

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
MCARDLE BUILDING  
860 SILVER LAKE BLVD., SUITE 1  
DOVER, DE 19904-2402

**When Calling Long Distance**  
**Toll Free Number 1-800-722-7300**  
**E-mail: [pensionoffice@state.de.us](mailto:pensionoffice@state.de.us)**

**Telephone (302) 739-4208**  
**FAX # (302) 739-6129**  
**[www.delawarepensions.com](http://www.delawarepensions.com)**

**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF DECEMBER 16, 2005**

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:02 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

Philip S. Reese  
Robert W. Allen  
Jennifer Davis  
Helen Foster  
Jan King  
Nancy J. Shevock

Trustees Absent

Richard Cordrey

Others Present

David Craik, Pension Office  
Kim Vincent, Pension Office  
Marsha Kramarck, DAG  
Dale Stratton, Investment Committee  
Alice Simon, Pension Office  
Kathy Kunkle, Pension Office  
Terri Timmons, Pension Office  
James Testerman, Pension Advisory Committee  
Charlotte Lister, Pension Advisory Committee  
Joseph Malloy, Pension Advisory Committee

Dr. Frelick, Medical Committee  
Dr. Shellenberger, Medical Committee  
Dr. Tikellis, Medical Committee  
Dr. DelDuca, Medical Committee  
Dr. Riegal, Medical Committee  
Joanna Adams, Pension Office  
Elaine Loboda, Pension Office  
Dorothy Clemente, Pension Office  
Yvonne Daubert, Pension Office

**1. OPENING COMMENTS**

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese introduced Dr. Frelick and Dr. Weir who are Medical Committee Members.

**2. APPROVAL OF THE MINUTES**

The Trustees reviewed the minutes of the October 28, 2005 meeting.

MOTION made by J. King and seconded by N. Shevock to approve the minutes of the Board of Pension Trustees' October 28, 2005, meeting.

MOTION ADOPTED UNANIMOUSLY

**3. MEDICAL COMMITTEE REPORT**

Dr. Frelick spoke about the new Disability Insurance Program and how it will help lower some of the disability cases. A discussion was held in reference to public health issues as a whole.

P. Reese introduced the rest of the Medical Committee. The Medical Committee then adjourned to the New Castle Conference Room to conduct their monthly meeting.

**4. PENSION ADVISORY COUNCIL**

J. Testerman introduced himself and committee members Charlotte Lister and Joseph Malloy and what positions they held within the Advisory Council. J. Testerman spoke briefly on the benefits he sees with the new Disability Insurance Program.

**5. PENSION ADMINISTRATOR'S REPORT**

Disability Insurance Program Review

D. Craik gave an update on the statistics for the Disability Insurance Program. The election period officially closed on December 15<sup>th</sup> at 11:59 p.m. There are 32,619 employees in the State Employees Pension Plan. Out of the 32,619 there are 23,109 vested employees who were eligible to make their election and 9,510 non-vested employees who will automatically be enrolled into the new program.

The Disability Insurance Program statistics are as follows:

Total Vested Employees Responding: 20,265 (87.69%)  
    Vested – Yes: 18,792  
    Vested – No: 1,473  
Outstanding Vested Responses: 2,844 (12.31%)

D. Craik also stated that clean up legislation will be introduced in January for the issues that were indentified during the implementation phase.

For the purpose of the new Disability Insurance Program Election Appeal process D. Craik introduced language that would give him the authority to extend the time period for making the election beyond the periods specified. After a discussion P. Reese asked if someone would make a motion to adopt.

MOTION made by J. King and seconded by H. Foster that if it is determined by the State Pension Administrator that an employee is or was unable to make this election in a timely manner due to circumstances beyond the employee's control, the Administrator, in his sole and absolute discretion, may extend the time period for making the election beyond the periods specified in this subsection.

MOTION ADOPTED UNANIMOUSLY

#### Best Practices Review

D. Craik reported that the Best Practices Review work continues. The project consultant, CEM, has distributed surveys for gathering information on administration and investment data. These surveys have been completed by staff and the questions have started coming in from CEM.

Investment - A copy of the Investment Report was received and it is currently being reviewed.  
Administration – A report should be available in January or February.  
Governance – Is on-going.

#### Disability Pension Report

D. Craik stated that there were eighteen new cases in November.

### **6. AUDIT COMMITTEE REPORT**

R. Allen stated that the Audit Committee will be meeting on December 21<sup>st</sup> and will have an update at that time on how we are doing.

