

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MARCH 28, 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
Tom Cook
Art Agra
Suzanne Grant

Trustees Absent

Tom Shaw
Ann Visalli
Helen Foster

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Kathy Kunkle, Pension Office
Wade Sallings, Pension Office
Lincoln Nathan, Pension Office
Rob Gooderham, Ashford Consulting Group
Ann Marie Johnson, DAG
Lisa Morris, DAG
Courtney Stewart, Controller General's Office
Joe Malloy, PAC
Charlotte Lister, PAC

1. **OPENING COMMENTS**

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

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Cook and seconded by N. Shevock to ratify the poll vote to approve the 1) withdrawal of \$100 million from Baillie Gifford global equity account; 2) allocate \$100 million to the Northern Trust GSTIF account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Cook to commit \$40 million to Marcus Partners Fund II subject to counsel's review and approval of documents.

MOTION ADOPTED UNANIMOUSLY

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the February 28, 2014 meeting.

MOTION made by Nancy Shevock and seconded by Tom Cook to approve the Public Minutes of the February 28, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the February 28, 2014 meeting.

MOTION made by Nancy Shevock and seconded by Art Agra to approve the Executive Minutes of the February 28, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. AUDIT COMMITTEE REPORT

S. Grant reported that the Audit Committee is looking to schedule their next meeting to be held at Ashford Consulting Group in Wilmington. This meeting will also include the Audit Entrance meeting with KPMG.

4. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Feb-14</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	3.3%	12.0%	15.1%
S & P 500 Index	4.6%	17.4%	25.4%
60/35/5*	3.0%	11.2%	14.7%
Delaware Benchmark**	3.1%	11.3%	12.4%

*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 \$8,855 million. The Fund's February return of 3.3% outperformed the Delaware Benchmark return. For the fiscal year to date, the total Fund is up 12.0%, 0.7 percentage points above the Delaware Benchmark.

In February both domestic and international equity markets rebounded sharply from January's declines responding to strong earnings reports. For February, the broad Russell 3000 index was up 4.7%, while the MSCI EAFE international stock index gained 5.6%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 5.0%. Fixed income markets experienced modestly positive returns. The Barclays Universal bond index gained 0.7%, while the JP Morgan Global High Yield index was up 2.0% for the month. The Barclays TIPS index was up 0.4% in February.

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

At its meeting on March 18th, the Investment Committee received a presentation from Marcus Partners reviewing its real estate strategy.

The Investment Committee voted to recommend to the Board by poll vote to approve the following re-allocation moves:

1. Withdraw \$100 million from the Baillie Gifford global equity account
2. Allocate \$100 million to the Northern Trust GSTIF account

The Investment Committee voted to recommend to the Board a commitment of \$40 million to Marcus Partners Fund II subject to counsel's review and approval of documents.

The next meeting of the Investment Committee will be April 15th.

5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that he is actively promoting a Post Retirement Increase. He is also working with the Pension Office Training Unit for upcoming Pre-Retirement Workshops.

D. Craik reported that the first Pre-Retirement workshop was held at Brandywine High School last night and there were 110 attendees.

6. **PENSION ADMINISTRATOR REPORT**

D. Craik reported that the General Assembly has been back in session for two weeks.

- HB213 - to provide funding for health insurance for members of the County/Municipal 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 stream is estimated at \$580k per year. This Bill was released from committee this week.
- HB279 – allows uniformed paramedics to move into the C/M police plan at the option of their current employer which are the counties. This does not address how prior service would be handled. The counties would pay the employer rate in the C/M police plan which could be higher than their current plan's costs.

PeopleSoft Upgrade RFP

A vendor has been selected and Ann Marie Johnson is handling contract issues and we would like to be ready to proceed within 30 days. DTI is setting up the hardware and it will need to be PeopleSoft certified before the upgrade begins.

Return to Work Issues

Fourteen letters were mailed out to retirees that exceeded the \$30,000 threshold for working as a casual seasonal or temporary employee. The next steps are to address retirees that are employed through a temporary employment agency and then retirees that are paid as a vendor.

FOP Request

- The FOP has requested an estimate to move “police” positions from the State Employees’ Pension Plan to the New State Police pension plan. There are about 525 positions which include Capital Police, Probation & Parole, and DNREC enforcement agents. Based on 442 actual employees cost of:
 - Change in unfunded accrued liability \$40,251,190
 - Change in annual employer contribution \$6,619,000

Deputy Pension Administrator Position

D. Craik reported that Kathy Kunkle has decided to stay as the Deputy Pension Administrator. There are areas she has started working on and would like to see them come to fruition.

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MOTION made by N. Shevock and seconded by A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

7. **DEPUTY ATTORNEY GENERAL REPORT**

Ann Marie Johnson introduced Deputy Attorney General Lisa Morris, who recently took Deputy Attorney General Tom Ellis’ position, and will be representing the Pension Office in appeals before the Board.

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 April 25, 2014, at 9:00 a.m., at the Delaware Conference Room of the Office of Pensions.

At 10:41 a.m., there being no further business, MOTION was made by Nancy Shevock and seconded by Art 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