

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF DECEMBER 20, 2013**

The meeting of the Board of Pension Trustees was called to order by Nancy Shevock, at 9:01 a.m. in Delaware Conference Room in the Pension Office.

Trustees Present

Nancy Shevock  
Tom Shaw  
Art Agra  
Ann Visalli  
Helen Foster

Trustees Absent

Suzanne Grant (via conference call)  
Tom Cook

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Kathy Kunkle, Pension Office  
Wade Sallings, Pension Office  
Jeff Hoover, Pension Office  
Rob Gooderham, Ashford Consulting Group  
Seth Yablonovitz, Ashford Consulting Group  
Ann Marie Johnson, DAG  
Courtney Stewart, Controller Generals Office  
Joe Malloy, PAC  
Charlotte Lister, PAC

Dr. Aydin Bill  
Dr. Robert Brereton,  
Dr. G. Dean MacEwen  
Dr. Ananth Nabha  
Dr. Wm Shallenberger  
Dr. Phyllis Smoyer

**1. OPENING COMMENTS**

N. Shevock, Acting Chair, welcomed and thanked everyone for attending today's meeting. She also reminded everyone that the Board Holiday Luncheon would immediately follow the meeting and thanked S. Grant for providing the luncheon.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the November 22, 2013 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the November 22, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the November 22, 2013 meeting.

MOTION made by H. Foster and seconded by A. Agra to approve the Executive Minutes of the November 22, 2013 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **MEDICAL COMMITTEE REPORT**

Dr. Shellenberger reported generally upon the status of disability pension claims. He stated that when many disability applicants, when referred and/ or recommended to engage in vocational rehabilitation do not pursue the referral and recommendation. He suggested that the disability process could be improved by imposing consequences to the individual with respect to the collection of benefits when this occurs.

N. Shevock thanked the Medical Committee for their hard work. D. Craik noted that the number of new disability cases continues to decrease.

4. **AUDIT COMMITTEE REPORT**

D. Craik reported that a copy of the Comprehensive Annual Financial Report (CAFR) was available and can be viewed on the website.

5. **PENSION ADVISORY COUNCIL REPORT**

Nothing to report.

6. **PENSION ADMINISTRATOR REPORT**

D. Craik gave an update on the RFP for the PeopleSoft Upgrade and indicated that the RFP would close in mid-January and the hardware has already been purchased.

Deputy Attorney General Johnson is working with D. Craik on the IRS determination letter updates.

The General Assembly will be back in session next month. D. Craik met with Senator Venables this week to discuss the Justice of the Peace benefits.

Actuarial reports from Cheiron should be ready next month and be presented to the Board.

D. Craik presented the Board with a Resolution commending Kim Vincent, recently retired Deputy Pension Administrator, for her service to the Pension Office.

MOTION made by T. Shaw and seconded by A. Visalli to accept the Resolution for Kim Vincent, recently retired Deputy Pension Administrator.

MOTION ADOPTED UNANIMOUSLY

## 7. DEPUTY ATTORNEY GENERAL REPORT

Board members reviewed and discussed proposed updates to the Code of Conduct policy. Deputy Attorney General Johnson indicated that the Code of Conduct policy is applicable to all committee members. Questions and comments are welcomed, with the goal of approving the revised policy at the next Board Meeting. It was recommended that the Investment Committee & Audit Committee also review and give input on the Code of Conduct policy.

## 8. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 11/30/13

<u>Fund</u>	<u>Nov-13</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>1.6%</b>	<b>8.5%</b>	<b>16.6%</b>
<b>S &amp; P 500 Index</b>	<b>3.0%</b>	<b>13.4%</b>	<b>30.3%</b>
<b>60/35/5*</b>	<b>1.7%</b>	<b>8.3%</b>	<b>16.6%</b>
<b>Delaware Benchmark**</b>	<b>1.0%</b>	<b>8.7%</b>	<b>14.5%</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

Total assets in the Fund at the end of November totaled \$8,653 million. The Fund's November return of 1.6% outperformed the Delaware Benchmark return. For the calendar year to date, the total Fund is up 15.7%, 2.5 percentage points above the Delaware Benchmark.

Equity markets continued to deliver positive returns in November responding to encouraging economic reports. For November, the broad Russell 3000 gained 2.9%, while the MSCI EAFE international stock index was up 0.8%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) gained 1.4%. Fixed income markets experienced mixed returns. The Barclays Universal bond index lost 0.3%, while the JP Morgan Global High Yield index was up 0.5% for the month. The Barclays TIPS index declined 1.1% in November.

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

At its meeting on December 17<sup>th</sup>, the Investment Committee received a presentation from existing fixed income manager Loomis Sayles.

The Investment Committee voted to recommend the Board by poll vote to approve the following actions to reduce risk:

- Withdraw \$100 million from the Mellon Capital S&P 500 index fund account
- Allocate \$100 million to the Northern Trust GSTIF account

The Investment Committee also voted to recommend the Board approve the following:

- Transfer assets in the Volunteer Fireman's Vanguard Total Bond index fund to a new account invested in the Mellon Capital Aggregate Bond index fund
- Approved a temporary revision to the Northern Trust custodial contract

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved consents/amendments to One Liberty Ventures III, L.P., One Liberty Ventures IV, L.P., One Liberty Ventures 2000, L.P., summit subordinated Debt Fund, L.P., Trident IV, L.P., and Trident V, L.P.

The Investment Committee, under its authority to execute documents relating to manager and custodian schedules and contracts over which it exercise authority, approved amendments to the Mellon Capital Management and Northern Trust contracts.

The next meeting of the Investment Committee will be on January 12, 2014.

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 T. Shaw and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Shaw to ratify the poll vote to approve the 1) withdraw of \$100 million from the Mellon Capital S&P 500 index fund account; 2) to allocate \$100 million to the Northern Trust GSTIF account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Shaw to approve 1) the transfer of assets in the Volunteer Fireman's Vanguard Total Bond index fund to a new account invested in the Mellow Capital Aggregate Bond index fund; 2) to approve a temporary revision to the Northern Trust custodial contract.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by A. Agra to accept the Hearing Officer's recommendation that Board reaffirm its September 14, 2011 opinion and C. Haggerty's request for total disability pension benefits be denied.

MOTION ADOPTED UNANIMOUSLY

9. **PENDING ITEMS**

There were no pending items.

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on January 30, 2013, at 9:00 a.m., at the Delaware Conference Room of the Office of Pensions.

At 11:05 a.m., there being no further business, MOTION was made by A. Visalli and seconded by T. Shaw to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Nancy Shevock  
Acting Chair for the Board of Pension Trustees