

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MAY 29, 2015

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:03 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Nancy Shevock
Suzanne Grant
T. Shaw
Ann Visalli
T. Cook

Trustees Absent

Art Agra
Helen Foster

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Jennifer Dilworth, Pension Office
Paul Roth, TBV Advisors LLC
Rob Gooderham, Ashford Consulting Group
Sophia Smith, Ashford Consulting Group
Ann Marie Johnson, Deputy Attorney General
Joe Malloy, PAC
Charlotte Lister, PAC
Jim Testerman, PAC
Courtney Stewart, Controller General's Office

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the April 24, 2015 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the April 24, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the April 24, 2015 meeting.

MOTION made by T. Shaw and seconded by T. Cook to approve the Executive Minutes of the April 24, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT COMMITTEE REPORT**

D. Craik is working to set up an educational meeting with the Audit Committee.

4. **PENSION ADVISORY COUNCIL REPORT**

No report.

5. **PENSION ADMINISTRATOR REPORT**

- PeopleSoft upgrade went live in March, post production support is complete and the consultants left last week, the Pension Office will rely on DTI for support

The General Assembly has been out of session for past two weeks. Update on legislation:

- SB 50 has passed Senate and has been released from the House Committee. This bill clarifies the definition of a Correctional Officer in the State Employees' Pension Plan by expanding the existing requirements from supervising inmates to supervising Correctional Officers in secure facilities and/or classified with a correctional officer job code.

- SB 53 clarifies that a participating volunteer fire company or ladies auxiliary in the Delaware Volunteer Firemen's Pension Plan has the ability to withdraw from the plan. As part of that withdrawal process the company or auxiliary would pay a withdrawal liability payment that would be used to pay the retirement benefits of their member's accrued benefits and ensure the actuarial soundness of the fund for the remaining Employees. The Bill is still in the Senate.

The Investment & Accounting Section Cash & Debt Manager vacancy was posted for a second round which closes today. We are looking to interview within two weeks.

A Consultant has been hired on a temporary basis to help in the Investment and Accounting Section.

Open Enrollment for medical benefits ended yesterday with an effective date of July 1st. The retiree health issue has been resolved and non-Medicare retirees will have a reopening next with an effective date of September 1st.

Approximately 400 employees will be retiring effective 7/1 which will be processed during August.

On June 2nd the Governor will be visiting our office for an informal question and answer session.

Risk Management – P. Roth

P. Roth provided the Board with an update to last month's comments:

- Review of year-end audits underway
- Manager introduction letter completed. Have identified some managers for visits over the next few months
- Meeting with KPMG to discuss findings
- DR/BC – process is under way and still on target for November completion
- Cross-training continues
- Hope to create firm-wide Policies and Procedures manual from inputs into DR/BC process

6. DEPUTY ATTORNEY GENERAL REPORT

No public report.

7. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Apr-14</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	1.2%	4.8%	8.8%
S & P 500 Index	1.0%	8.2%	13.0%
60/35/5*	0.4%	6.1%	9.4%
Delaware	1.1%	3.9%	3.9%
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 April totaled \$9,391 million. The Fund's April return of 1.2% outperformed the Delaware Benchmark return. For the fiscal year to date, the total Fund is up 4.8%, 0.9 percentage points above the Delaware Benchmark.

In April, domestic and international equity markets were up after March's modest decline. For the month, the broad market Russell 3000 was up 0.5%, while the MSCI EAFE index, which was helped by euro and yen strength, jumped 4.1%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) increased 2.9%. Growth managers outperformed value managers during the period. High quality bonds, as measured by the Barclays Aggregate, were down in March with a -0.4% return while high yield bonds, where the energy sector benefitted from a rise in oil prices, rose by 1.2% (Barclays High Yield). The Barclays TIPS index gained 0.7%.

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

At its meeting on April 28th, the Investment Committee met with the Oaktree Domestic Convertibles team. Under its authority to amend manager agreements, the Investment Committee approved amendments to the Schedule A for the Oaktree Domestic Convertible account and to the limited partnership agreement for Liquid Realty Partners IV.

At its meeting on May 19th, the Investment Committee met with Loomis Sayles regarding the fixed income account. The Investment Committee also voted to recommend to the Board, by poll vote, an allocation of \$50 million from the Baillie Gifford Global account.

The next meeting of the Investment Committee will be held on June 16th.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to ratify the poll vote to allocate \$50 million from Baillie Gifford Global account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by T. Cook to proceed with renewing the FRT contract to also include International Securities Litigation.

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

There were no pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

At 10:31 a.m., there being no further business, MOTION was made by T. Cook 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