

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF APRIL 25, 2014

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:02 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

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

Trustees Absent

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Kathy Kunkle, Pension Office
Lincoln Nathan, Pension Office
Rob Gooderham, Ashford Consulting Group
Ann Marie Johnson, DAG
Lisa Loikith, DOJ Office
Courtney Stewart, Controller Generals Office
Joe Malloy, PAC
Charlotte Lister, PAC

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

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

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the March 28, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

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

MOTION made by T. Cook and seconded by N. Shevock to approve the Executive Minutes of the March 28, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **AUDIT COMMITTEE REPORT**

H. Foster reported on the April 11, 2014 Audit planning meeting with KPMG. Their audit methodology is a four phase workflow consisting of Planning, Control Evaluation, Substantive Testing, and Completion.

Ms. Foster also talked about the new GASB financial reporting standards and that GASB 67, which relates to reporting by the pension plans, goes into effect as of June 30, 2014. GASB 68, which relates to reporting by governments ("employers"), goes into effect June 30, 2015.

KPMG's Audit timetable is tentatively scheduled for the interim fieldwork to begin in May and proceed through June. The final fieldwork will be completed in August and September, and the IT fieldwork will begin in May and is to be completed prior to June 30th.

The Audit exit meeting will be held on October 17th with a final presentation to the Board in November.

4. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Mar-14</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.8%	12.8%	13.9%
S & P 500 Index	0.8%	18.4%	21.9%
60/35/5*	0.5%	11.7%	12.7%
Delaware	0.2%	11.6%	10.9%
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 March totaled \$8,902 million. The Fund's March return of 0.8% outperformed the Delaware Benchmark return. For the fiscal year to date, the total Fund is up 12.8%, 1.2 percentage points above the Delaware Benchmark.

In March both domestic and international equity markets provided positive returns though subdued relative to February's strong rebound. For March, the broad Russell 3000 index was up 0.5%, while the MSCI EAFE international stock index lost 0.6%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up a modest 0.3%. Fixed income markets experienced flat to slightly negative returns. The Barclays Universal bond index lost 0.1%, while the JP Morgan Global High Yield index was up 0.3% for the month. The Barclays TIPS index was down 0.5% in March.

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

At its meeting on April 15th, the Investment Committee received a presentation from existing manager Wellington Management and reviewed the Fund's domestic equity account.

The Investment Committee, under its authority to execute documents relating to manager schedules and contracts over which it exercises authority, unanimously approved a Schedule D change to the Wellington Management contract.

The next meeting of the Investment Committee will be on April 29th.

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

MOTION ADOPTED UNANIMOUSLY

5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that the Pre-Retirement Workshops are going well. He is waiting for Legislature to come back into session.

6. **PENSION ADMINISTRATOR REPORT**

The General Assembly has been on spring break for 2 weeks and will return next week.

D. Craik drafted a bill for the Volunteer Firemen's association. There have been some inquiries from the companies or if they have the ability to withdraw from the Plan. With this being a multi-employer plan any vested individuals of a withdrawing employer would still be eligible for benefits and the cost would then be absorbed by the remaining employers. This bill 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 Employers.

There will be a meeting on May 5th with KPMG, Cherion (actuary), Ashford Consulting Group, and the Pension Office to discuss the implementation of the new GASB standards.

PeopleSoft Upgrade

Contracts have been submitted to vendor for review. D. Craik stated he did not think that a May 1st start date was feasible at this time.

Quarterly Statistics

D. Craik reported that Counseling and Estimate sessions will be suspended for July & August due to the high volume of pension applications that need to be processed.

Settlement Authority

Discussions are underway with our Deputy Attorney General Johnson regarding whether to propose a policy in which the Pension Office would have authority to settle pensioner disputes for which the cost of an appeal might exceed the amount in dispute. Ms. Johnson and Mr. Craik will be working on this issue in general and will come back to the Board with any recommendations.

Positions

The Pension Office has four new employee's starting on May 12th. Three are Human Resources Specialist I's, and one is a Management Analyst III. These new hires are replacing employees who have terminated their employment with the Pension Office.

Interviews for the Investment Financial Manager have been scheduled for next week.

7. DEPUTY ATTORNEY GENERAL REPORT

Board Education

Kim Johnson, of Investor Responsibility Support Services, Inc., ("IRSS") gave the Board a presentation on Managing the Impact of Class Actions. The following areas were discussed:

- The operational aspects of the class action review program.
- The impact of Securities Class Actions on the system generally.
- The distinction between "damages" and "investment losses" for the purposes of evaluating claims.
- Fiduciary duties of the Board as they relate to monitoring and participating in class actions.
- The Telexon Standard

Deputy Attorney General Johnson spoke about DPERS current Securities Litigation Policy, which has \$2 million threshold for consideration to "opt-out" of a class action suit, in order to pursue the Board's rights as an individual plaintiff. Historically, the IRSS report verified the success of DPERS current monitoring and class action program. The Board thanked Mr. Johnson for the presentation.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by H. Foster to renew contracts to exercise the extension with outside counsel, Chapman and Cutler, Morgan Lewis, and Reinhart.

MOTION APPROVED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to seek a short term extension of the IRSS contract, pending the Board's decision about monitoring, going forward.

MOTION APPROVED 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 May 30, 2014, at 9:00 a.m., at 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 H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator