

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

The meeting of the Board of Pension Trustees was called to order by S. Grant, at 9:02 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

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

Trustees Absent

Art Agra

Others Present

Dave Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Jeff Hoover, Pension Office
Kathy Kunkle, Pension Office
Garry Musto, Ashford Consulting Group
Joe Malloy, PAC
Jim Testerman, PAC
Charlotte Lister, PAC
Kristin Boehmer, Pension Office
Courtney Stewart, Controller General's Office
Rebecca Reichardt, OMB
Cindy Collins, DAG

1. **OPENING COMMENTS**

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

Kristen Boehmer is a Human Resource Specialist III and has been with the Pension Office for 21 ½ years. Kristen is with the Training Unit and trains internal and external users, and presenting at pre-retirement workshops that may total up to 200 in attendance. She also provides new Pension Office employees with orientation.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the February 22, 2013 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the February 22, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the February 22, 2013 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Executive Minutes of the February 22, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **INVESTMENT COMMITTEE REPORT**

Investment Committee Performance Report as of 2/28/13

<u>Fund</u>	<u>Feb-13</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.7%	8.1%	8.7%
S & P 500 Index	1.4%	13.0%	13.5%
60/35/5*	1.0%	8.4%	9.4 %
Delaware	0.5%	9.6%	8.3%
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

Total assets in the Fund at the end of February totaled \$7,941MM. The Fund's February return of 0.7% outperformed the Delaware Benchmark return. For the fiscal year-to-date, the total Fund is up 8.1%, 1.5 percentage points below the Delaware Benchmark.

Domestic equity markets were positive in the month of February. The S&P 500 was up 1.4%, while small cap stocks, as measured by the Russell 2000, gained 1.1%. International stocks fell in the month with the MSCI EAFE international stock index down 0.9%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) declined 1.1%. Fixed income market returns were positive in February. The Barclays Long Term Government/Credit bond index was up 1.0%, while the JP Morgan Global High Yield Bond gained 0.9% for the month. The Barclays TIPS index was flat in February, returning 0.0%

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

At the March 12th Investment Committee meeting, the Investment Committee received a presentation from existing manager Sanderson Asset Management and reviewed the Fund's international equity account.

The Investment Committee, under its authority to execute documents relating to the manager schedules and contracts over which it exercises authority, approved an amendment to the Oaktree Capital International Convertibles contract.

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved term extensions to Summit Ventures VI-A and Advanced Technology Ventures VII.

The Investment Committee honored the contributions of Jan King, who stepped down after the Investment Committee meeting. Ms. King had served on the Board from 1995 to 2009 and served 14 years on the Investment Committee, including chairing the Investment Committee through the 2007-08 financial crises.

The next meeting of the Investment Committee will be held on April 9th.

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

MOTION ADOPTED UNANIMOUSLY

4. **AUDIT COMMITTEE REPORT**

H. Foster stated that the next Audit Committee meeting will be held on April 29, 2013. This meeting will also include the entrance conference presentation from KPMG for the FY13 audit.

5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy stated that he had met with Representatives and Senators in reference to PRI increases for pensioners and active employees and OPEB contributions.

6. **PENSION ADMINISTRATOR REPORT**

Legislative Update

D. Craik gave an update on the following legislation:

HB25 – this Bill eliminates the Wilmington Federal Credit Union from the definition of employee for purposes of the State Employees' Pension Plan.

HB164 – this Bill, passed last year, allowed correctional officers to retire early without a penalty. The bill would not become effective until the State received a favorable ruling from the IRS on a Private Letter Ruling. A response was received by the IRS and the IRS declined to rule.

Actuarial RFP

D. Craik reported that the Actuarial RFP has been posted statewide and will close on April 26, 2013. A recommendation will be presented to the Board during the May board meeting.

PeopleSoft Upgrade

D. Craik reported that an RFP will be prepared for the PeopleSoft upgrade later this summer.

Closed State Police Plan

D. Craik stated that the Closed State Police will receive an automatic 2.1% COLA in July.

7. **DEPUTY ATTORNEY GENERAL REPORT**

C. Collins asked for the Board to approve the first of a possible two, one year extension to continue to engage in outside investment counsel, Chapman and Cutler, LLP, Morgan, Lewis & Brockius LLP, and Reinhart Boerner Van Deuren s.c. These firms provide advice related to investment and regulatory matters for DPERS. All three firms have done an excellent job and the recommendation is to amend the existing agreements with a 1- year extension.

Motion made by N. Shevock and seconded by H. Foster to approve the first of two, one year extensions to continue to engage in outside legal counsel, Chapman and Cutler, LP, Morgan, Lewis & Brockius LLP, and Reinhart Boerner Van Duren s.c. to provide advice related to investments and regulatory matters for DPERS.

MOTION ADOPTED UNANIMOUSLY

C. Collins reported that the ICE Miller contract is ready for signature. This will be a 5-year contract.

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

MOTION ADOPTED UNANIMOUSLY

C. Collins asked the Board to approve the filing of a separate lawsuit in Nevada related to the ShendgaTech Oaktree litigation against KPMG and others captioned *Oaktree v. Xiangzhi Chen* and to ratify the decision of David Craik to commence the litigation in his capacity as Executive Director of DPERS.

MOTION made by T. Shaw and seconded by H. Foster to ratify David Craik's approval of the filing of a separate lawsuit in Nevada captioned *Oaktree v. Xiangzhi Chen*.

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 April 26, 2013, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:05 a.m., there being no further business, MOTION was made by H. Foster and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator