

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF December 15, 2015

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 12:00 p.m. at the Greenville Country Club.

Trustees Present

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

Trustees Absent

Others Present

Dave Craik, Pension Office
Kathy Kunkle, Pension Office
Amy Jozwiak, Pension Office
Ann Marie Johnson, Deputy Attorney General's Office
Josh Hitchens, Pension Office
Khairat Makanjuola, Pension Office
Jennifer Dilworth, Pension Office
Lincoln Nathan, Pension Office
Paul Roth, TBV Advisors
Rob Gooderham, Ashford Consulting Group
Mark Finrock, Audit Committee Chair
Joe Seibert, KPMG
Arthur Ayers, KPMG
Kathleen Davis, Auditors Office
Robert Robles, Auditors Office
Dale Stratton, Investment Committee
Amy McDuffee, AON Hewitt
Jenna Cullins, AON Hewitt

Michelle LaPlante, AON Hewitt
Bradley Meeker, T. Rowe Price
Brian Rogers, T. Rowe Price

1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting and thanked everyone for attending the luncheon/meeting.

2. EDUCATIONAL PRESENTATION

Mr. Brian Rogers and Bradley Meeker of T. Rowe Price joined the meeting to provide a market outlook. Mr. Rogers is Chair of the Board and Chief Investment Officer for T. Rowe Price. Mr. Rogers also managed the T. Row Price Equity Fund Income Strategy for 30 years ending October 31, 2015. Mr. Rogers categorized the current market environment and expects another difficult year for 2016. Some areas where positive returns are anticipated are specific Asian markets and European real estate.

MOTION made by S. Grant and seconded by A. Agra 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.

3. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the November 17, 2015 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the November 17, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the November 17, 2015 meeting.

MOTION made by A. Agra and seconded by T. Shaw to approve the Executive Minutes of the November 17, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw 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 T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

4. **AUDIT COMMITTEE REPORT**

Nothing to report.

5. **PENSION ADVISORY COUNCIL REPORT**

Nothing to report.

6. **PENSION ADMINISTRATOR REPORT**

Risk Management

P. Roth reported that the Pension Office Continuity of Operations Planning (COOP) drill was held on 12/2/2015 and successfully allowed testing of the current COOP plan and identified the procedures in place that are working and new issues that need to be addressed. Staff is currently working on resolutions to these issues.

D. Craik presented a proposal to add The Town of Smyrna Police Department employees hired after or employed on January 1, 2016 to the County/Municipal Police/Firefighters Pension Plan.

MOTION made by T. Cook and seconded by H. Foster to allow the Town of Smyrna Police Department to join the County/Municipal Police/Firefighter Employees' Pension Plan.

MOTION ADOPTED UNANIMOUSLY

7. DEPUTY ATTORNEY GENERAL REPORT

Nothing to report.

8. INVESTMENT COMMITTEE REPORT

Estimated assets in the Fund at the end of **November** totaled \$8,901 million. The Fund's estimated November return of -1.0% underperformed the Delaware Benchmark return of -0.3%. For the fiscal year to date, the Total Fund was down 2.8%, versus the Delaware Benchmark return of -1.0%.

	<u>Nov-15</u>	<u>Fiscal</u> <u>YTD 11/30/15</u>	<u>Calendar</u> <u>YTD 11/30/15</u>	<u>12 Months</u> <u>Ended</u> <u>11/30/2015</u>
Total Fund	-1.0%	-2.8%	0.3%	-0.4%
S&P 500 Index	0.3%	1.8%	3.0%	2.7%
Delaware Benchmark*	-0.3%	-1.0%	0.8%	0.0%

* 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

Equities were mixed in November with US equities mostly positive, led by small cap, while global equities were modestly negative. The MLP sector was down once again in November. US equities as measured by the Russell 3000 index gained 0.6%, while the MSCI EAFE returned -1.6% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 2.1%. High quality fixed income retreated slightly with a -0.3% return for the Barclays Aggregate, while the riskier JP Morgan Global High Yield index moved lower by 1.9%.

The Investment Committee has met one time since the Board's last meeting. At its meeting on December 15th, the Committee heard a presentation from T. Rowe Price Global Growth.

The Committee voted to recommend the following actions to the Board:

- Withdraw \$100 from Angelo Gordon Super Fund

- Liquidate the Oaktree Domestic and the Oaktree International Convertibles accounts (approximately \$435 million) to be allocated \$115 million to Kiltearn, \$100 million to Focused investors, \$65 million to Wellington Dividend Growth, \$65 million to Mellon Large Cap Value Index, and \$92 million to Mellon Aggregate Bond Index Fund. (The totals allocated to each manager may shift slightly based on market values upon full liquidation of the accounts.)

The Committee under its authority to approve documentation amendments for existing manager relationships, approved amendments to the limited partnership agreements for:

- Carlyle Partners IV
- OneLiberty Funds III, IV, and 2000
- Trident Capital Fund VI

The next meeting of the Investment Committee will be Tuesday, January 12th.

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

MOTION made by T. Cook and seconded by H. Foster to approve the Board's recommendation that Charles Guinan's request for a waiver of the interest charged be denied.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 4:00 p.m., there being no further business, MOTION was made by H. Foster and seconded by T. Shaw to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne Grant
Chair for the Board of Pension Trustees