

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF DECEMBER 14, 2012

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

Trustees Present

Suzanne Grant
Ann Visalli
Nancy Shevock
Tom Shaw
Tom Cook
Arturo Agra
Helen Foster

Trustees Absent

Others Present

Dave Craik, Pension Office
Kim Vincent, Pension Office
Cindy Collins, DAG
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Jeff Hoover, Pension Office
Rob Gooderham, Ashford Consulting Group
Joe Malloy, PAC
Charlotte Lister, PAC
Jim Testerman, PAC
Courtney Stewart, Controller General's Office

Dr. Robert Brereton
Dr. Aydin Bill
Dr. Vincent Del Duca, Jr
Dr. Charles Riegel
Dr. William Shellenberger
Dr. Phyllis Smoyer

1. **OPENING COMMENTS**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant.

D. Craik announced that former Board Member and Chair, Ray Minnix, passed away recently. Mr. Minnix had been a Board member since 1989 and was Chair from 1990 through 1995. He had been on a special committee that developed the pre-retirement increase for pensioners.

S. Grant announced that DPERS Deputy Attorney General (DAG), Cindy Collins, will be leaving the Pension Office to become the new DAG with DEDO as of February 1st. Anne Marie Johnson, DAG with DEDO will be the new DAG for the Pension Office. Per A. Visalli, a lot of changes are being made within the Attorney General's Office and the transfer has no reflection on the work C. Collins has done for the Pension Office. On behalf of the Board, C. Collins was thanked for her hard work.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the November 16, 2012 meeting.

MOTION made by N. Shevock and seconded by H. Foster to approve the Public Minutes of the November 16, 2012 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the November 16, 2012 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Executive Minutes of the November 16, 2012 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **MEDICAL COMMITTEE REPORT**

Dr. Shellenberger stated that when most individuals involved in a disability case are referred/recommended to consult with and engage in Vocational Rehabilitation they usually do not pursue the referral and recommendation. Currently, as the process is designed there are no consequences to the individual with respect to the collection of benefits when this occurs.

On behalf of the Board, S. Grant thanked the Medical Committee for everything they do.

4. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 11/30/12

Total assets in the Fund at the end of November totaled \$7,644MM. Due to the earliness of meeting dates in December, estimated returns for the Fund were to be supplied once available. Benchmark returns for the month are shown below.

<u>Fund</u>	<u>Nov-12</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.3%	3.4%	10.4%
S & P 500 Index	0.6%	5.0%	16.1%
60/35/5*	0.3%	3.7%	11.9%
Delaware	0.8%	5.0%	11.3%
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

With continued anxiety about the “Fiscal Cliff”, equity markets experienced slightly positive returns in the month of November. The S&P 500 was up 0.6%, while small cap stocks, as measured by the Russell 2000, gained 0.5%. International stock returns were better than domestic equity returns with the MSCI EAFE international stock index up 2.4%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) gained 1.9% in November. Fixed income market returns were modestly positive in November. The Barclays Universal Bond Index was up 0.2%, while the JP Morgan Global High Yield index gained 0.9% in November. The Barclays TIPS index gained 0.5% for the month.

The Investment Committee has met once since the last Board meeting.

At the Investment Committee meeting held on December 11, 2012, the Investment Committee received a presentation from existing manager Loomis Salyes. The Investment Committee also received a review of the Fund’s Alternatives investment program.

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved the following:

- OneLiberty III term extension
- OneLiberty IV term extension
- OneLiberty 2000 term extension
- ONSET IV term extension
- Carlyle II co-investment LP dissolutions
- Riverstone V amendment

Due to the relative attractiveness of the MLP sector, the Investment Committee voted to recommend that the Board, by poll vote, to approve:

1. The addition of \$100 million to the Mellon Capital S&P MLP index fund
2. Partial withdrawal of \$50 million from the T. Rowe Price natural resources account (NRIS).
3. Withdrawal of \$50 million from the cash account

After a briefing by C. Collins on the status of litigation that was initiated on behalf of the System in 2003, by its then investment manager Lincoln Capital Fixed Income Management Company, LLC, the Investment Committee voted to recommend the Board approve C. Collins' request to directly retain the outside counsel in the National Premier Financial Trust, known as the NCFE litigation that has been working in this matter since the inception of the case.

The next meeting of the Investment Committee will be on January 15, 2013.

MOTION made by T. Shaw and seconded by H. Foster 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 A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Foster to ratify the poll vote to approve 1) the addition of \$100 million to the Mellon Capital S&P MLP index fund; 2) the partial withdrawal of \$50 million from the T. Rowe Price natural resources account (NRIS); 3) the withdrawal of \$50 million from the cash account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by A. Agra to approve counsel's request to retain outside counsel in the NCFE litigation.

MOTION ADOPTED UNANIMOUSLY

5. AUDIT COMMITTEE REPORT

D. Craik stated that the Comprehensive Annual Financial Report (CAFR) has been completed and a copy was given to the Trustees. H. Foster reported that the Audit Committee will meet before the next audit session.

6. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that the next meeting will be held on January 8th. The Council will begin working on the goals for next year.

7. PENSION ADMINISTRATOR REPORT

D. Craik reported that Appellant Robert Lewis has requested a repayment schedule to repay the State Employee's Pension Plan the amount of \$25,610.58 the Board determined was owed to DPERS. The requested plan is to pay \$300.00 per month for a period of 86 months. In addition, any post-retirement increases are to be applied to the outstanding balance (increasing the \$300.00 per month) and if Mr. Lewis dies before the balance is paid in full, the burial benefit will be applied to the outstanding balance.

MOTION MADE BY T. Cook and seconded by N. Shevock to approve the repayment plan for Robert Lewis of \$300.00 per month for a period of 86 months and in addition, any post-retirement increases are to be applied to the outstanding balance and if he dies before the balance is paid in full, the burial benefit will be applied to the outstanding balance.

MOTION ADOPTED UNANIMOUSLY

Medicare Prescription Coverage

D. Craik stated that the Pension Office has been working closely with the Statewide Benefits Unit regarding the Medicare Prescription Coverage.

OPEB

Per D. Craik reported that the State's OPEB liability decreased because of the Medicare Prescription Coverage laws.

8. **DEPUTY ATTORNEY GENERAL REPORT**

There was no report.

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 January 18, 2013, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:21 p.m., there being no further business, MOTION was made by S. Grant and seconded by H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator