

**STATE OF DELAWARE**  
STATE BOARD OF PENSION TRUSTEES  
AND  
OFFICE OF PENSIONS  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF APRIL 24, 2015**

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  
Suzanne Grant  
Tom Shaw  
Art Agra  
Helen Foster  
Tom Cook

Trustees Absent

Ann Visalli

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Kathy Kunkle, Pension Office  
Lincoln Nathan, Pension Office  
Paul Roth, TBV Advisors LLC  
Rob Gooderham, Ashford Consulting Group  
Ann Marie Johnson, Deputy Attorney General  
Joe Malloy, Pension Advisory Council  
Charlotte Lister, Pension Advisory Council  
Courtney Stewart, Legislative Analyst

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the March 27, 2015 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Public Minutes of the March 27, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the March 27, 2015 meeting.

MOTION made by A. Agra and seconded by T. Cook to approve the Executive Minutes of the March 27, 2015 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT REPORT**

Art Agra reported that the Audit Committee met on April 20<sup>th</sup>. KPMG was also in attendance and talked about the impact of GASB 67 and 68 upon reporting by municipalities. KPMG has audited several DPERS municipalities and will continue to audit select municipalities for future audits. A. Agra asked P. Roth to assess the risk to DPERS for the unlikely possibility that one of the larger municipalities in the County and Municipal Employees Retirement Fund should experience fiscal difficulties. S. Grant asked for an evaluation of possible preventative measures that could be taken by DPERS protect the future of the plans. A report will be presented to the Audit Committee and to the Board in the future.

A. Agra reported that substantial progress has been made with the internal processes of the Investment and Accounting Section of the Pension Office. Cross training has been implemented.

First State Independence Fund - The Audit Committee has recommended to the Board that a Compilation Report, rather than a full audit is sufficient given the relatively small investment remaining in the Fund. This is consistent with audit requirements under state law and would provide cost savings. A discussion of the merits was held.

MOTION made by A. Agra and seconded by T. Shaw to approve the Audit Committees recommendation to have a compilation report done for the First State Independence Fund in lieu of a full audit.

MOTION ADOPTED UNANIMOUSLY

4. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that the Advisory Council met yesterday. Brenda Lakeman, Statewide Benefits, gave a presentation on healthcare costs.

Mr. Malloy also stated that the spring pre-retirement workshops have begun.

5. **PENSION ADMINISTRATOR REPORT**

Legislation

D. Craik reported that SB 50 passed the Senate and will now be voted on in House. SB 50 clarifies the definition of a Correctional Office 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.

SB 53 is still in the Senate Finance Committee. SB 53 is an act to amend Title 16 of the Delaware Code relating to the Volunteer Firemen's Pension Plan.

Pension Office Activities

D. Craik reported that new pension applications have risen in the 3<sup>rd</sup> quarter, as have the healthcare additions and changes. Reports on Burial Benefits have also seen an increase during the same time period.

Risk Management – Paul Roth

External Risks

- Valuations – Established process where he will review the 12/31/14 audited financial statements and 3/31/15 unaudited financial statements of private partnerships. Ashford Consulting Group will continue their ongoing process and P. Roth will work independently from them and then we will meet to discuss the valuations
- Manager Introduction and Visits – Working on a letter, to be signed by S. Grant, Chair of the Board, to introduce P Roth as Risk manager for DPERS. Once final it will be sent to managers and arrange a few (4 or 5 ) visits to start with over the next few months

- Will also be meeting with some of the KPMG staff to discuss their views on a) the valuations processes at the investment managers, and b) their interactions with the employer contributors to the plan

Internal Risks

- Disaster Recovery/Business Continuity – 15 Subject Matter Experts are beginning to input data into the DTI software that will help build the procedure. Once that is done in 6-8 weeks the inputs will be reviewed by a different set of internal staff to ensure it all meshes together and makes sense. There is a target of November 2015 for the plan to be completed and rolled into the DEMA plan for the state as a whole
- Cash & Debt Manager – D. Craik is interviewing for the vacancy now
- Cross Training – K. Kunkle is meeting with the Investment staff to ensure that they know their full job responsibilities and the timeframe of their duties
- P. Roth hopes to begin to build the skeleton of a DPERS-wide Policies & Procedures Manual from the information gathered for the DR/BC process

6. **DEPUTY ATTORNEY GENERAL REPORT**

No Report.

7. **INVESTMENT COMMITTEE REPORT**

<u>Fund</u>	<u>Mar-15</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>1.3%</b>	<b>3.6%</b>	<b>7.9%</b>
<b>S &amp; P 500 Index</b>	<b>-1.6%</b>	<b>7.1%</b>	<b>12.7%</b>
<b>60/35/5*</b>	<b>-0.8%</b>	<b>5.7%</b>	<b>9.8%</b>
<b>Delaware Benchmark**</b>	<b>-0.6%</b>	<b>2.7%</b>	<b>6.6%</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 March totaled \$9,308 million. The Fund's March return of 1.3% outperformed the Delaware Benchmark return. For the fiscal year to date, the total Fund is up 3.6%, 0.9 percentage points above the Delaware Benchmark.

In March domestic and international equity markets provided mixed returns after February's rebound. For the month, the broad market Russell 3000 fell 1.0%, while the MSCI EAFE index dropped 1.5%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 1.6%. High quality bonds, as measured by the Barclays Aggregate were up in March with a 0.5% return, while high yield bonds were down 0.5% (Barclays High Yield). Barclays TIPS index lagged with a 0.5% decline.

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

At its meeting on April 14<sup>th</sup>, the Investment Committee, under its authority to increase non-traditional interest by up to \$10 million, approved an investment of up to \$10 million in a secondary interest in ONSET IV, L.P.

The next meeting of the Investment Committee will be held on April 28<sup>th</sup>.

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

MOTION made by N. Shevock and seconded by H. Foster to approve the Board recommendation that Patricia Wellington be granted to begin her pension effective October 31, 2014.

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

There were no pending items.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

At 10:55 a.m., there being no further business, MOTION was made by A. Arga 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