

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF FEBRUARY 23, 2018

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:10 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant
Nancy Shevock
Mike Jackson
Rick Geisenberger

Trustees Absent

Art Agra
Helen Foster
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
Jeff Johnson, Pension Office
Jennifer Dilworth, Pension Office
Stephenie Tatman, Pension Office
Josh Hitchens, Pension Office
Paul Roth, TBV Advisors
Joe Malloy, Pension Advisory Council
Rob Gooderham, Windmark Investment Partners

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the January 26, 2018 meeting.

MOTION made by N. Shevock and seconded by S. Grant to approve the Public Minutes of the January 26, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the January 26, 2018 meeting.

MOTION made by R. Geisenberger seconded by and N. Shevock to approve the Executive Minutes of the January 26, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. PENSION AUDIT REPORT

Stephenie Tatman and KPMG are reviewing and meeting with managers on their processes. The next meeting for the Audit Committee will be on May 4, 2018.

4. GOVERNANCE COMMITTEE

D. Craik, J. Adams and P. Roth have reviewed the AON report. They have chosen five items for the Governance Committee to review. D. Craik will speak with T. Shaw and schedule a Committee meeting.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy stated that the spring workshops have been scheduled for the month of March. He is asking members of the Pension Advisory Council attend these workshops.

6. PENSION ADMINISTRATOR REPORT

Risk Management

P. Roth is working on updating this report. There has not been much change.

Positions

D. Craik stated that we are continuing to post and interview for vacant positions.

Pension Activities

February payroll, which is the second busiest month for pensions, had 238 employees retiring as of December 31, 2017

Training classes have been scheduled for our external users.

Reporting Schedule

D. Craik reported that there are a few items on the Reporting Schedule that need to be reviewed.

Other

D. Craik stated that the Actuarial RFP questions, from interested Firms, are due on March 1st, with RFP responses due by March 22nd.

Comprehensive Annual Statements were mailed to active employees and retirees. This has generated more calls.

Mr. Craik reminded the Board to complete DTI's Securing the Human training. He stated that 50% of the office has completed the training.

The City of Wilmington has inquired on the increasing FY19 employer contributions. Mr. Craik is working on answering their questions.

D. Craik met with Town of Elsmere in reference to their participation in the County/Municipal Police plan. There has been some confusion on when a new hire enters the plan. D. Craik will continue to have discussions with the Town.

D. Craik recently had an inquiry in reference to DPERS ownership of any companies that manufacture weapons for the weapon that was involved in the recent incident in Florida. He reported that DPERS does not invest in any of those companies.

7. DEPUTY ATTORNEY GENERAL REPORT

Ann Marie Johnson reported that she is currently attending the NAPPA conference in Arizona.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that global equity markets began 2018 with strong gains in reaction to the positive impact of strong economic data and tax reform on corporate earnings expectations. Sentiment shifted towards month-end as investors became concerned that strengthening economic growth may result in higher inflation and force the Federal Reserve to pursue a more aggressive pace of monetary policy tightening. The broad Russell 3000 index gained 5.3%, while the MSCI EAFE index was up by 5.0% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) rallied 5.6%. Treasury yields moved higher (prices lower) over the month in response to stronger economic data and fears of higher inflation. For the month, the Barclays Universal bond index was down 1.0%, the Barclays TIPS index fell 0.9%, while the riskier Barclays High Yield index rose 0.6%.

DPERS Fund assets are estimated to be \$10,160.2 million at January 31, 2018, representing a net increase of \$224.6 million during the month. Estimated returns through January 31, 2018 are as follows:

<u>Fund</u>	<u>Jan-17</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	2.7%	9.5%	15.2%
S & P 500 Index	5.7%	17.8%	26.4%
60/35/5*	3.0%	10.5%	16.3%
Delaware	2.7%	9.5%	15.2%
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

Mr. Gooderham reported that, at its January 30th meeting, the Investment Committee reviewed and discussed:

- A presentation from T. Rowe Price on their Floating Rate Strategy
- A fixed income portfolio analysis and recommendation

Additionally, he reported that, at its February 13th meeting, the Investment Committee reviewed and discussed:

- A presentation from Meritech Capital Partners
- A presentation from The Carlyle Group
- Discussion of Windmark's analysis on each fund manager and presentation of analysis on:
 - Meritech Capital Partners Fund VI
 - Carlyle Partners Fund VII

The next meeting of the Investment Committee is scheduled for Tuesday, March 13, 2018.

MOTION made by N. Shevock and seconded by R. Geisenberger 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 R. Geisenberger and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Geisenberger and seconded by N. Shevock to ratify the poll vote and approve the recommendation to liquidate the Vanguard Short Term Corporate account, with proceeds of approximately \$103 million to be allocated to the Cash account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by R. Geisenberger to ratify the poll vote and approve an additional co-investment of up to \$40,000 in Carlyle Partners Fund VI, subject to satisfactory legal review of the documents.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by R. Geisenberger to approve a commitment of up to \$100 million in Carlyle Partners Fund VII, subject to satisfactory legal review of the documentation.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 10:24 a.m., there being no further business, MOTION was made by S. Grant and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne Grant, Chair
Board of Pension Trustees