1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.
2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the June 24, 2016 meeting.

MOTION made by N. Shevock and seconded by B. Maxwell to approve the Public Minutes of the June 24, 2016 Board of Pension Trustees’ meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the June 24, 2016 meeting.

MOTION made by T. Shaw and seconded by A. Agra to approve the Executive Minutes of the June 24, 2016 Board of Pension Trustees’ meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik reported that the Audit Committee will meet next week. This will be an educational meeting where some of the items discussed will be GASB 72, internal audit updates, and results of our actuarial study. The Department of Technology and Information (DTI) will be in attendance to present an educational piece on cyber security.

4. **PENSION ADVISORY COUNCIL REPORT**

Nothing to report.

5. **PENSION ADMINISTRATOR REPORT**

Vacant Positions

As of this meeting we are still down several H.R. Specialist I positions. We have had some candidates decline because of salary issues. The following positions have been filled:

- Investment Financial Manager has been filled with an effective date of August 15th.
- Training Education Administrator was filled on July 10th.

Reporting Schedule

D. Craik presented the new Reporting Schedule to the Board. Discussion was held and decisions made as to the anticipated next review dates will take place.

<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Anticipated Next Review</th>
<th>Last Review</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of Proposed Budget</td>
<td>Annual</td>
<td>9/30/16</td>
<td>9/25/15</td>
</tr>
<tr>
<td>Board Performance Self-Evaluation</td>
<td>Annual</td>
<td>9/30/16</td>
<td></td>
</tr>
<tr>
<td>Investment Policy</td>
<td>Annual</td>
<td>7/29/16</td>
<td>2/18/14</td>
</tr>
<tr>
<td>Board Operating Policy, including Committee Charters</td>
<td>Annual</td>
<td>11/16/16</td>
<td>2009</td>
</tr>
<tr>
<td>Monitoring and Reporting Policy</td>
<td>Annual</td>
<td>11/16/16</td>
<td>2009</td>
</tr>
<tr>
<td>Board Education Policy</td>
<td>Annual</td>
<td>9/30/16</td>
<td>2009</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>Annual</td>
<td>11/18/16</td>
<td>1/31/14</td>
</tr>
<tr>
<td>Proxy Voting Policy</td>
<td>Annual</td>
<td>9/13/16</td>
<td>9/30/15</td>
</tr>
<tr>
<td>Human Resources Report</td>
<td>Monthly</td>
<td>7/29/16</td>
<td></td>
</tr>
<tr>
<td>Executive Director Performance Evaluation</td>
<td>Annual</td>
<td>12/31/16</td>
<td></td>
</tr>
<tr>
<td>Legal Counsel</td>
<td>Annual</td>
<td>12/31/16</td>
<td></td>
</tr>
<tr>
<td>Securities Litigation Policy</td>
<td>Annual</td>
<td>1/27/17</td>
<td>1/30/15</td>
</tr>
</tbody>
</table>

Pension Office Sections

For educational purposes D. Craik stated that each month he will highlight a different section within the office. For this meeting he presented the organizational chart for the Pension Administration section. This section prepares estimates and counsels active employees who are thinking about retiring, disability pensioners, County/Municipal employees, and prepares all the pension calculations for employees who are retiring.

Quarterly Statistics

D. Craik reported that there were five (5) new cases reviewed for disability.

The 4th quarter statistics saw a jump in the estimates and counseling totals. The pre-retirement workshops were recently held and there were many that had to be turned away because of full capacity.
Summer Retiree Newsletter

D. Craik shared the retiree newsletter that was enclosed with the July pension benefit. The main articles he spoke about were the “Information Regarding Your Burial Benefit”, which has been a confusing subject for many of our pensioners; and the article on “How is DPERS’ Pension Fund Distributed”. The article shows of the $503.4 million DPERS disbursed to annuitants through pension payments during 2015, $407.3 million was paid to annuitants who are residents of Delaware.

Legislative Update

- SB 294 – The House passed this bill on July 1st. This bill extends the reversion time frame under the County/Municipal COLA plan to 10 years from 5 years.
- HB 363 – The Senate passed this bill on June 23rd. This bill extends the group of employees that will receive the same benefits as a Correctional Officer.
- HB 358 – This Bill was passed and signed by the Governor on June 30th. This bill centralizes the functions of the Delaware College Investment Program under the State Treasurer’s office. The Pension Office will be turning over the accounting records of this program to the Treasurer’s Office.
- There was no Post Retirement Increase for retirees

6. DEPUTY ATTORNEY GENERAL REPORT

The C. Haggerty appeal opinion was mailed out last week.

A. Johnson recently attended a conference with the National Association of Public Pension Attorneys (NAPPA). The key updates and takeaways are as follows:

- Current trends in private equity
  - Key takeaway: Pattern of lower returns generally and expectation of lower returns in the near term.
- Ins and Outs of Direct vs. Indirect Infrastructure Investments
  - Interesting, but DPERS not investing in local infrastructure
- Untangling the Cat’s Cradle: A Conversation with the SEC
  - The SEC is raising the bar for due diligence in the negotiation and decision making process in private equity. Any issue raised in a disciplinary case (Failure to disclose monitoring fees, payments to affiliate consulting firms, cash incentive plans, legal discounts, loans, acceleration of monitoring fees, etc.) must now be specifically raised in the due diligence process. Moreover, it raises the bar for monitoring and compliance of strategies. DPERS needs to do good due diligence to avoid investing in a firm that is investigated by the SEC.
- Fiduciary and Plan Governance Section
  - “Everything changes” many systems moving towards either planned de-risking over time and/or social investing. CALPRs have adopted a new investment policy that lowers risk rate over a period of 20 years. Social investing is increasingly viewed as providing “sustainability” in a way that positively impacts value.
- Fiduciary Responsibility in Selecting and Managing Relationships with Service Providers
o Although unclear how this might be incorporated into current relationships and possibly in future contracts. Sheds some clarity on Pay to Play rules, which likely apply as a restriction on any donations to the Delaware Governor’s race.

- Responding to the Media
  o This is a tricky and nuanced topic. Some positive PR is in order, but must carefully and narrowly tailored to meet misinformation.

- Tax Section: Update on current tax issues
  o Good to understand but does not directly impact DPERS
  o Will need to get a sense from tax council about what they recommend for DPERS going forward. Cadillac tax implementation delayed until 2020, and regulations need to be published.

- Senior Counsel Section – What to do if the Feds Come Knocking
  o Helpful discussion about setoff rights in bankruptcy for overpayments, etc. Clarity on right of bankruptcy court to garnish payments in light of anti-alienation status.
  o The Dual-Roled Fund Counsel and Compliance Officer – these are very important discussions for DPERS to have, and more compliance oversight and documentation would enhance the governance function and be in keeping with best practices.

8. INVESTMENT COMMITTEE REPORT

<table>
<thead>
<tr>
<th>Fund</th>
<th>June-16</th>
<th>Fiscal Year To Date</th>
<th>12-Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Fund</td>
<td>0.5%</td>
<td>-1.3%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>S &amp; P 500 Index</td>
<td>0.3%</td>
<td>4.0%</td>
<td>4.0%</td>
</tr>
<tr>
<td>60/35/5*</td>
<td>0.9%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Delaware Benchmark**</td>
<td>0.5 %</td>
<td>1.2%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>

*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 June 28th and July 19th.

