

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
MCARDLE BUILDING  
860 SILVER LAKE BLVD., SUITE 1  
DOVER, DE 19904-2402

**When Calling Long Distance**  
**Toll Free Number 1-800-722-7300**  
**E-mail: [pensionoffice@state.de.us](mailto:pensionoffice@state.de.us)**

**Telephone (302) 739-4208**  
**FAX # (302) 739-6129**  
**[www.delawarepensions.com](http://www.delawarepensions.com)**

**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF FEBRUARY 24, 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  
Helen Foster  
Rick Geisenberger (via phone)

Trustees Absent

Tom Shaw

Others Present

Dave Craik, Pension Office  
Joanna Adams, Pension Office  
Terri Timmons, Pension Office  
Ann Marie Johnson Deputy Attorney General (via phone)  
Khairat Makanjuola Pension Office  
Josh Hitchens, Pension Office  
Jeff Johnson, Pension Office  
Paul Roth, TBV Advisors  
Rob Gooderham, Ashford Consulting Group  
Gary Musto, Ashford Consulting Group  
Charlotte Lister, Pension Advisory Council  
Jim Testerman, Pension Advisory Council  
Joe Malloy, Pension Advisory Council

**1. OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

**2. APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the January 27, 2017 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Public Minutes of the January 27, 2017 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the January 27, 2017 meeting.

MOTION made by A. Agra and N. Shevock seconded by to approve the Executive Minutes of the January 27, 2017 Board of Pension Trustees' meeting with additional changes.

MOTION ADOPTED UNANIMOUSLY

**3. PENSION AUDIT REPORT**

D. Craik reported that an Audit Committee meeting was held on February 3<sup>rd</sup> in which the Committee members received a presentation by Protiviti on the proposed internal audit plan. They discussed Protiviti's prioritized items at length.

D. Craik stated that we have two options on how to proceed. D. Craik would speak with our Human Resource Management Office (HRM) for the possibility of hiring an Auditor within the State guidelines, or hire someone on a contractual basis. S. Grant suggested hiring a company to begin the process while going forward with having HRM finding us a position within the state. DPERS will prepare a Request for Proposal (RFP) to hire an audit company. The next Audit Committee meeting will be held on April 21<sup>st</sup>.

**4. GOVERNANCE COMMITTEE**

D. Craik reported that a conference call was held with T. Shaw, J. Burke, R. Geisenberger, M. Jackson, A. Johnson and himself to discuss the direction the Board wants to go in. Further discussion will be held on the personnel issues but the Governance Committee will move forward with other items.

## 5. PENSION ADVISORY COUNCIL REPORT

Burial benefit has been put on hold indefinitely; otherwise there is nothing new to report.

## 6. PENSION ADMINISTRATOR REPORT

### Risk Management

P. Roth handed out DPERS Dashboard Report and stated there were no significant changes to report.

### Positions

D. Craik reported that we are currently conducting interviews for two H.R. Specialist III vacancies, one H.R. Specialist I position was filled this week and one Administrative Specialist II vacancy has been posted.

### Reporting Schedule

D. Craik reported that Ms. Johnson has sent DPERS Code of Conduct Policy to the Governance Committee to review proposed changes. When this is completed the policy will be brought to the Board for final review. Ms. Johnson stated that she is also working on updating the Boards Policy and Procedures Manual.

### Investments Accounting Section

The Accounting section is responsible for all financial reporting activities of the system. The primary responsibilities include but are not limited to the following:

- Record pension related transactions of payroll contributions from state agencies, pension buy-ins, payment of pension benefits, burial benefit and performing monthly reconciliations to a variety of source data including First State Financials (FSF), PHRST (State's Payroll Agency), custodial bank and lockbox accounts
- Calculates the amounts to be transferred to/from the custodial bank to be invested (for the Pension and OPEB Trusts) and/or cover administrative expenses
- Verifies the accuracy of and record transactions with custodian bank for pension contributions received from participating entities ("manual load") outside the state accounting system
- Records payments of health premiums received from retirees as well as Hartford LTD deductions for participants
- Runs reports from FSF and custodial bank; analyze and summarize transaction data and prepare journal entries in Great Plains to capture all pension transactions from data sources
- Prepares monthly financial statements and perform reconciliations to the underlying data sources
- Prepares the Comprehensive Annual Financial Report for the system. This also includes responding to external auditor's requests for supporting documentation
- Supports the Board and its committees, office management and staff, State Auditors and External Auditors and others to complete ad hoc tasks

### Legislative Update

D. Craik stated that the correctional officers want a 20 year retirement. Further discussions will take place with the sponsor of the bill next week. 911 workers are requesting a 20 year retirement. D. Craik reported that this would be very expensive to do so they will look into a 25 year retirement.

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

Nothing to report.

#### **8. INVESTMENT COMMITTEE REPORT**

Global equity and fixed income markets advanced in the first month of 2017. Equity market strength was helped by improving economic data, better corporate earnings reports and low but rising inflation. While much of the period was characterized by optimism, concerns over the Trump administration's approach to trade and immigration policies rose near month-end and erased some of the gains experienced earlier in the month. US equities as measured by the broad Russell 3000 index advanced 1.9%, while the MSCI EAFE index gained 2.9% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 3.5%. Gains for US investors in international markets were helped by a US dollar that broadly weakened. Fixed income market returns were positive, but modest, for January as the Barclays Universal bond index was up 0.4%. The Barclays U.S. Tips index had a 0.8% return and the Barclays US Corporate High Yield index gained 1.5%.

DPERS Fund assets are estimated to be \$9,144.5 million at January 31, 2017, representing a net increase of \$102.4 million during the month. Estimated returns through January 31, 2017 are as follows:

<b><u>Fund</u></b>	<b><u>Jan-17</u></b>	<b><u>Fiscal Year To Date</u></b>	<b><u>12-Month</u></b>
<b>Total Fund</b>	1.5%	5.7%	11.8%
<b>S &amp; P 500 Index</b>	1.9%	9.9%	20.0%
<b>60/35/5*</b>	1.2%	4.9%	12.5%
<b>Delaware</b>	1.6%	5.4%	12.6%
<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 since the Board's last meeting, the Investment Committee had met once on February 23<sup>rd</sup>. At that meeting, the Investment Committee:

- Reviewed and discussed a presentation from potential new manager AJO Partners, and a recommendation to invest \$400 million in AJO's Managed 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 Growth Equity Fund IX.
- Reviewed and discussed the Thornburg Transition
- Convened an OPEB Trust meeting to review 4Q16 performance

The next meeting of the Investment Committee will be on Tuesday, March 14, 2017.

MOTION made by A. Agra and seconded by H. Foster to enter into Executive Session to consider pension personnel matters, and confidential medical records, legal matters, sensitive commercial 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 N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by A. Agra to approve a recommendation to invest \$400 million in the AJO Partners Managed Volatility strategy, funded by \$100 million from Focused Investors, \$200 million from Wellington Dividend Growth, \$50 million each from the Mellon S&P 500 index and Mellon Value index fund accounts.

MOTION ADOPTED UNANIMOUSLY

## 9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 10:29 a.m., there being no further business,  
MOTION was made by M. Jackson and seconded  
by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Suzanne Grant, Chair  
Board of Pension Trustees