

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF MAY 30, 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  
Suzanne Grant  
Tom Shaw  
Helen Foster

Trustees Absent

Art Agra  
Ann Visalli

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Kathy Kunkle, Pension Office  
Rob Gooderham, Ashford Consulting Group  
Sarah Williams, 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 April 25, 2014 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the April 25, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the April 25, 2014 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Executive Minutes of the April 25, 2014 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

## 3. AUDIT COMMITTEE REPORT

It was announced that Art Agra will be the new Chair of the Audit Committee, as H. Foster is stepping down to work on a special project for the Board. It will be a timely transition so will be no negative impact on the performance of the Committee.

## 4. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Apr-14</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>0.3%</b>	<b>13.1%</b>	<b>11.2%</b>
<b>S &amp; P 500 Index</b>	<b>0.7%</b>	<b>19.3%</b>	<b>16.9%</b>
<b>60/35/5*</b>	<b>0.7%</b>	<b>12.5%</b>	<b>11.7%</b>
<b>Delaware</b>	<b>0.6%</b>	<b>12.3%</b>	<b>11.4 %</b>
<b>Benchmark**</b>			

\*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 \$8,904 million. The Fund's April return of 0.3% underperformed the Delaware Benchmark return. For the fiscal year to date, the total Fund is up 13.1%, 0.8 percentage points above the Delaware Benchmark.

Equity markets were generally weaker in April as reported profits came in below estimates in some cases. For April, the broad Russell 3000 index was up a modest 0.1%, while the MSCI EAFE international stock index gained 1.4%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 1.3%. Fixed income markets provided better returns than the negative returns experienced in March. The Barclays Universal bond index gained 0.8%, while the JP Morgan Global High Yield index was up 0.7% for the month. The Barclays TIPS index was up 1.4% in March.

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

At its meeting on April 29<sup>th</sup>, the Investment Committee received a presentation from existing manager T. Rowe Price and reviewed the Fund's senior bank loan account.

The Investment Committee voted to recommend to the Board a commitment of up to \$30 million to IDG China Venture Capital Fund IV and up to \$40 million to Carlyle Asia Partners IV subject to legal review of the documents.

The Investment Committee discussed, reviewed and approved for recommendation to the Board revisions to the Fund's Investment Policy.

The Investment Committee, pursuant to its authority in the Investment Guidelines, approved consents to amend the Summit Subordinated Debt Fund III-A, L.P. (term extension) and Weston Presidio Capital VI, L.P (name change.)

At its meeting on May 20<sup>th</sup>, the Investment Committee reviewed first quarter reporting for the Fund, the Volunteer Firemen's Fund, and derivative positions.

The Investment Committee voted to recommend to the Board a commitment of up to \$40 million to Meritech V and up to \$10 million to its co-investment fund for a combined total of up to \$50 million, subject to legal review of the documents.

The next Investment Committee meeting will be held on June 10<sup>th</sup>.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to commit up to \$30 million to IDG China Venture Capital Fund IV subject to Counsel's approval of documents.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by T. Cook to commit up to \$40 million to Carlyle Asia Partners IV subject to Counsel's approval of documents.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by T. Cook to commit up to \$40 million to Meritech V and up to \$10 million to its co-investment fund for a combined total of up to \$50 million, subject to Counsel's review of documents

## 5. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that the Pre-Retirement Workshops have been completed and attendance was lower than previous years. He has continued to talk to Legislators about the possibility of a PRI.

The next Pension Advisory Council meeting will be held at Ashford Consulting Group, in Wilmington, where R. Gooderham will give a presentation to PAC members.

## 6. **PENSION ADMINISTRATOR REPORT**

Per D. Craik the PeopleSoft Upgrade contracts has been finalized and waiting for signatures. DTI is putting together and configuring the hardware and it will need to be PeopleSoft certified before the upgrade begins.

The General Assembly has been in mark-up for two weeks and will return next week. The JFC has included a post-retirement increase of 1% effective 1/1/15 for those that retired; prior to 6/30/13. This will require legislative action.

