

**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 JANUARY 29, 2016**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:00 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant  
Helen Foster  
Nancy Shevock  
Ann Visalli  
Tom Cook

Trustees Absent

Tom Shaw (by conference call)  
Art Agra

Others Present

Dave Craik, Pension Office  
Kathy Kunkle, Pension Office  
Amy Jozwiak, Pension Office  
Khairat Makanjuola, Pension Office  
Josh Hitchens, Pension Office  
Lincoln Nathan, Pension Office  
Jennifer Dilworth, Pension Office  
Paul Roth, Pension Office  
Rob Gooderham, Ashford Consulting Group  
Ann Marie Johnson, Deputy Attorney General, Delaware Department of Justice  
Jim Testerman, PAC

1. **OPENING COMMENTS**

S. Grant welcomed everyone and called the meeting to order.

## 2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the December 15, 2016 meeting.

MOTION made by H. Foster and seconded by N. Shevock to approve the Public Minutes of the December 15, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the December 15, 2015 meeting.

MOTION made by N. Shevock and seconded by H. Foster to approve the Executive Minutes of the December 15, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

## 3. INVESTMENT COMMITTEE REPORT

Estimated assets in the Fund at the end of **December** totaled \$8,773 million. The Fund's estimated December return of -1.2% outperformed the Delaware Benchmark return of -1.4%. For the fiscal year to date, the Total Fund was down 4.0%, versus the Delaware Benchmark return of -2.3%.

|                     | <u>Dec-15</u> | <u>Fiscal<br/>YTD 12/31/15</u> | <u>Calendar<br/>Year 2015</u> |
|---------------------|---------------|--------------------------------|-------------------------------|
| Total Fund          | -1.2%         | -3.9%                          | -0.9%                         |
| S&P 500 Index       | -1.6%         | 0.2%                           | 1.4%                          |
| Delaware Benchmark* | -1.4%         | -2.3%                          | -0.6%                         |

\* 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

Global equity and fixed income markets moved lower in the last month of 2015. Major themes of the year such as the collapse in the price of oil and diverging monetary policy dominated headlines again during the month. As was widely expected, the Federal Reserve raised interest rates for the first time in almost a decade. In contrast to the tightening monetary conditions in the US, the European Central Bank further cut deposit rates and extended their asset-buying program by another six months. US equities as measured by the broad Russell 3000 index moved lower by 2.1%, while the MSCI EAFE declined 1.3% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 1.9%. In the negative environment for equities, fixed income did not provide much relief. The rate hike by the Federal Reserve led Treasury yields to rise

moderately and the drop in the price of oil pressured credit spreads. The Barclays Aggregate bond index fell 0.3%, while the JP Morgan Global High Yield index was down 2.9% for the month.

Since the Board's last meeting, the Investment Committee has met once, on January 12<sup>th</sup>.

At that meeting, the Committee voted to recommend that the Board by poll vote approve the liquidation of the Rutabaga Capital Management account with mechanics of the transition to be delegated to Ashford Consulting Group. Proceeds from the liquidation will be allocated to the cash account.

The Committee under its authority to approve documentation amendments for existing manager relationships, approved amendments to the limited partnership agreements for Summit Partners Growth Equity Fund IX and Lightstone Ventures.

The next meeting of the Investment Committee will be Tuesday, February 16th.

MOTION made by N. Shevock and seconded by T. Cook to approve liquidation of the Rutabaga Capital Management account.

MOTION ADOPTED UNANIMOUSLY

#### **4. AUDIT COMMITTEE REPORT**

David Craik stated that Kathy White has joined the audit committee. The Committee met on January 28<sup>th</sup> and reviewed the status of the FY15 audit and the RFP issued by the Auditor's Office for FY16. The Audit Committee will meet in late April of 2016, unless the status of the RFP warrants an earlier meeting.

#### **5. PENSION ADVISORY COUNCIL REPORT**

Jim Testerman stated that retirees had a negative reaction to the Governor's Proposed Budget for Fiscal Year 2017 with increases in health care and no increase for pensioners.

#### **6. PENSION ADMINISTRATOR REPORT**

##### Pension Office Activities

D. Craik announced the retirement of Kathy Kunkle, Deputy Pension Administrator effective April 29, 2016. Judy Lomax from the Investments section will be retiring in July of 2016.

The Governor's Proposed Budget for FY2017 indicates a possible salary increase for active employees of \$500 or 1% - whichever is greater. Other cost cutting suggestions include deleting double state share for health insurance, retiree's pay 5% of the Medicaid supplement premium and a new health plan option for new hire employees.

Next week D. Craik will meet with Chief Justice to discuss changes in the Judicial Plan. Meeting scheduled with Governor and Fraternal Order of Police to discuss police positions covered by the State Employees' Pension plan such as Capitol Police and DNREC law enforcement positions.

All tax reporting forms for 2015 have been mailed along with the Retiree Annual Statements. D. Craik stated the Actuarial Reports for each plan for FY2015 are located outside the Board Room.

Susan Grant thanked K. Kunkle for her work at the Pension Office and that she is much appreciated.

**7. DEPUTY ATTORNEY GENERAL REPORT**

Nothing to report.

MOTION made by T. Cook and seconded by N. Shevock 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. Cook and seconded by N. Shevock to exit Executive Session.

**MOTION ADOPTED UNANIMOUSLY**

MOTION made by N. Shevock and seconded by H. Foster to approve the Board recommendation that A. Brad Richardson's request for a waiver of the ten year service vesting be denied.

**MOTION ADOPTED UNANIMOUSLY**

MOTION made by N. Shevock and seconded by H. Foster to approve the Board recommendation that Dr. Charles Johnson's request for a higher pension be denied.

**MOTION ADOPTED UNANIMOUSLY**

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on February 26, 2016 at 9:00 a.m., at the Delaware Conference room of the Office of Pensions.

At 12:15 a.m., there being no further business, MOTION was made by N. Shevock and seconded by H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

---

Suzanne B. Grant  
Chair for the Board of Pension Trustees