

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 APRIL 27, 2012

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

Trustees Present

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

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
Amy Jozwiak, Pension Office
Rob Gooderham, Ashford Consulting Group
Joseph Malloy, PAC Chair
Charlotte Lister, PAC
Jim Testerman, PAC

1. **OPENING COMMENTS**

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

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the March 30, 2012 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the March 30, 2012 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the March 30, 2012 meeting.

MOTION made by H. Foster and seconded by N. Shevock to approve the Executive Minutes of the March 30, 2012 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 3/30/12

| <u>Fund</u> | <u>Mar-12</u> | <u>Fiscal Year To Date</u> | <u>12-Month</u> |
|----------------------------|---------------|----------------------------|-----------------|
| Total Fund | 0.9% | 2.3% | 4.0% |
| S & P 500 Index | 3.3% | 8.4% | 8.5% |
| 60/35/5* | 1.7% | 7.5% | 8.5% |
| Delaware | 0.7% | 3.7% | 4.7% |
| 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

Total assets in the Fund at the end of March totaled \$7,600MM. The Fund's March return of 0.9% modestly outperformed the Delaware Benchmark return; the calendar year return of 7.0% for the total Fund is 0.4 percentage points behind the Delaware Benchmark. For the fiscal year-to-date, the total Fund is up 2.3%, 1.4 percentage points below the Delaware Benchmark.

Domestic equity markets were positive in the month of March. The S&P 500 was up 3.3%, while small cap stocks, as measured by the Russell 2000, gained 2.6%. International stocks reflected continued concerns with European markets as the MSCI EAFE international stock index fell 0.5%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) fell 1.4% in March. Fixed income market returns were mixed in March. The Barclays Universal Bond Index was down 0.5%, while the JP Morgan Global High Yield index gained 0.1% for the month. The Barclays TIPS index declined 1.1% in March.

The Investment Committee has met twice since March.

At the Investment Committee meeting on April 3rd, the Investment Committee received a presentation from existing manager The Carlyle Group.

Following the Carlyle presentation, the Investment Committee voted to recommend to the Board a commitment of up to \$200 million to Carlyle Partners VI subject to counsel's review of the documents and finalization of additional information.

The Investment Committee also voted to recommend a poll vote of the Board directing Barlow Partners to liquidate all assets held in the First State Independence Fund.

At the April 24th meeting the Investment Committee received a presentation from existing manager T. Rowe Price and reviewed the Fund's high yield bond and bank loan accounts.

The next meeting of the Investment Committee will be held on May 15, 2012.

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 T. Shaw and seconded by A. Agra to commit up to \$200 million to Carlyle Partners VI subject to counsel's review of documents and finalization of additional information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by T. Cook to ratify the poll vote directing Barlow Partners to liquidate all assets held in the First State Independence Fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by A. Agra that Northern Trust continues as custodian for a five year term with two one year extensions.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and approved by A. Agra to accept the Hearing Officer's decision to overturn the Pension Administrator's determination to award a partial disability benefit to Shawn Bailey and award Shawn Bailey a partial duty-connected disability pension benefit.

MOTION ADOPTED UNANIMOUSLY

4. **AUDIT COMMITTEE REPORT**

S. Grant stated that as of today the current Chair of the Audit Committee, Jim Burke, has decided to step down as Chair, but will remain on the Committee. S. Grant advised the Board that she had approached Helen Foster about assuming the duties of the Audit Committee Chair, in addition to her Board duties. A discussion ensued and H. Foster indicated her willingness to assume the position.

MOTION made by N. Shevock and seconded by T. Shaw to approve Helen Foster as the Chair of the Audit Committee.

MOTION ADOPTED UNANIMOUSLY

W. Sallings stated that KPMG has been selected as the contracted Auditors for the State. KPMG will be attending the May 4th Audit Committee meeting.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that there have been 540 attendees for the Pre-Retirement Pension Workshops held thus far. There are more workshops scheduled throughout the state in the next month.

6. STATE PENSION ADMINISTRATOR'S REPORT

The Pension Office held a Disaster Recovery Test this week and it went well. It was the first successful Disaster Recovery Test the Pension Office has had during the last two years.

Currently D. Craik continues to work on issues in reference to the Return to Work topic. There are Return to Work Appeal Hearings scheduled in May.

D. Craik reported on pending legislation, SB 157 and HB 291.

D. Craik reported that he is negotiating the terms of recouping a benefit overpayment made to a retiree. Several options were discussed by the Trustees and the Board asked D. Craik to present viable repayment options to the Board for its consideration, at the May meeting.

Pension Office Activities

D. Craik, in reference to the quarterly statistics, stated that there was an increase in the healthcare additions and phone calls for the 3rd quarter of this fiscal year. The Disability Report shows that we have roughly 20 cases per year and 5 new cases for the quarter.

7. DEPUTY ATTORNEY GENERAL REPORT

C. Collins reported that the IRS is finally addressing the normal retirement age requirement issue for Governmental Plans. Comments have been invited on the issues raised in the Notice and should be submitted by July 20, 2012.

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

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

There were no new pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on May 25, 2012, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:29 a.m., there being no further business,
MOTION was made by T. Shaw 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