

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF JANUARY 27, 2017**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:01 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant  
Nancy Shevock  
Art Agra  
Mike Jackson  
Tom Shaw  
Helen Foster

Trustees Absent

Rick Geisenberger

Others Present

Joanna Adams, Pension Office  
Terri Timmons, Pension Office  
Khairat Makanjuola Pension Office  
Josh Hitchens, Pension Office  
Jeff Johnson, Pension Office  
Paul Roth, TBV Advisors  
Rob Gooderham, Ashford Consulting Group  
Joe Malloy, Pension Advisory Council  
Valerie Watson, Department of Finance

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting and introductions were made.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the December 16, 2016 meeting.

**MOTION** made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the December 16, 2016 Board of Pension Trustees' meeting.

**MOTION ADOPTED UNANIMOUSLY**

The Trustees reviewed the Executive Minutes of the December 16, 2016 meeting.

**MOTION** made by T. Shaw and seconded by N. Shevock to approve the Executive Minutes, with the suggested changes, of the December 16, 2016 Board of Pension Trustees' meeting.

**MOTION ADOPTED UNANIMOUSLY**

3. **PENSION AUDIT REPORT**

J. Adams announced that the next Audit Committee meeting will be held on Friday, February 3, 2017. The independent internal audit report will be presented.

4. **GOVERNANCE COMMITTEE**

Nothing to report.

5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that Council elections were held in November. The goals for the Pension Advisory Council are to promote continued funding for OPEB, a 2% post retirement increase, to maintain the cost of healthcare premiums, and to increase the burial benefit.

There are several bills that have not been submitted in the General Assembly that the Council is backing.

## **6. PENSION ADMINISTRATOR REPORT**

### Current Vacant Positions

J. Adams reported that the office has two Human Resource Specialist III vacant positions. We are requesting to have these positions filled. We also have two vacant Human Resource Specialist I positions where 2<sup>nd</sup> interviews have been held. Second interviews have taken place for the vacant Sr. Human Resource Technician position.

### Support Services Section

J. Adams reported that each month we have been presenting to the Board a different section of the office. Today we are reporting on the Support Services Section.

This section is comprised of five full-time employees and one casual seasonal employee. The Support Services Section is the first line of contact for the office. This section answers an estimated 3,500 phone calls and handles over 900 walk-in customers per month. The front desk staff helps customer's complete paperwork, notarizes documents, and enters actuarial beneficiary data into our system. On a rotating basis three full-time and one casual seasonal employees work in our Imaging/File Room handling all outgoing and incoming mail. Staff prepares all documents, scans them into our imaging system and indexes them to appropriate workflow queues. Staff handles roughly 13,000 documents imaged into the system and 6,000 pieces of mail per month.

The Administrative Specialist III and the Office Manager supports the office administration, the Board and its Committees. Other duties include building security, Appeal Hearings coordination, personnel issues, and prepare retiree and active employee newsletters.

### Reporting Schedule

J. Adams reported that there are a few outstanding reviews that need to be completed. A. Johnson stated she has been working on these and is prepared to move forward in presenting them to the Board at a future meeting.

### Quarterly Statistics

J. Adams reported that FY17 second quarter statistics show some differences because of Open Enrollment for Healthcare, a heavy August payroll, and the Open Enrollment for Medicare.

Disability Report reflects three new cases with a total of 16 for the rolling 12 month period.

## **7. DEPUTY ATTORNEY GENERAL REPORT**

Ann Marie Johnson reported that the Haggerty appeal is still pending in Superior Court. The Richardson appeal is with the Supreme Court.

Ms. Johnson also noted that she would be attending the National Association of Public Pension Attorneys (NAPPA) Conference in late February.

## 8. INVESTMENT COMMITTEE REPORT

DPERS Fund assets are estimated to be \$9,042.2 million at December 31, 2016, representing a net increase of \$55.9 million during the month. Estimated returns through December 31, 2016 are as follows:

<u>Fund</u>	<u>Dec-16</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	1.0%	4.2%	7.0%
<b>S &amp; P 500 Index</b>	2.0%	7.8%	12.0%
<b>60/35/5*</b>	1.3%	3.6%	8.3%
<b>Delaware</b>	1.4%	3.8%	7.5%
<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 U.S. equities finished the last month of 2016 higher as ISM reports showed strength and the Conference Board's consumer confidence index climbed to the highest level since 2001. Citing improvement in economic conditions, the Federal Reserve decided to raise interest rates following its mid-month policy meeting. While the increase was widely anticipated, policymakers indicated a more aggressive pace of future tightening than expected, which served to limit equity gains for the period. As measured by the broad Russell 3000 index, U.S. equities finished the month up 2.0%. International equity performance outpaced U.S. equities as the MSCI EAFE index advanced 3.4% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 2.6%. In fixed income markets, interest rate exposure detracted value as yields rose, while credit exposure was beneficial to performance. For the month, the Barclays Universal bond index was up 0.3%, while the Barclays U.S. TIPS index had a -0.1% return and the Barclays US Corporate High Yield index gained 1.8%.

Mr. Gooderham reported that, since the Board's last meeting, the Investment Committee met twice, on January 10<sup>th</sup> and 24<sup>th</sup>.

At its January 10 meeting, the Investment Committee:

- Received and discussed an introduction from Ashford Consulting Group on Global Macro Strategies and potential new manager, Bridgewater.
- Received and discussed a presentation from existing manager T. Rowe Price on their Floating Rate bank loan fund.
- Reviewed and discussed the Fund's upcoming liquidity needs.

At its January 24<sup>th</sup> meeting, the Investment Committee:

- After a discussion and review, under its authority to amend manager agreements, the Investment Committee approved, pending final legal review, amendments to the T. Rowe Price investment management agreement in connection with the transfer of the Fund's loan investments into a separate account.
- Received and discussed an update from Ashford Consulting Group on the Non-Traditional program and an update on public equity in the private investments.
- Reviewed and discussed a presentation from prospective manager Bridgewater, and a recommendation to invest \$200 million in Bridgewater's Pure Alpha Major Markets 21% volatility strategy.
- Under its authority to amend documents relating to partnerships, the Investment Committee approved an amendment to the Limited Partnership Agreement for Summit Partners VII.

The next meeting of the Investment Committee is being re-scheduled.

**MOTION** made by H. Foster 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 T. Shaw and seconded by H. Foster to exit Executive Session.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by H. Foster and seconded by A. Agra to ratify the poll vote to transfer \$100 million from Vanguard Short Term Federal Fund to the Cash account.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by A. Agra and seconded by M. Jackson to ratify the poll vote to invest \$200 million in the Bridgewater Pure Alpha Major Markets 21% volatility fund.

**MOTION ADOPTED UNANIMOUSLY**

**MOTION** made by N. Shevock 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 A. Agra and seconded by T. Shaw 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 11:19 a.m., there being no further business, **MOTION** was made by N. Shevock and seconded by M. Jackson to adjourn the meeting.

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,

David C. Craik  
Pension Administrator