

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MARCH 27, 2015

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:05 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

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

Trustees Absent

Others Present

Dave Craik, Pension Office
Kathy Kunkle, Pension Office
Jennifer Dilworth, Pension Office
Lincoln Nathan, Pension Office
John McCartney, Pension Office
Amy Jozwiak, Pension Office
Paul Roth, TBV Advisors LLC
Rob Gooderham, Ashford Consulting Group
Ann Marie Johnson, Attorney General's Office
Charlotte Lister, 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 January 30, 2015 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the January 30, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the January 30, 2015 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Executive Minutes of the January 30, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik provided the Board with a production schedule for the 2015 CAFR.

D. Craik reported that the CY 2013 First State Independence Fund audit has been completed. The Board discussed and stated that there should be no future audit for the Fund as the amount in the Fund does not support the cost of an audit. This issue will be discussed at the next Audit Committee meeting.

4. **PENSION ADVISORY COUNCIL**

C. Lister stated that the Pension Advisory Council is working on a presentation to members regarding the changes for the July 1, 2015 Healthcare renewal.

5. **PENSION ADMINISTRATOR REPORT**

Activities

- CRIS upgrade went live on March 2nd
- Update on the issue of Return to Work - 22 letters were mailed to retirees that exceeded the \$30,000 threshold for working as a casual seasonal. One letter was to a retiree who exceeded the \$30,000 threshold that worked for a Temporary Agency.

Twenty-seven letters went to retirees that are paid as a vendor for them to complete a Worker's Certification form.

- Drafted legislation to amend the definition of Correctional Officer to include Wardens.
- In the Volunteer Firemen's plan – drafted legislation for a provision to allow fire companies to withdrawal from the plan by paying a withdrawal penalty, which basically funds all vested benefits
- The FOP has requested an estimate to provide “police” positions in the SEPP to provide the same benefits as the Correctional Officers. There are about 525 positions which include Capital Police, Probation & Parole, and DNREC Enforcement Agents.
- The 911 operators have requested an estimate to move from SEPP to the NSP. Based on 81 actual employees there is a cost of:

- Change in unfunded accrued liability	\$6 million
- Change in annual employer contribution	\$1 million

Pending Legislation

- General Assembly has been back for 2 weeks.

Upgrade/Disaster Recovery

J. McCartney stated the 9.2 upgrade to PeopleSoft went live on March 1, 2015. Cherry Road employees and Pension office staff worked to provide a smooth transition. Mr. McCartney along with key staff members and Paul Roth are working with DTI to implement a Continuity of Operations program for the Pension office. Once completed there will be an exercise with DTI and DEMA to test the program.

Risk Management

P. Roth reported he is continuing to work with D. Craik and staff members on management issues and potential risks within the office. He is currently working to implement written procedures for all office processes and to expand the storage capacity of the network by adding new hardware to accommodate these changes.

P. Roth has also been working with Northern Trust to provide training sessions for Investment staff.

6. **DEPUTY ATTORNEY GENERAL REPORT**

No public information to report.

7. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Feb-15</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	2.1%	2.2%	7.3%
S & P 500 Index	5.7%	8.8%	15.5%
60/35/5*	3.0%	6.6%	11.1 %
Delaware	3.0%	3.3%	7.4%
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 **February** totaled \$9,217 million. The Fund's February return of 2.1% underperformed the Delaware Benchmark return. For the fiscal year to date, the total Fund is up 2.2%, 1.1 percentage points below the Delaware Benchmark.

In February global equities posted strong results, while high quality bonds gave back some of their recent solid performance. For the month, the broad market Russell 3000 jumped 5.8%, while the MSCI EAFE index increased 6.0%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) rose 5.6%. High quality bonds, as measured by the Barclays Aggregate, dropped in February with a -0.9% return, while high yield bonds gained 2.4% (Barclays High Yield). Barclays TIPS index lagged with a -1.2% decline.

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

At the Investment Committee meeting on February 23rd (rescheduled from February 17th due to snow), the Committee received a presentation from Centerbridge Credit Partners.

Following an asset allocation discussion, the Investment Committee voted to recommend to the Board the following actions by poll vote:

- Commit \$75 million to Centerbridge Credit Partners; with the anticipated initial draw of \$37.5 million to be funded from the Mellon Large Value index fund.
- Withdraw \$40 million from Oaktree International Convertibles; allocate \$39 million to Sanderson International Equity fund and \$1 million to the cash account.
- Transfer \$50 million from Mellon S&P 500 index fund to the cash account.
- Commit up to \$25 million to the Accel India Fund IV.

The Investment Committee, under its power to amend manager agreements, voted to approve a benchmark amendment to Schedule A for the Oaktree International Convertible account.

At the conclusion of its meeting on March 24th, the Investment Committee made no recommendations to the Board. Under its authority to execute documents relating to partnerships, over which it exercises authority, the Investment Committee approved consents to an extension of the Summit Ventures Fund VI.

The Investment Committee, under its power to amend manager agreements, voted to approve an amendment to the Schedule A for the T. Rowe Price global growth equity account. In addition, the Investment Committee approved a cross-trade in the Thornburg bond account pursuant to the Cross-Trading policy.

The next meeting of the Investment Committee will be April 14th.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by H. Foster to approve to commit up to \$75 million to Centerbridge Credit Partners; with the anticipated initial draw of \$37.5 million to be funded from the Mellon Large Value index fund. Withdraw \$40 million from Oaktree International Convertibles; allocate \$39 million to Sanderson International Equity fund and \$1 million to the cash account. Transfer \$50 million from Mellon S&P 500 index fund to the cash account. Commit up to \$25 million to the Accel India Fund IV.

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

The pending items were removed from the list.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

At 11:05 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