The surprise outcome of the “Brexit” referendum led to volatile equity markets and a surge in demand for safe-have high quality bonds. While the initial sell-off was steep, equity markets rallied in the final days of the month and recouped much of the losses. The slump in the UK pound hurt UK equity returns, while U.S. and Japanese equities outperformed on the relative strength of the dollar and yen. U.S. equities as measured by the broad Russell 3000 index finished the month with a slight 0.2% gain, while the MSCI EAFE index declined 3.4% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 1.5%. Within fixed income, higher quality and longer duration bonds outperformed as yields moved sharply lower (prices moved higher). The heightened uncertainty triggered by the Brexit vote and a disappointing May jobs report have pushed
out expectations of additional interest rate hikes. For the month, the Barclays Aggregate bond index was up 1.8% and the Barclays Universal index was also up to 1.8%, while the riskier JP Morgan Global High Yield index moved up by 1.5%.

Assets in the Fund at the end of June totaled approximately $8,842.5 million. The Fund’s June return of 0.5% matched the Delaware Benchmark return. For the fiscal year ending June 30th, the total Fund declined 1.3% which is 250 basis points below the Delaware Benchmark return of 1.2%.

At its meeting on June 28th the Investment Committee:
- Discussed the Fund’s fixed income positioning and strategy.
- Discussed the background and potential implications of Brexit.
- Heard presentations from Centerbridge on the Credit Partners strategy and from Loomis Sayles on the Multi-sector Full Discretion Fixed Income strategy.
- Voted to recommend that the Board, by poll vote, to approve the withdrawals of $40 million from the Loomis Sayles account, $20 million each from the Sanderson International, Kiltearn Global, and Dodge & Cox International accounts, and to liquidate the redeemable portion of the October 2008 tranche of the Centerbridge Credit Partners investment (approximately $5 million). It was also recommended that the resulting proceeds of approximately $105 million be allocated to the Vanguard Short Term Federal Fund.
- Under its authority to execute documents relating to partnerships, the Investment Committee approved an amendment to the Limited Partnership Agreement for Flagship Fund V.
- Under its power to amend manager agreements, the Investment Committee voted to approve an update to the Wellington Dividend Growth Schedule A.

At its meeting on July 19th the Investment Committee:
- Discussed the Fund’s equity positioning and strategy.
- Heard a presentation from T. Rowe Price on the Natural Resources Investment Services (NRIS) strategy.
- Voted to recommend that the Board, by poll vote, to approve the withdrawal of $30 million from the R. Rowe price Global Natural Resources account with the proceeds to be allocated to the Mellon S&P 500 Index Fund.
- Recommended that the Board adopt the amended Investment Policies and Objectives.
- Heard a presentation on the performance of the illiquid non-traditional investments.
- Under its authority to execute documents relating to partnerships, the Investment Committee approved amendments to the Limited Partnership Agreements for summit Partners Growth Equity Fund IX and Advanced Technology Ventures VIII.

The next meeting of the Investment Committee will be held on Tuesday, August 6, 2016.

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 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 T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to ratify the poll vote to approve the withdrawals of $40 million from the Loomis Sayles account, $20 million each from the Sanderson International, Kiltearn Global, and Dodge & Cox International accounts, and to liquidate the redeemable portion of the October 2008 tranche of the Centerbridge Partners investment (approximately $5 million). It was also recommended for approval that the resulting proceeds of approximately $105 million be allocated to the Vanguard Short Term Federal Fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Shaw to ratify the poll vote to approve the withdrawal of $30 million from the T. Rowe Price Global Natural Resources account with the proceeds to be allocated to the Mellon S&P 500 Index Fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by B. Maxwell to adopt the amended Investment Policies and Objectives.

MOTION ADOPTED UNANIMOUSLY

9. PENDING ITEMS

There were no pending items.
10. **NEW BUSINESS**

   There was no new business.

11. **ADJOURNMENT**

   At 12:24 p.m., there being no further business, MOTION was made by N. Shevock and seconded by B. Maxwell to adjourn the meeting.

   MOTION ADOPTED UNANIMOUSLY

   Respectfully submitted,

   David C. Craik
   Pension Administrator

   Suzanne Grant
   Chair for the Board of Pension Trustees