The Pension Office received the favorable determination letters by the IRS for all of the plans. Therefore, HB207 becomes effective for changes for the correctional officers that will take effect on 1/1/15. This will require some PHRST and CRIS changes. There have been various meetings among the divisions of OMB and the Department of Corrections. D. Craik will meet on June 24<sup>th</sup> with the Commissioner of Corrections for a discussion. The difficulty has been to identify the positions that are covered under the definition of Correctional Officer in the bill, which requires work in a position responsible for supervising inmates in secured facilities with a Correctional Officer job title and authorized to receive Hazard Duty Level A1 pay. There are questions relating to how to treat employees who transition out of Level A1, and how to compute 20 years of service at Level A1 that was earned before the Level A1 designation was created, in 2005. A Level A1 member could not retire under the new provisions until 1/1/17.

GASB 67/68 – D. Craik had a meeting on May 5<sup>th</sup> with KPMG, Cheiron, Ashford Consulting Group (ACG), and the Pension Office to discuss the implementation of the new GASB statements. D. Craik followed up with a conference call on May 22<sup>nd</sup> with the same parties and included the Division of Accounting. Some of the outstanding issues are:

- The auditors will have to expand their level of participant testing to include site visits to the employers to verify data that has been transmitted to the Pension Office. For the C/M Police plan they have selected Wilmington, NCC, Dover, Milford and Rehoboth Beach. For the C/M General plan they have selected Wilmington, Town of New Castle and Laurel. A meeting of these employers will be scheduled in June to go over the audit procedures.
- Long Term expected return assumption, currently being reviewed by Ashford Consulting Group and the Investment Committee.
- The question was posed; can the Closed State Police plan assets be comingled for investment purposes with DPERS assets? If not, there must be a lower expected return for this plan as the assets are all in cash. If comingled with DPERS they can use a higher return. The answer is, yes we can.
- An analysis of ad-hoc post retirement increases: if the increases are on a “regular” basis there must be an assumption built into the valuation process and treat the increase as automatic. Significant increase in liabilities if this is in place (10%). We will be looking at a 15 year analysis.
- Valuation Measurement Date: The extra testing by the auditors makes our current schedule difficult because of timing issues, but the statements allow a one year lag. For example, for the FY14 valuation we can use the FY13 participant data which the actuary will then roll forward the liabilities based on the assumptions, but will use the market value of assets as of 6/30/14. The next year there would be actuarial gains and losses for the past year as well as a roll forward of the current year. This allows additional time for the auditors to complete their testing. There has not been a recommendation from GFOA as of yet. Funding valuation will be different than reporting valuation.

HB 279 – This bill includes uniformed paramedics as an employee for purposes of the Delaware County and Municipal Police and Firefighter Pension Plan. This bill has passed the House and is now in the Senate.

7. **DEPUTY ATTORNEY GENERAL REPORT**

Ms. Johnson reported that the Investment Guidelines were thoroughly vetted by the Investment Committee over a three to four month period, in a collective review by her, the Investment Advisor and the Investment Committee.

The revised Securities Litigation Policy update is continuing. Ms. Johnson indicated that the current policy, adapted from the NAPPA standard in 2008, and still considered best practice by many states, is still sound for the ongoing review of domestic claims. She will be participating with a working group of NAPPA to develop an approach for foreign litigation monitoring, with possible intra-state cooperation and will further study the options with the existing litigation monitor, and others, including litigation monitoring by law firms, in the upcoming months. She hopes to present some proposals to the Board in early fall.

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 T. Shaw and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Cook to accept the advised changes to the Investment Policy.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to approve the Board recommendation that Rolinda Roper be granted an opportunity to purchase out of state service at the OPEE rate.

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 June 27, 2014, at 9:00 a.m., at the Delaware Conference Room of the Office of Pensions.

At 11:31 a.m., there being no further business, MOTION was made by S. Grant and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Suzanne B. Grant  
Chair for the Board of Pension Trustees