	1.8%
60/35/5*	4.5%	2.5%	1.9%
Delaware Benchmark**	4.8%	-0.7%	-1.1%

*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

Since the Board's last meeting, the Investment Committee has met twice, on April 12th and April 26th.

Assets in the Fund at the end of March totaled \$8,739 million. The Fund's March return of 3.8% underperformed the Delaware Benchmark return of 4.8%. For the fiscal year to date, the total Fund was down 3.3%, 2.6 percentage points below the Delaware Benchmark return of -0.7%.

After extremely high levels of volatility in January and early February, a strong rally in risk-assets began in mid-February and continued throughout March. Among the factors driving the risk-on sentiment was a recovery in oil prices from multi-year lows as well as accommodative monetary talk from major central banks. Within U.S. equities the broad Russell 3000 index advanced by 7.0%. International equity performance was also strong as the MSCI EAFE index rose 6.5% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 8.1%. International returns, particularly in emerging markets, were helped by the U.S. dollar that broadly weakened. Fixed income performance was mixed as high quality assets were flat to slightly down, while credit-oriented investments benefitted from the risk-on-sentiment. The Barclays Long Term Government bond index was flat and the Barclays Long Credit index advanced 4.8%, while the JP Morgan Global High Yield index moved higher by 4.6% for the month.

At its meeting on April 12th, the Investment Committee heard a presentation from Harvest Fund Advisors on the MLP strategy. Also at this meeting the Investment Committee voted to recommend to the Board to appoint Zeno Consulting Group, LLC to conduct a trading transactional cost analysis on behalf of DPERS.

At the April 26th Investment Committee meeting a presentation was given from Wellington on the Dividend Growth Strategy. Following a discussion, the Investment Committee voted to recommend to the Board a commitment of up to \$35 million to Flagship Co-Investment Opportunities Fund, subject to satisfactory review of the documents.

Under its authority to execute documents relating to partnerships over which it exercises authority, the Investment Committee approved an amendment to the Limited Partnership Agreement for Marcus Capital Partners Fund II,

The next meeting of the Investment Committee will be Tuesday, May 17th.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to approve the recommendation to appoint Zeno Consulting Group, LLC to conduct a trading transactional cost analysis on behalf of DPERS.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by A. Agra to commit up to \$35 million to Flagship Co-Investment Opportunities Fund, subject to satisfactory review of the documents.

MOTION ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

There were no pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

At 11:50 a.m., there being no further business,
MOTION was made by A. Agra and seconded by
H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator