

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF SEPTEMBER 27, 2013

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:00 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant
Tom Shaw
Tom Cook
Nancy Shevock
Art Agra

Trustees Absent

Helen Foster
Ann Visalli

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Kathy Kunkle, Pension Office
Rob Gooderham, Ashford Consulting Group
Ann Marie Johnson, DAG
Courtney Stewart, Controller Generals Office
Rebecca Reichardt, OMB
Larry Yoder, Pension Office
Joe Malloy, PAC
Jim Testerman, PAC
Charlotte Lister, PAC

1. OPENING COMMENTS

S. Grant welcomed everyone and called the meeting to order. S. Grant thanked Kim Vincent, retiring Deputy Pension Administrator, for her hard work and dedication to the Pension Office.

D. Craik introduced Larry Yoder, who works in the ERP Functional Section as an ERP Systems Supervisor. L. Yoder also worked in our IT Information Services section before transferring to the ERP section. L. Yoder has been with the Pension Office for 15 years.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the July 19, 2013 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the July 19, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the July 19, 2013 meeting.

MOTION made by T. Shaw and seconded by T. Cook to approve the Executive Minutes of the July 19, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 8/31/13

<u>Fund</u>	<u>Aug-13</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	(1.0)%	1.7%	11.2%
S & P 500 Index	(2.9)%	2.0%	18.7%
60/35/5*	(2.0)%	1.1%	10.0%
Delaware Benchmark**	(1.6)%	1.5%	9.3%

*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 August totaled \$8,170 million. The Funds August return of -1.0% outperformed the Delaware Benchmark return; the calendar year-to-date return of 8.5% for the total Fund is 0.2 percentage points ahead of the Delaware Benchmark. For the 1 year period, the total Fund is up 11.2%, 1.9% ahead of the Delaware Benchmark.

In August, markets took a breather from the robust returns experienced in July. For August, the broad Russell 300 declined 2.8%, while the MSCI EAFE international stock index was down 1.3%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 1.4%. Bonds fared better than equities in August and the Barclays Universal bond index declined 0.6%, while the JP Morgan Global High Yield index also declined 0.6% for the month. The Barclays TIPS index lost 1.5% in August.

The Investment Committee has met three times since the Board's July meeting.

At its meeting on August 20th, the Investment Committee reviewed quarterly investment results through fiscal year end for the Fund, the Volunteer Firemen's Fund and the OPEB Trust. The Investment Committee also received a presentation from Thornburg Investment Management and reviewed this manager's multi-sector opportunistic fixed income strategy.

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

- 1) Allocation of \$200 million to a separate account managed by Thornburg Investment Management subject to counsel's review of the documents
- 2) Withdrawal of \$100 million from the Loomis Sayles account
- 3) Withdrawal of \$100 million from the T. Rowe Price Floating Rate fund

At the September 10th meeting the Investment Committee received a presentation from the Northern Trust Company, the Fund's custodian and cash manager.

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved an amendment to Flagship Ventures 2004, L.P.

At its meeting on September 24th, the Investment Committee received a presentation from existing manager Angelo Gordon. In addition, the Investment Committee reviewed an analysis of soft dollar commissions for the latest fiscal year.

Following an asset allocation discussion, the Investment Committee unanimously voted to recommend a poll vote of the Board to approve the following actions:

- Withdraw \$100 million from the Mellon Capital non-securities lending (NSL) S&P 500 stock index fund
- Allocate \$100 million proceeds to DPERS' Northern Trust GSTIF account

The next meeting of the Investment Committee will be October 15th.

MOTION made by T. Cook 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 and seconded by to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Cook and seconded by T. Shaw to ratify the poll vote to approve the 1) allocation of \$200 million to a separate account managed by Thornburg Investment Management subject to counsel's review of the documents; 2) withdrawal of \$100 million from the Loomis Sayles account; 3) withdrawal of \$100 million from the T. Rowe Price Floating Rate fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Cook to ratify the poll vote to 1) withdrawal \$100 million from the Mellon Capital non-securities lending (NSL) S&P stock index fund; 2) allocate \$100 million in proceeds to DPERS' Northern Trust GSTIF account.

MOTION ADOPTED UNANIMOUSLY

4. AUDIT COMMITTEE REPORT

D. Craik announced that we have not received any management comments from KPMG. The next Audit Committee meeting will be on October 18th.

5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy stated that the Council will encourage a PRI increase during the next legislative session.

6. **PENSION ADMINISTRATOR REPORT**

Past Activities:

- During August payroll, there were 420 new retirees for the month which is a little bit higher than a normal August. Of those, 271 had buy-ins where they could purchase additional service such as sick leave to increase their pension, which adds another level of complexity
- All actuary work has been progressing
- The Pension Office received the FY13 actuarial valuation results for the OPEB Trust. The actuarial accrued liabilities have increased from \$5.81 billion to \$5.98 billion which is a 3.15% increase. Based on the actuarial assumptions we can expect an increase of 4.25% per year, so the actual results were better than expected. The funding ratio of the plan increased from 2.8% to 3.7%

Future Activities

- Identity Access Management System is a project that will allow online services to our members. The first rollout will be the on-line check advices and will start with the new retirees that are processed in October.
- Open Enrollment for the Medicare eligible retirees, because of the EGWP program that was started last year and is now on a calendar basis. So from this point forward we will have two open enrollment periods per year.
- PeopleSoft Upgrade – hardware was purchased this past year and a partner will be selected for the upgrade project. This is more of a straight technical upgrade and will be about 12 months until completion.
- The November 13th Board meeting will be held in Wilmington. A location has not been decided upon yet.
- The 2014 BOPT Committees' meeting dates have been completed and are enclosed in the packets.
- The 2014 Pension Appeal schedule has been completed. Each Trustee is to pick three dates to appear as a Hearing Officer. When schedule is completed it will be emailed to all Board members.
- Gathering Disability determination information.
- A Resolution has been completed for Dr. DelDuca. Dr. DelDuca was a member of the Medical Committee and has stepped down.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Resolution for Dr. DelDuca.

MOTION ADOPTED UNANIMOUSLY

7. **DEPUTY ATTORNEY GENERAL REPORT**

A discussion was held on the Governance review. A. Johnson will review the Board Policies and work with D. Craik and S. Grant to update as applicable.

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 October 25, 2013, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At a.m., there being no further business,
MOTION was made by N. Shevock and
seconded by T. Shaw to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator