

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MAY 20, 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
Brian Maxwell
Tom Shaw
Tom Cook
Helen Foster

Trustees Absent

Art Agra

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Ann Marie Johnson, Deputy Attorney General
Josh Hitchens, Pension Office
Jennifer Dilworth, Pension Office
Paul Roth, TBV Advisors
Garry Musto, Ashford Consulting Group
Charlotte Lister, PAC

1. OPENING COMMENTS

S. Grant welcomed everyone to today's meeting. She congratulated Brian Maxwell as he was confirmed by the Senate, on Wednesday, as the new Director of the Office of Management and Budget.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the April 29, 2016 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the April 29, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the April 29, 2016 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Executive Minutes of the April 29, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik reported a successful resolution to the OPEN discussions with the State's Auditor's Office regarding the engagement of an outside auditor for the FY16 DPERS audit. The master audit contract will include an addendum which will set forth the role of the Audit Committee and consistent with past practices. Although the timing of the contract process has been delayed, this delay should have no adverse impact on the completion of the audit in a timely manner. The State Auditor's has also released the required GASB 68 information necessary to complete the DPERS FY15 audit.

N. Shevock wanted the record to reflect how much she appreciated all of the hard work by D. Craik, S. Grant, and A. Johnson during this stressful audit process.

4. **PENSION ADVISORY COUNCIL REPORT**

Nothing to report

5. **PENSION ADMINISTRATOR REPORT**

D. Craik reported on the attendance of the Spring Pre-Retirement Workshops. He stated that the number of attendees was down compared to last year.

- New Castle County: March 23rd – 109; April 14th – 82; April 22nd – 62
- Kent County – 74
- Sussex County - 66

Vacant Positions

- Deputy Pension Administrator – reviewing applications
- Administrative Specialist II – scheduling interviews
- Training/Educator Administrator – conducting interviews
- 3 H.R. Specialist I – have been posted
- Investment Financial Manager – pending posting
- 2 H.R. Specialist I – submitted for approval

D. Craik recommended approval of an extension of the Investment Advisor agreement entered into on July 1, 2011 between the Delaware Public Employees' Retirement System and Ashford Consulting Group. By mutual agreement, DPERS and Ashford Consulting Group wish to extend this agreement to June 30, 2017.

MOTION made by T. Shaw and seconded by N. Shevock to approve the recommendation to extend the mutual agreement between DPERS and Ashford Consulting Group through June 30, 2017.

MOTION ADOPTED UNANIMOUSLY

D. Craik recommended to approval of an extension of the Actuarial and Consulting Services Agreement entered into on July 1, 2013 between the Delaware Public Employees' Retirement System and Cheiron, Inc. By mutual agreement, DPERS and Cheiron, Inc. wish to extend this agreement to June 30, 2017.

MOTION made by T. Cook and seconded by N. Shevock to approve the recommendation to extend the mutual agreement between DPERS and Cheiron, Inc. through June 30, 2017.

MOTION ADOPTED UNANIMOUSLY

Legislative Items

The Legislators are on a two week break. There has been discussion on the 9-1-1 workers bill. They are currently under the State Employees' Pension Plan but would like to fall under the New State Police pension plan.

Correctional Officers would like to change their multiplier. Cost comparisons are being done now.

The Fraternal Order of Police (FOP) – HB 363 is an act to amend Title 29 of the Delaware Code relating to the State Employees' Pension Plan. This bill extends the same treatment to other corrections and enforcement officers.

There has been some discussion on having a Post Retirement Increase (PRI).

There has been a bill drafted regarding the County/Municipalities COLA Plan. The bill takes out language that if money is not used within 5 years the money reverts back to the Fund.

Internal Audit

D. Craik and P. Roth are working on and discussing the development of an internal audit. Further discussion will be taken to the Audit Committee.

6. **DEPUTY ATTORNEY GENERAL REPORT**

Ann Marie Johnson reported that briefing was complete in the B. Richardson appeal, before Superior Court.

7. **INVESTMENT COMMITTEE REPORT**

<u>Fund</u>	<u>Apr-16</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	1.45%	-1.88%	-2.67%
S & P 500 Index	0.39%	1.89%	1.21%
60/35/5*	0.3%	2.4%	1.5%
Delaware	1.03%	0.32%	-1.19%
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

Since the Board's last meeting, the Investment Committee has met once, on May 17, 2016.

A rally in risk assets that began in mid-February continued through most of April, helping global equities and below investment grade fixed income record gains for the month. Sentiment early in the month was helped by signs that the global economy was stabilizing and the continued rebound in the price of oil. US equities as measured by the broad Russell 3000 index advanced 0.6%, while the MSCI EAFE gained 2.9% and the MSCI All-Country World ex-US, (which includes emerging markets) was up 2.6%. The continued weakening of the US dollar against most global currencies boosted international returns for US based investors. Within fixed income, corporate bonds outperformed government bonds. The Barclays Universal bond index returned 0.7%, while the JP Morgan Global High Yield index moved higher by 3.6% for the month.

Assets in the Fund at the end of April totaled approximately \$8,848 million. The Fund's April return of 1.4% outperformed the Delaware Benchmark return of 1.0%. For the fiscal year to date, the total Fund declined 1.9%, which is 220 basis points below the Delaware Benchmark return of 0.3%.

At its meeting on May 17, 2016, the Investment Committee:

- Reviewed and approved the long term expected return assumption for the Fund of 7.2%
- Had a presentation, and question and answer session with manager Kiltarn Partners on its Global Equity strategy.
- Approved, subject to legal review, an amendment to the Limited Partnership Agreement for Summit Subordinated Debt Fund III-A.
- Approved an amendment to the Wellington Dividend Growth Schedule A.

The next meeting of the Investment Committee will be Tuesday, June 7, 2016.

MOTION made by T. Cook and seconded by T. Shaw 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 T. Cook to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw that the Board reaffirm the long-term expected return for the Fund at 7.2%.

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

There were no pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

At 10:05 a.m., there being no further business, MOTION was made by T. Shaw and seconded by T. Cook to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne Grant
Chair for the Board of Pension Trustees