

STATE OF DELAWARE

INVESTMENT COMMITTEE MEETING MINUTES

July 15, 2008

The Investment Committee met at Walker's Mill at 8:30 a.m. on July 15, 2008. Present were Committee members Jan M. King, Chair, A. Dale Stratton, Philip S. Reese, Elva B. Ferrari, Clark Phippen and Mark Stalneck. Also present were Theodore H. Ashford, Robert D. Gooderham, Cynthia Collins, David C. Craik, Kathy Kunkle, Garry A. Musto, Seth J. Yablonovitz and Linda M. Drew.

Minutes of the May 13, 2008 and May 27, 2008 Investment Committee meetings and the May 13, 2008 OPEB Investment Committee meeting were approved as presented.

On behalf of the Governor, Mr. Reese presented the Order of the First State to Mr. Ashford for his many years of service to Delaware and the Pension Fund. Mr. Ashford expressed his thanks and appreciation for such a distinction.

Mr. Reese moved, Mr. Phippen seconded, and the Committee unanimously approved a motion to enter Executive Session at 8:40 a.m. to consider sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

The Committee returned to public session at 12:10 p.m. by unanimous vote, on the motion of Ms. Stratton, seconded by Mr. Reese.

On the motion of Mr. Reese, seconded by Mr. Phippen, the Committee unanimously voted to recommend to the full Board termination of the Lehman Asset Management Enhanced Index account due to poor performance with the assets to be invested in a Lehman Aggregate Bond Index fund managed by Mellon Capital Management. It was further to be recommended that Mellon Transition Management Service be hired to accomplish the transition with \$100 million of the proceeds to be transferred to the Fund's cash account. Mellon Capital, in conjunction with Ashford Consulting, is to determine which securities are not easily liquidated and are to go into a separate account which will hold these residual securities until maturity or such time as they are able to be sold at reasonable prices.

On the motion of Mr. Phippen, seconded by Ms. Stratton, the Committee unanimously voted to recommend the following actions to the full Board:

1. Withdraw \$100 million from the Mellon Capital Tactical Asset Allocation account
2. Withdraw \$100 million from the Mellon Capital Global Tactical Asset Allocation account
3. Withdraw \$70 million from the Mercator international equity account

4. Commit \$25 million to the Moon Capital Global Equity Fund, subject to counsel's review of the documents
5. Withdraw \$25 million from the Western Asset Absolute Return strategy

Mr. Musto reported on Ashford Consulting's recommendation for the Delaware Volunteer Firefighters Plan, stating that the initial investment recommendation is to invest the Firefighters Plan assets in index funds replicating the Delaware benchmark using the same investment managers and structure used in the Delaware OPEB Trust. Following discussion the Committee, under its authority from the Board, unanimously approved the ACG recommendation for investment of the Firefighters Plan assets.

Mr. Gooderham reported that Ashford Consulting, at the request of the Committee, queried all fixed income managers regarding auction rate securities and verified that no auction rate securities have ever been held in Delaware accounts.

There being no further business to come before the Committee, the meeting was, on the motion of Ms. Stratton, seconded by Mr. Reese and unanimously approved, adjourned at 12:40 p.m.

Respectfully submitted,

/S/Robert D. Gooderham

Robert D. Gooderham
Executive Secretary

/S/Jan M. King _____
Jan M. King, Chairperson