

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JUNE 26, 2015

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, at 9:06 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Suzanne Grant
Tom Shaw
Art Agra
Helen Foster

Trustees Absent

Nancy Shevock
Tom Cook
Ann Visalli

Others Present

Dave Craik, Pension Office
Kathy Kunkle, Pension Office
Terri Timmons, Pension Office
Jennifer Dilworth, Pension Office
Paul Roth, TBV Advisors LLC
Rob Gooderham, Ashford Consulting Group
Sara Williams, Ashford Consulting Group
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 May 29, 2015 meeting.

MOTION made by A. Agra and seconded by T. Shaw to approve the Public Minutes of the May 29, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 29, 2015 meeting.

MOTION made by T. Shaw and seconded by A. Agra to approve the Executive Minutes of the May 29, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

D. Craik reported that the next Audit Committee meeting will be held in July. The Audit Committee will discuss the progress of the FY15 audit. Sophia Smith of Ashford Consulting Group will present educational information on how the auditors look at valuations.

D. Craik also reported that the IT Auditors are in-house this week.

4. **PENSION ADVISORY COUNCIL REPORT**

No report.

5. **PENSION ADMINISTRATOR REPORT**

Risk Management

P. Roth reported on the following:

- The office computer servers had been updated per John McCartney
- Cross training for the Investment Section is mostly completed
- COOP project is on schedule. All of the BIA surveys have been completed and are being reviewed by administration.

Legislative Update

- SB50 – clarifies the definition of a Correction Officer in the State Employees’ Pension Plan by expanding the existing requirements from supervising inmates to supervising Correctional Officers in secure facilities and/or classified with a correctional office job code. This Bill has passed the Senate.
- SB53 – 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. This Bill is still with the Senate.

Other Office Activities

D. Craik reported that there are 409 state employees that have submitted their pension applications with an effective date of June 30th.

D. Craik stated that the interviews for the vacant Cash & Debt Manager position have been completed and the request to hire has been submitted to our Personnel Office for approval.

DPERS Best Practices Review – D. Craik reported that AON Hewitt requested information and documents. The review was broken down into four sections with Sections I and II being emailed to them this morning. Sections III and IV are due to them by July 9th. On July 8th there will be a conference call with AON Hewitt and on July 10th AON Hewitt will provide D. Craik with a list of who they wish to interview. The interviews will take place in Wilmington and Dover.

6. DEPUTY ATTORNEY GENERAL REPORT

No report.

7. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>May-14</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.5%	5.3%	6.9%
S & P 500 Index	1.3%	9.5%	11.8%
60/35/5*	0.7%	6.8%	8.1%
Delaware Benchmark**	0.1%	4.1%	5.5%

*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

Assets in the Fund at the end of May totaled \$9,426 million. The Fund's May return of 0.5% outperformed the Delaware Benchmark return. For the fiscal year to date, the total Fund is up 5.3%, versus the Delaware Benchmark return of 4.1%.

May was a strong month with a weak ending for equities, while fixed income suffered as bond yields rose. US equities advanced 1.4%, as measured by the Russell 3000 index, helped by strong corporate earnings and merger and acquisition activity. International equities moved higher for most of the month but pulled back to finish the month lower with the MSCI EAFE index falling 0.5% and the MSCI All-Country World ex-U.S. stock index (which includes emerging markets) moving 1.6% lower. Higher quality fixed income moved lower as US rates followed European yields higher, as the latter recovered from extreme lows (and negative yields in much of northern Europe) as economic reports showed modest growth and deflation fears eased. The Barclays Universal bond index fell 0.2%, while the Barclays TIPS index declined 0.8%.

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

At the Investment Committee meeting on June 16th, the Investment Committee voted to recommend the following actions to the Board by poll vote:

- Withdraw \$50 million from Wellington Dividend Growth and \$100 million from T. Rowe Price Global Growth, allocating \$50 million to Kiltearn Global Equity, \$50 million to the Mellon Aggregate Bond account, and \$50 million to the cash account.
- To authorize Northern Trust to open custodial account access for the Chinese B share markets of the Shanghai and Shenzhen exchanges.

The Investment Committee voted to recommend to the Board a commitment of up to \$40 million to IDG China Capital Fund III, subject to satisfactory review of the documents.

The Investment Committee, under its power to amend manager agreements, voted to approve an amendment to the Schedule A for the T. Rowe Price NRIS account.

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved an amendment to the limited partnership agreement of Main Post Fund I.

The next meeting of the Investment Committee is scheduled for Tuesday, June 30th. Harvest Advisors, the Fund's MLP manager, is due to present.

S. Grant announced that Phil Reese will be stepping down from the Investment Committee in July. Trustee Art Agra will become a member of the Investment Committee.

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 H. Foster and seconded by A. Agra to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by T. Shaw to ratify the poll vote to withdraw \$50 million from Wellington Dividend Growth and \$100 million from T. Rowe Price Global Growth, allocation \$50 million to Kiltearn Global Equity, \$50 million to the Mellon Aggregate Bond account, and \$50 million to the cash account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by H. Foster to ratify the poll vote to authorize Northern Trust to open custodial account access for the Chinese B share markets of the Shanghai and Shenzhen exchanges.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Shaw to approve the commitment of up to \$40 million to IDG China Capital Fund III, subject to satisfactory review of the documents.

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

There were no pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

At 10:10 a.m., there being no further business, MOTION was made by T. Shaw and seconded by H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne B. Grant
Chair for the Board of Pension Trustees