

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 JUNE 21, 2013

The meeting of the Board of Pension Trustees was called to order by T. Shaw, at 9:32 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

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

Trustees Absent

Art Agra

Others Present

Dave Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Kathy Kunkle, Pension Office
Rob Gooderham, Ashford Consulting Group
Charlotte Lister, PAC
Ann Marie Johnson, DAG
Courtney Stewart, Legislative Analyst
Dan Pope, Pension Office
Robin Hartnett-Sterner, Pension Office

1. **OPENING COMMENTS**

T. Shaw welcomed everyone and called the meeting to order.

Daniel Pope is a Sr. Application Support Specialist and has been with the Pension Office Technology Section for almost one year. He maintains the Pension Office website with the new common look and feel and also helps to maintain our servers.

Robin Hartnett-Sterner is a Strategic Information Systems Manager and has been with the Pension Office since February. She has been working with PeopleSoft products since 1998 and oversees the ERP Functional Team, and the end user training for the Pension Office.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the May 31, 2013 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Public Minutes of the May 31, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 31, 2013 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Executive Minutes of the May 31, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Public Hearing Minutes of the May 31, 2013 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Public Hearing Minutes of the May 31, 2013 Board of Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

At this point A. Johnson entered the meeting.

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 5/31/13

<u>Fund</u>	<u>May-13</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.9 %	12.4%	15.4%
S & P 500 Index	2.3%	22.2%	27.3%
60/35/5*	0.7 %	13.4%	16.2%
Delaware Benchmark**	(0.3)%	13.4%	16.5%

*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 May totaled \$8,185 million. The Fund's May return of 0.9% outperformed the Delaware Benchmark return. For the fiscal year-to-date, the total Fund is up 12.3%, 1.1 percentage point below the Delaware Benchmark.

Domestic equity markets continued to deliver positive returns in May, elevated by strong earnings reports and better than expected employment data. For May, the broad Russell 3000 rose 2.4%, while the MSCI EAFE international stock index lost 2.4% mainly due to a pullback in Japan. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) declined 2.3%. Better employment and housing data and Mr. Bernanke's "tapering" comments caused a setback in the bond market. The Barclays Universal bond index declined by 1.7%, while the JP Morgan Global High Yield index lost 0.6% for the month. The Barclays TIPS index was down 4.4% in May.

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

At the June 11th Investment Committee meeting, the Committee received a presentation from existing manager Oaktree Capital and reviewed the firms' domestic and international convertible strategies.

R. Gooderham made a presentation on convertible securities and their features and benefits for the Fund. The Board engaged in discussion about the asset class and noted that the Fund has invested successfully there for many years.

At this point S. Grant entered the meeting.

The next meeting of the Investment Committee will be held on June 25th.

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

4. AUDIT COMMITTEE REPORT

The Audit Committee has been in communication with KPMG regarding the Conflict of Interest letters that are being sent to all Trustees.

5. PENSION ADVISORY COUNCIL REPORT

C. Lister reported that there was no action to report at this time.

6. PENSION ADMINISTRATOR REPORT

Legislative Update

- HB 25 - Removes language regarding the Wilmington Federal Credit from the definition of an employee. Waiting for Governor's signature.
- HB 75 – Same gender marriages will require administrative changes within the pension plans. Signed by the Governor.
- HB 137 – Increase the number of Joint/Survivor benefit options available to a retiree. Passed the House and is now with the Senate.
- SB 28 – Exempts per diem employees of the General Assembly from the pension offset for retirees. Passed the Senate and is now with the House of Representatives.
- SB 107 – Codifies Joint Sunset Committee recommendation to remove Board members from the definition of an employee. Effective for those appointed after 6/30/13.

Pending Legislation

- Budget Bill – Increases the pension offset for retirees that work part-time for the State from \$19,240 to \$30,000.
- Representative J. Johnson/Senator Ennis – Increase benefits for Correctional Officers funded by an increase in their employee contribution rate by an additional 2%.
- Representative Mitchell/Senator Bushweller – Proved a revenue stream by increasing the tax on surplus lines by an additional 1% to provide for health insurance coverage for retired police and firefighters.

7. **DEPUTY ATTORNEY GENERAL REPORT**

A. Johnson reported that there were no public comments regarding the Public Hearing for the updated Rules & Regulations which will be posted on July 1st and effective on July 10th.

At this point H. Foster entered the meeting.

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 T. Shaw and seconded by T. Cook to accept the Hearing Officer's recommendation that R. Godfrey's request to waive the restrictions of 5501(d) (6) be denied.

MOTION ADOPTED UNANIMOUSLY

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 July 19, 2013, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:15 a.m., there being no further business, MOTION was made by N. Shevock and seconded by T. Cook to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne B. Grant
Chair for the Board of Pension Trustees