



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

Telephone (302) 739-4208
FAX # (302) 739-6129
www.delawarepensions.com

BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JULY 27, 2018

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:03 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant
Nancy Shevock
Helen Foster (via phone)
Art Agra
Tom Shaw
Mike Jackson

Trustees Absent

Rick Geisenberger

Others Present

Dave Craik, Pension Office
Joanna Adams, Pension Office
Terri Timmons, Pension Office
Khairat Makanjuola, Pension Office
Jeff Johnson, Pension Office
Jennifer Dilworth, Pension Office
Stephenie Tatman, Pension Office
Josh Hitchens, Pension Office
John McCartney, Pension Office
Paul Roth, TVB Advisors
Rob Gooderham, Windmark
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 June 29, 2018 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the June 29, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the June 29, 2018 meeting.

MOTION made N. Shevock and seconded by T. Shaw to approve the Executive Minutes, of the June 29, 2018 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. PENSION AUDIT REPORT

D. Craik reported that the Audit Committee met earlier this month and received an update from KPMG.

4. GOVERNANCE COMMITTEE

T. Shaw reported that the Governance Committee reviewed the AON Recommendations, which D. Craik sorted by the status. The time frame for the Ongoing category is being worked on; there are two that are not applicable, and all the rest of the items are completed. The Committee's next steps will be to look at the ongoing items and prioritize them. S. Grant stated this was very helpful so that the Board can see what has been completed and what is left to be worked on.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy stated that the Pension Advisory Council was pushing for a 2% PRI but instead retirees will receive a one-time \$400 supplement.

6. PENSION ADMINISTRATOR REPORT

Risk Management

Nothing to report.

Positions

D. Craik reported that we have sent a request to hire for our vacant H.R. Specialist III positions. Both of these are in-house employees. He further added that we will be losing our State Accountant II in August and will requesting to fill this position.

Activities Report

There has been low activity because of our busy August payroll.

Quarterly Activities

- Healthcare changes and additions were lower in the 4th quarter due to no changes with healthcare during Open Enrollment.
- Our walk-in customers increased during the 4th quarter due to Open Enrollment.
- The Department of Technology and Information is in charge of the phone lines and the reports that we use for statistical purposes. DTI is working on a new contract with the software provider. This is why we could not run the phone call totals for the 4th quarter.
- Incoming mail numbers are down for the quarter compared to the 3rd quarter. The 3rd quarter was higher due to the annual statements being mailed out.
- Disability Report - there currently 4 new cases which is our average.

Reporting Schedule

D. Craik stated that he is working with Ms. Johnson and Ms. Timmons so that the schedule will be updated for the September meeting.

Retiree Newsletter

D. Craik stated that included in the Board binders was a copy of the Retiree Newsletter that will be mailed out with the July benefit payment. Articles include the following:

- Senate Bill 236 – one-time supplemental payment for retirees
- New Medicare Cards
- Pensions Website Makeover
- Recent Phone Scams

Legislative Update

None of our Bills have been signed by the Governor except the \$400 one-time supplement.

Diamond State Port is still being worked on but the transition should happen in September. Our office has been developing a statement to provide information to the employees of the Port Pension Plan.

7. DEPUTY ATTORNEY GENERAL REPORT

Ms. Johnson reported that the Internal Auditor, Governance Committee and the Attorney General's Office had approved the updated Fraud Policy, which will be discussed in Executive Session.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that positive economic data in the US outweighed rising trade tensions as the Russell 3000 index managed a 0.7% gain. Non-US stocks underperformed as a strengthening US dollar, combined with concerns over global trade to international equities lower by 1.9%, as measured by the MSCI All-Country World ex-U.S. stock index (which includes emerging markets). In fixed income markets, yields moved modestly higher in response to positive economic data, higher inflation expectations and another Federal Reserve rate hike. For the month, the Barclays Universal bond index was down 0.1%, the Barclays TIPS index was up 0.4%, while the riskier Barclays High Yield index gained 0.4%.

Mr. Gooderham reported that DPERS Fund assets are estimated to be \$9,884.9 million at June 30, 2018, representing a net decrease of \$32.4 million during the month. Estimated returns through June 30, 2018 are as follows:

<u>Fund</u>	<u>Jun-18</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.0%	8.4%	8.4%
S & P 500 Index	0.6%	14.4%	14.4%
60/35/5*	0.3%	8.3%	8.3%
Delaware Benchmark**	-0.2%	7.0%	7.0%

*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 July 17th Investment Committee meeting, the Committee reviewed and discussed presentations on:

- Private Investment second quarter performance
- AJO and that firm's managed volatility strategy
- Windmark's Chinese Market Outlook
- A discussion on Environmental, Social and Governance (ESG) investment considerations

Mr. Gooderham also noted that the Board would be asked later in the meeting to ratify its poll vote approval of the Investment Committee's recommendation to withdraw \$100 million from the

BNY Mellon Stock index fund, allocating \$80 million of the proceeds to the T. Rowe Price Asia Opportunities account and the remaining \$20 million to the Cash Account.

The next meeting of the Investment Committee is scheduled for Tuesday, August 21, 2018.

MOTION made by T. Shaw and seconded by N. Shevock 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 T. Shaw and seconded by A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by A. Agra to ratify its poll vote approval of the withdrawal of \$100 million from the BNY Mellon Stock Index fund, allocating \$80 million of the proceeds to the T. Rowe Price Asia Opportunities account and the remaining \$20 million to the Cash account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to approve the Economically Targeted Investments (ETI) and Environmental, Social and Governance (ESG) policy.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Shaw to approve the updated Fraud Policy and Procedures.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

10. **NEW BUSINESS**

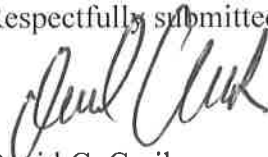
There was no new business.

11. **ADJOURNMENT**

At 10:40 a.m., there being no further business, MOTION was made by T. Shaw and seconded by A. Agra to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,



David C. Craik
Pension Administrator



Suzanne Grant, Chair
Board of Pension Trustees