

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JUNE 24, 2016

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

Trustees Present

Suzanne Grant
Nancy Shevock
Art Agra
Brian Maxwell
Tom Shaw
Helen Foster

Trustees Absent

Tom Cook

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Khairat Mankanjuola, Pension Office
Jennifer Dilworth, Pension Office
Paul Roth, TBV Advisors
Rob Gooderham, Ashford Consulting Group
Charlotte Lister, PAC
Fiona Liston, Cheiron
Elizabeth Wiley, Cheiron
Rebecca Reichardt, Budget Analyst

1. **OPENING COMMENTS**

S. Grant welcomed everyone to today's meeting.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the May 20, 2016 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the May 20, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 20, 2016 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Executive Minutes of the May 20, 2016 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. ACTUARIAL REPORT

Fiona Liston and Elizabeth Wiley of our actuary, Cheiron, presented the Board with their experience study. Every five years, an experience study is performed to review all of the assumptions used in the actuarial valuations. The analysis covers both economic and demographic assumptions. History of the system's liability has shown no obvious bias towards liability gains or losses. As such, the goal is to propose changes to demographic assumptions that fit the experience better, but that have an overall neutral impact on the liabilities. The assumptions adopted as a result of this study will be used to update the June 30, 2015 liabilities, which are the basis of the June 30, 2016 accounting disclosures.

The Board deliberated and asked question regarding the experience study. The details of the presentation are available if requested; the following is a general description of the discussion:

- Reduce inflation rate from 3.0% to 2.5%
- Mortality assumptions, based on RP-2014 mortality tables with gender adjustments for healthy annuitants and disabled retirees and an adjusted version on MP-2015 mortality improvement scale on a fully generational basis
- State Employees Pension Plan
 - Adjust merit salary assumptions
 - Adjust retirement rates
 - Adjust termination tables
 - Change disability rates for those employees over age 60

- Judiciary Pension Plan
 - Adjust merit salary assumptions
 - Adjust retirement rates

- New State Police Pension Plan
 - Adjust merit salary assumptions
 - Adjust retirement rates
 - Adjust termination tables
 - Change disability rates

- County & Municipal Police & Firefighter Pension Plan
 - Adjust merit salary assumptions
 - Adjust retirement rates

- County & Municipal General Pension Plan
 - Adjust merit salary assumptions
 - Adjust retirement rates
 - Adjust termination tables
 - Change disability rates

- Volunteer Firemen's Pension Plan
 - Adjust termination tables
 - Adjust retirement rates
 - Assume a 2/3 accrual rates for active employees
 - Increase administrative expense assumption

- Diamond State Port Pension Plan
 - Adjust merit salary assumptions
 - Adjust retirement rates
 - Adjust termination tables
 - Change disability rates for those employees over age 60

MOTION made by T. Shaw and seconded by B. Maxwell to approve the experience study recommendations.

MOTION ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to approve the Report and Recommendation of the remand appeal of Christiane Haggerty, subject to requested changes in the Opinion.

MOTION ADOPTED UNANIMOUSLY

4. PENSION AUDIT REPORT

D. Craik reported that last Tuesday the Entrance Audit Committee meeting took place. Stephanie Tatman, Auditor Manager from the Auditor's Office, and the new audit firm BDO were in attendance. In July and August BDO will be starting the testing and confirmation process, visit DTI, and begin the IT audit with in the Pension Office. In August the actuarial census data information testing will begin. D. Craik stated that there are no concerns that BDO cannot make the time frame and that BDO will provide weekly reports to D. Craik. The audit contract addendum between the Auditor's Office and BDO has been completed.

The Audit Committee wants to meet in July for educational purposes.

5. PENSION ADVISORY COUNCIL REPORT

Nothing to report.

6. PENSION ADMINISTRATOR REPORT

Legislation

There will not be a Post Retirement Increase (PRI) for pensioners this year.

HB363 passed the House and Senate – will be sent to governor for signature. The State Employee Pension’s law was amended in 2014 to permit correctional officers employed in positions that are classified as Hazardous Duty Level A-1 to retire at 25 years without any reduction. Those employees will pay a higher employee contribution rate. Those employees that continue to work past 25 years of service will have the multiplier used in the calculation of benefits increased for the years past 25 years. This bill extends the same treatment to other law enforcement type of positions within the Plan. These officers are probation and parole officers in the Department of Corrections, Capitol Police Officers, DNREC Police Officers, University of Delaware Police, and officers working for the State Fire Marshal. There is a two-year delay between the effective date of the increased contribution and the implementation of the new benefit calculation.

HB 430 – this bill clarifies that a Department of Corrections employee who has served for 25 years with at least 20 years as a correction officer is eligible to retire at 25 years.

Vacant Positions

- Deputy Pension Administrator – interviews will continue
- Training/Educator Administrator – second interviews completed
- 2 H.R. Specialist I – waiting for approval to post
- Investment Financial Manager – interviews will begin next week
- 4 H.R. Specialist I – second interviews will be scheduled

7. DEPUTY ATTORNEY GENERAL REPORT

Nothing to report

8. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>May-16</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.1%	-1.8%	-1.0%
S & P 500 Index	1.8%	3.7%	1.7%
60/35/5*	1.1%	4.0%	2.4%
Delaware	0.4%	0.7%	0.6%
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

The Investment Committee has not met since the Board’s last meeting.

In May, global equities produced mixed results, while fixed income returns were slightly positive. Domestic equity performance was helped by improving economic data, including strong housing market and retail sales data. The better-than-expected economic data added to expectations that the Federal Reserve may move to increase rates further this summer and supported the US dollar,

which broadly rallied against most major currencies. US equities as measured by the broad Russell 3000 index finished the month higher by 1.8%, while the MSCI EAFE declined 0.9% and the MSCI All-Country World ex-US stock index (which includes emerging markets) was down 1.7%. While the prospect of higher interest rates helped shorter-term bond yields move higher, longer-term yields were little changed over the period. Got the month, the Barclays Universal bond index returned 0.1% while the JP Morgan Global High Yield index moved higher by 0.8% for the month.

Assets in the Fund at the end of May totaled approximately \$8,825 million. The Fund returned 0.1% in May and underperformed the Delaware Benchmark return of 0.4%. For the fiscal year to date, the total Fund declined -1.8% which is 250 basis points below the Delaware Benchmark return of 0.7%.

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 11:10 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 for the Board of Pension Trustees