

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 JANUARY 31, 2014

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:04 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

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

Trustees Absent

Tom Cook
Ann Visalli

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Kathy Kunkle, Pension Office
Rob Gooderham, Ashford Consulting Group
Ann Marie Johnson, DAG
Courtney Stewart, Controller Generals Office
Joe Malloy, PAC

1. **OPENING COMMENTS**

S. Grant thanked everyone for attending today's meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the December 20, 2013 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the December 20, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the December 20, 2013 meeting.

MOTION made by T. Shaw and seconded by A. Agra to approve the Executive Minutes of the December 20, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **AUDIT COMMITTEE REPORT**

The Audit Committee has reviewed the Code of Conduct Policy and no changes were suggested.

4. **INVESTMENT COMMITTEE REPORT**

<u>Fund</u>	<u>DEC-13</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	1.1%	9.6%	16.9%
S & P 500 Index	2.5%	16.3%	32.4%
60/35/5*	1.3%	9.7%	17.5%
Delaware Benchmark**	1.0%	9.7%	14.3%

*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

Assets in the Fund at the end of December totaled \$8,723 million. The Fund's December return of 1.1% outperformed the Delaware Benchmark return. For the calendar year-to-date, the total Fund is up 16.9%, 2.6 percentage points about the Delaware Benchmark.

Equity markets continued to deliver positive returns in December responding to encouraging economic reports and the Federal Reserve's announcement that it would begin reducing its asset purchase program. For December, the broad Russell 3000 gained 2.6%, while the MSCI EAFE international stock index was up 1.5%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) gained 0.9%. Fixed income markets experienced mixed returns. The Barclays Universal bond index lost 0.4%, while the JP Morgan Global High Yield index was up 0.5% for the month. The Barclays TIPS index declined 1.5% in December.

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

At its meeting on January 14, 2014, the Investment Committee received a presentation from existing equity manager Bares Capital Management.

The Investment Committee, under its authority to execute documents relating to manager and custodian schedules and contracts over which it exercises authority, approved a Schedule A change to the Northern Trust securities lending contract.

At its meeting on January 28, 2014, the Investment Committee received a presentation from T. Rowe Price International Economist Jared Franz.

The next meeting of the Investment Committee will be held on February 18th.

MOTION made by T. Shaw and seconded by N. Shevock 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

5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that the January Pension Advisory Council meeting was canceled due to inclement weather. Next week Mr. Malloy will be addressing the Joint Finance Committee.

6. PENSION ADMINISTRATOR REPORT

FY15 Budget

- All funding for the Closed State Police health and pension, CPI of 1.37%
- CRIS upgrade allocation of \$800k – PeopleSoft Upgrade RFP, hardware was purchased this past year and we are going through the RFP process for a partner for the upgrade project. This is more of a straight technical upgrade and will be about 9 months. There is \$800k in the FY14 and FY15 budget and might need up to \$400k more
- Annual Required Contribution was funded for all plans
- For the State Employees' Pension Plan a total rate of 21.05% made up of the following components, Pension 9.56%, DIP 1.07%, pay as you go health 8.09%, OPEB 0.9% (\$18m), PRI 1.43% (no new funding)
- 1% salary increase for active employees

Activities

- DIP RFP – vendor will be selected by SEBC next week
- HB213 – is to provide funding for health insurance for members of the C/M police/fire plan. The Police Chiefs association has been pushing this item. Funding from an increase in taxes for insurance surplus lines will be used to pay up to 80% of the cost for health insurance for survivors in the plan and those who retire after the effective date. The funding steam is estimated at \$500k per year
- The FOP has requested an estimate to move “police” positions from State Employees' Pension Plan to the New State Police. There are about 525 positions which include Capitol Police, Probation & Parole, and DNREC enforcement agents
- Cycle C IRS determination letter process, all plans except the Diamond State Port were filed in December and the Port will be done this month. The Port will have to adopt some technical plan language regarding some IRS language for employees who are called into military service

Quarterly Activities

D. Craik reported that the 2nd quarter activities were down as expected, with the exception of incoming phone calls. During the 2nd quarter we received 16,345 calls compared to 12,418 calls for the 1st quarter.

Disability Report reflects 4 new cases to be reviewed.

7. DEPUTY ATTORNEY GENERAL REPORT

The Council of Institutional Investors (“CII”) intends to file an amicus curiae brief in the *Halliburton Co. v. Erica P. John Fund, Inc.* case. The case, which will be heard on March 5th, could redefine the nature of class action litigation in the U.S. if the current “fraud-on-the-market”

presumption is substantially altered or overruled. The Board decided, after consideration, to support the CII amicus brief.

Governance Review

The revised Code of Conduct Policy was reviewed by the Board.

MOTION made by A. Agra and seconded by T. Shaw to approve the revised Code of Conduct. Motion passed.

MOTION ADOPTED UNANIMOUSLY

The Education Policy is being reviewed by the Board and will be discussed during the February meeting.

It was decided that a review of all Board Policies will be conducted on a yearly basis for re-approval. The Board needs to make sure that all Committee Members are in compliance with its policies.

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 February 28, 2014, at 9:00 a.m., at the Delaware Conference Room of the Office of Pensions.

At 11:25 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