

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 NOVEMBER 22, 2013

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:06 a.m. in the meeting room of the Greenville Country Club.

Trustees Present

Suzanne Grant
Tom Shaw
Art Agra
Ann Visalli
Helen Foster
Nancy Shevock

Trustees Absent

Tom Cook

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Kathy Kunkle, Pension Office
Wade Sallings, Pension Office
Jeff Hoover, Pension Office
Rob Gooderham, Ashford Consulting Group
Ann Marie Johnson, DAG
Joe Malloy, PAC
Arthur Ayres, KPMG
Joseph Seibert, KPMG

1. OPENING COMMENTS

S. Grant welcomed and thanked everyone for accommodating the change in venue and called the meeting to order. She also recognized that this date was the 50th anniversary of the John F. Kennedy assassination.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the October 25, 2013 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Public Minutes of the October 25, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the October 25, 2013 meeting.

MOTION made by A. Visalli and seconded by A. Agra to approve the Executive Minutes of the October 25, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **AUDIT COMMITTEE REPORT**

S. Grant introduced Joseph Seibert, Lead Engagement Partner and Arthur Ayres, Senior Manager, of KPMG's Client Service Team. The presentation consisted of a high-level review of DPERS audit along with FY13 draft CAFR highlights.

J. Seibert highlighted several areas of emphasis of the DPERS' audit:

- Net Plan Position improved
- Plan Benefit Payments increased
- State Employees plan was 91.1% funded
- Other plan's net unfunded obligation
- State Employees Plan and 5 other plans continued history of funding 100% of Annual Required Contribution based on GASB Parameters
- Key Actuary Assumptions

A discussion was held by the Board with questions to J. Seibert pertaining to the highlighted areas of the audit. No significant deficiencies or material weaknesses were reported. KPMG noted that a clean opinion will be issued.

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

MOTION ADOPTED UNANIMOUSLY

4. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 10/31/13

<u>Fund</u>	<u>Oct-13</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	2.5%	7.0%	15.3%
S & P 500 Index	4.6%	10.1%	27.2%
60/35/5*	3.1%	6.5%	15.1%
Delaware	2.7%	7.6%	14.2%
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 October totaled \$8,547 million. The Fund's October return of 2.5% underperformed the Delaware Benchmark return. For the calendar year –to-date, the total Fund is up 14.1%, 2.0 percentage points above the Delaware Benchmark.

Equity markets continue to deliver strong returns in October in response to continued liquidity from Central Banks, good economic reports and a shrinking US deficit. For October, the broad Russell 3000 gained 4.2%, while the MSCI EAFE international stock index was up 3.4%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) gained 3.7%. Fixed income markets also posted positive returns. The Barclays Universal bond index gained 1.0%, while the JP Morgan Global High Yield index was up 2.5% for the month. The Barclays TIPS index was up 0.6% in October.

The Investment Committee has met twice since the Board's last meeting.

At its meeting on October 29th, the Investment Committee received a presentation from existing hedge fund manager Centerbridge Partners.

The Investment Committee voted to recommend the Board by poll vote to approve the following re-allocation moves:

1. Withdraw \$80 million from the Baillie Gifford global equity account
2. Allocate \$70 million to the Angelo Gordon super Fund
3. Allocate \$10 million to the Northern Trust GSTIF account
4. Upon finalization and opening of the Kiltearn Partners global equity account:
 - a. Withdraw \$60 million from the Northern Trust GSTIF account
 - b. Allocate \$60 million to the Kiltearn Partners account

At its meeting on November 19th, the Investment Committee heard a presentation by Fiona Liston of the actuarial firm Cheiron, who reviewed results of the latest actuarial valuation as previously presented to the Board.

The Investment Committee also reviewed third quarter reporting for the Fund, the Volunteer Fireman's Fund, the OPEB fund, the Non-Traditional assets, derivative positions and a review of the Fund's composite benchmark.

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved an amendment to Trident VII, L.P.

The next meeting of the Investment Committee will be December 17th.

5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy announced the 2014 election of officers, with Mr. Malloy being elected as Chair. J. Malloy stated that the Council Members defined their goals for the upcoming year.

6. **PENSION ADMINISTRATOR REPORT**

Pension Office Activities

D. Craik reported that the bid for our PeopleSoft upgrade has been posted.

The Pension Office is currently working on year end processes such as W-2's 1099's, 1099R's, etc.

7. **DEPUTY ATTORNEY GENERAL REPORT**

In continuing with the Boards' education, S. Grant introduced Howard Marks, Chairman, and Kevin Clayton with Oaktree Capital Management, L.P. Mr. Marks spoke to the Board about "Investing in an Uncertain World".

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

MOTION ADOPTED UNANIMOUSLY

Special Board Education Presentation

After lunch, the Board was addressed by Mr. Charles Elson, Esquire, the Edgar S. Woolard, Jr. Chair, Chair in Corporate Governance, Professor of Finance, and Director of the John L. Weinberg Center for Corporate Governance at the University of Delaware. Mr. Elson gave a presentation on the history of corporate governance generally, and the rationale for current corporate governance practices today. Mr. Elson further discussed the importance of proxy voting and the necessity to undertake some investigation of proxy votes involving contested and/or material issues.

8. **PENDING ITEMS**

There were no pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on December 20, 2013, at 9:00 a.m., at the Delaware Conference Room of the Office of Pensions.

At 2:05 p.m., there being no further business, MOTION was made by A. Agra 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