

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF FEBRUARY 22, 2013

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

Trustees Present

Suzanne Grant
Helen Foster
Tom Shaw (via phone)
Arturo Agra
Nancy Shevock
Ann Visalli

Trustees Absent

Tom Cook

Others Present

Dave Craik, Pension Office
Kim Vincent, Pension Office
Anne Marie Johnson, DAG
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Kathy Kunkle, Pension Office
Rob Gooderham, Ashford Consulting Group
Sarah Williams, Ashford Consulting Group
Joe Malloy, PAC
Gina Corona, Pension Office
Ronica Ridley Martin, Pension Office
Courtney Stewart, Controller General's Office
Hazel Bradford, Pensions & Investments
Jessica Esienbrey, OMB
Jim Testerman, PAC

1. **OPENING COMMENTS**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant. S. Grant stated we are continuing to meet Office of Pensions staff during the Board meetings.

Ronica Ridley-Martin is the Training Administrator and has been with the office for two years. She supervises the training team, which includes external and internal end users, annual billing and training Volunteer Fireman Human Resource Officers. Gina Corona is an Administrative Specialist I within the Support Services Section and is located at the front desk. G. Corona has been with the office since December. Her main duties include customer service whether by phone or walk-in customers, data entry of actuarial forms, obituaries, and Fleet.

S. Grant thanked them for everything they do to make the Pension Office a success.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the January 18, 2013 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Public Minutes of the January 18, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the January 18, 2013 meeting.

MOTION made by H. Foster and seconded by A. Agra to approve the Executive Minutes of the January 18, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **MEDICAL COMMITTEE REPORT**

Per D. Craik, Dr. Frelich, has rotated off the Medical Committee. The Committee has recruited Dr. Anthony Nabha to replace Dr. Frelich. D. Craik asked that the Board approve the nomination of Dr. Nabha becoming a member of the Medical Committee.

MOTION made by N. Shevock and seconded by H. Foster to approve the nomination of Dr. Anthony Nabha as a member of the Medical Committee.

MOTION ADOPTED UNANIMOUSLY

4. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 1/31/13

Total assets in the Fund at the end of January totaled \$7,907MM. The Fund's January return of 3.0% outperformed the Delaware Benchmark return. For the fiscal year-to-date, the total Fund is up 7.3%, 1.8 percentage points below the Delaware Benchmark.

<u>Fund</u>	<u>Jan-13</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	3.0%	7.3%	11.1%
S & P 500 Index	5.2%	11.4%	16.8%
60/35/5*	2.8%	7.3%	11.1%
Delaware Benchmark**	2.7%	9.1%	10.9%

*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

Equity markets were strong in the month of January. The S&P 500 was up 5.2%, while small cap stocks, as measured by the Russell 2000, gained 6.3%. International stocks were also strong as the MSCI EAFE international stock index was up 5.3%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) increased 4.1%. Fixed income market returns were mixed in January. The Barclays Long Term Government/Credit bond index declined 2.7%, while the JP Morgan Global High Yield bond index gained 0.9% for the month. The Barclays TIPS index lost 0.7% in January.

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

At its meeting on January 29th, the Investment Committee received a presentation from existing manager T. Rowe Price and reviewed the Fund's high yield and bank loan documents.

The Investment Committee, under its authority to execute documents relating to manager schedules and contacts over which it exercises authority, approved an amendment to the Axiom International Management contract.

The Investment Committee voted to recommend to the Board by poll vote the following:

- Addition of \$150 million to the T. Rowe Price IRF (bank loan) account
- Withdrawal of \$50 million from the Loomis Sayles fixed income account
- Withdrawal of \$100 million from the cash account

At the February 12th Investment Committee meeting the Investment Committee received a presentation from Fiona Liston, of the actuarial firm Cheiron, who received results of the latest actuarial valuation as previously presented to the Board.

The Investment Committee also reviewed fourth quarter reporting for the Fund, the Volunteer Firemen's Fund, the Non-Traditional assets and derivative positions.

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

- Withdrawal the balance of the T. Rowe Price High Yield bond account (approximately \$140 million) with the liquidation method to be determined with input from the manager
- Allocate the proceeds to the Oaktree International Convertible account with the timing of the allocation to be determined with input from the manager

The next meeting of the Investment Committee will be on March 12, 2013.

MOTION made by N. Shevock 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 N. Shevock and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by H. Foster to ratify the poll vote to approve the 1) addition of \$150 million to the T. Rowe Price IFR (bank loan) account; 2) withdrawal of \$50 million from the Loomis Sayles fixed income account; and 3) withdrawal of \$100 million from the cash account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Visalli and seconded by N. Shevock to ratify the poll vote to approve the 1) withdrawal the balance of the T. Rowe Price High Yield bond account (approximately \$140 million) with the liquidation method to be determined with input from the manager; 2) allocate the proceeds to the Oaktree International Convertible account with the timing of the allocation to be determined with the input from the manager.

MOTION ADOPTED UNANIMOUSLY

5. **AUDIT COMMITTEE REPORT**

No report.

6. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that he attended the Joint Finance Committee hearings and promoted the continuation of the Post Retirement Increase and the contributions to OPEB.

6. **PENSION ADMINISTRATOR REPORT**

Legislative Update

D. Craik reported that the General Assembly has been on break for JFC hearings and will return to session on March 12. In the Governor's FY14 recommended budget the annual required contributions for all pension plans was funded as recommended by the Board.

Rules & Regulations

D. Craik reported that the proposed timeline for the updated Rules & Regulations has been completed, but will confirm with the registrar that this timeframe will work with his schedule. Also included was a chart summarizing the changes to the Rules and Regulations. Discussion was held on the approval of the Rules and Regulations and the Public Hearing will be held in May for comments from the public.

MOTION made by N. Shevock and seconded by A. Agra to approve moving forward with the proposed timeline for updating the Rules and Regulations for the Delaware Public Employees' Retirement System.

MOTION ADOPTED UNANIMOUSLY

8. DEPUTY ATTORNEY GENERAL REPORT

A. Johnson reported to the Board that the motion has been filed in reference to the lawsuit in the Shendga Tech matter.

The Northern Trust contract negotiations are ongoing and making progress.

A. Johnson reported that she recently attended the NAPPA conference and attained a lot of valuable information and knowledge.

She is continuing her transition and familiarizing herself with DPERS.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by A. Agra to give the Executive Director the authority to move forward with the Governance Committees' recommendation.

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 March 22, 2013, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:23 a.m., there being no further business, MOTION was made by N. Shevock and seconded by A. Agra to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne B. Grant
Chair for the Board of Pension Trustees