

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF DECEMBER 19, 2014

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

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

Trustees Absent

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Kathy Kunkle, Pension Office
Amy Jozwiak, Pension Office
Paul Roth, TBV Advisors, LLC
Lincoln Nathan, Pension Office
Wade Sallings, Pension Office
Rob Gooderham, Ashford Consulting Group
Seth Yablonovitz, Ashford Consulting Group
Ann Marie Johnson, Deputy Attorney General's Office
David M. Rubenstein, Co-Founder of The Carlyle Group
Jessica Brennan, The Carlyle Group
Joseph Seibert, KPMG
Arthur Ayres, KPMG

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the November 21, 2014 meeting.

MOTION made by T. Shaw and seconded by T. Cook to approve the Public Minutes of the November 21, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the November 21, 2014 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Executive Minutes of the November 21, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **MEDICAL COMMITTEE REPORT**

Dr. Shellenberger stated the Committee was extremely happy that disability cases will now be reviewed by The Hartford beginning on January 1, 2015.

This meeting marked the Medical Committee's last official meeting. As an expression of gratitude for their service, D. Craik presented each doctor with a personalized and framed Resolution from the Trustees. S. Grant thanked the Committee for all the years of service to the Delaware Public Employees Retirement System.

4. **INVESTMENT COMMITTEE REPORT**

Board Education – The Carlyle Group

Furthering the Board's education, S. Grant introduced David M. Rubenstein, Co-Founder of The Carlyle Group, and Jessica Brennan, also with The Carlyle Group. Mr. Rubenstein presented the Board with an update of the Carlyle Group and an overview of the Private Equity markets and expectations of future returns. The Board had a vigorous discussion with Mr. Rubenstein on various investment topics.

The Carlyle Group was established in Washington, D.C in 1987 and is one of the world's largest global alternative asset management firms. Carlyle seeks to generate consistent investment returns, inspire the confidence and loyalty of its investors, and has shown a continued ability to attract, develop and retain highly-talented professionals. Mr. Rubenstein stated that The Carlyle Group's edge over peers is stability and a consistent investment approach focusing on core strengths that have been developed and honed over time

Investment Report

| <u>Fund</u> | <u>Nov-14</u> | <u>Fiscal Year To Date</u> | <u>12-Month</u> |
|----------------------------|---------------|----------------------------|-----------------|
| Total Fund | 1.2% | 1.5% | 9.9% |
| S & P 500 Index | 2.7% | 6.4% | 16.9% |
| 60/35/5* | 1.9% | 4.5% | 11.9% |
| Delaware | 1.3% | 1.4% | 8.1% |
| 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

Assets in the Fund at the end of November totaled \$9,228 million. The Fund's November return of 1.2% was slightly below the Delaware Benchmark return. For the calendar year-to-date, the total Fund is up 8.8%, 1.8 percentage points above the Delaware Benchmark.

Domestic and International equity markets showed positive returns in November, with the broad Russell 3000 index up 2.4% and the MSCI EAFE international stock index up by 1.4%. The MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 1.7%. Fixed income markets were mixed, with the Barclays Aggregate index up 0.7% and the Barclays High Yield index down by the same amount.

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

At its meeting on December 16th, the Investment Committee received a presentation from existing manager T. Rowe Price and reviewed the Fund's global growth equity account.

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

- Allocate \$100 million from the Mellon Capital S&P 500 stock index fund to Mellon Capital Aggregate index fund.
- Withdraw \$100 million from Oaktree International Convertibles and allocate \$50 million each to the Thornburg Multi-Sector Opportunities and Harvest MLP accounts.

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved one-year extension to One Liberty Ventures III, L.P., One Liberty Ventures IV, L.P., One Liberty Ventures 2000, L.P., and Trident Capital V, L.P. Under its

authority to execute documents relating to manager contracts over which it exercises authority, the Investment Committee approved an amendment to the Main Post Growth Capital agreement.

The next meeting of the Investment Committee will be January 13, 2015.

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 ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by A. Agra to allocate \$100 million from the Mellon Capital S&P stock index fund to Mellon Capital Aggregate index fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Cook and seconded by T. Shaw to withdrawal \$100 million from Oaktree International Convertibles and allocate \$50 million each to the Thornburg Multi-Section Opportunities and Harvest MLP accounts.

MOTION ADOPTED UNANIMOUSLY

5. PENSION ADVISORY COUNCIL

There was no report.

6. PENSION ADMINISTRATOR REPORT

D. Craik reported that the PeopleSoft upgrade is moving ahead smoothly and on time. The work to implement HB 207 and HB 137 will be moved into the production environment this weekend effective January 1, 2015. S. Grant asked about the security as far as our technology. A. Visalli and D. Craik reported that the State has one of the best technical security systems and is extremely secure.

7. DEPUTY ATTORNEY GENERAL REPORT

A. M. Johnson reported that she is now working with a new paralegal, Denise Herron. Denise is an experienced paralegal and has worked for the Securities Division, and the litigation unit in the Office of the Attorney General. Her experience and background should be an asset for DPERS.

8. PENSION AUDIT REPORT

A. Agra stated that the Audit Committee had reviewed the draft CAFR and noted that there were several changes that needed to be completed.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by A. Agra to approve the Comprehensive Annual Financial Report subject to completion of further editing.

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 January 30, 2015, at 9:00 a.m., at the Delaware Conference Room of the Office of Pensions.

At 12:20 p.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

Suzanne B. Grant
Chair for the Board of Pension Trustees