### **7. T. ROWE PRICE GROUP, INC. PRESENTATION**

P. Reese introduced Edmund M. Notzon and Bob Birch. Mr. Notzon is the Vice President of T. Rowe Price Group, Inc., and T. Rowe Price Associates, Inc., and is the Portfolio Manager in the firms' Fixed Income Group. Bob Birch is the Director of the U.S. Institutional Client Service.

Mr. Notzon presented information on their current sector allocations with regards to Stocks, Bonds, High Yield & Investment Grade, Emerging Markets Bond, Small-Cap & Large-Cap Values and International Stocks.

## 8. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>2.6%</b>	<b>5.3%</b>	<b>8.4%</b>
<b>S &amp; P 500 Index</b>	<b>3.8%</b>	<b>5.7%</b>	<b>8.4%</b>
<b>60/35/5*</b>	<b>2.5%</b>	<b>3.1%</b>	<b>6.2%</b>
<b>Delaware</b>	<b>2.2%</b>	<b>3.3%</b>	<b>6.9%</b>
<b>Benchmark**</b>			

\*Benchmark mix of 60% S&P500 Index, 35% Salomon Long Government and Corporate Bond Index, 5% T-bills.

\*\*Benchmark mix of 45% Russell 3000, 10% EAFE (international), 43% Lehman Bond aggregate and 2% T-bills.

Total assets in the fund at the end of November were \$6,206 million. The fund gained 2.6% for the month which was ahead of the Delaware Benchmark of a positive 2.2% and was ahead of the 60/35/5 benchmark which was 2.5%.

During the month of November the fund experienced gains in the US Equity market. The Russell 3000 stocks gained 3.9%. Large Growth stocks were ahead for the month of 3.8% and Large Value index returned a positive 3.3%. Small cap stocks led large stocks with a gain of 4.9% in the Russell 2000. The international markets lagged the U.S. market for the month with the unhedged EAFE returning a positive 2.5%. The bond market with Lehman LT Government/Corp Index was ahead 0.8% with the remainder of the fixed income market essentially flat.

The fiscal year 2006 year-to-date return for the Fund will be reported at a 5.3% gain, compared positively to a 3.3% benchmark. This positive variance to benchmark is mainly due to the high U.S. Equity and International Equity position of the Mellon-TAA and GTAA during the quarter and the strong performance of the NRIS tactical allocation. Calendar year-to-date returns are a positive 5.6% compared slightly favorable to a benchmark of a gain of 4.3%.

A poll vote was taken in early December and needs to be ratified.

Accel, a venture capital manager with whom DPERS has had a long-term relationship with very positive results, has created a joint venture to do venture capital investing in China. These investments will be in the areas of consumer internet, mobile communications, and media internet. The Investment Committee has been looking for an opportunity to invest in China in order to better understand the Chinese market and views this as a way of doing this with a small investment. The Committee unanimously recommended approval of a commitment of up to \$15 million in the Acell-IDG Growth Fund, pending favorable review of partnership documents by Counsel.

The Investment Committee recognizes that on a macro level, there is potential geo-political risk in China investments. That risk is independent of the manager chosen to make the investments. At the current time, the Chinese government is supportive of activities bringing in foreign capital. They are also trying to maintain global acceptance prior to the 2008 Olympics. This favorable climate presents a window of opportunity.

Accel has put major effort into consummating the relationship with IDG, which has strong connections to both the Chinese government and business community and a demonstrated track record of venture investments.

Capital drawdown is expected to take place over 2 to 4 years. The Investment Committee has probed Accel's exit strategies for the target investments which are structured to generate liquid securities (sold on global exchanges) in the 4 to 7 year time frame.

The poll vote was approved and subsequently DPERS has received a \$10MM allocation in the new fund.

MOTION made by R. Allen, seconded by N. Shevock to ratify the December 2005 poll vote to commit up to \$15 million to Accel-IDG China Growth Fund.

MOTION ADOPTED UNANIMOUSLY

The December meeting of the Investment Committee was held this week with the team from Mellon presenting. Mellon is the lead manager in the DPERS fund with monies invested in the Domestic Tactical Allocation Fund, Global Tactical Allocation Fund, TIPS Fixed Income Fund and most recently, funds were allocated to their Foreign Currency Opportunity Fund. The Committee was pleased with their presentation and at a future date may consider shifting funds from the Domestic TAA to the Global TAA. This will be considered during our next asset allocation discussion.

Our first meeting in January will include a presentation from OCM Emerging markets which is lagging in return expectations.

## **9. DEPUTY ATTORNEY GENERAL REPORT**

There was no Deputy Attorney General Report

## **10. PENDING ITEMS**

D. Craik noted that there has been no action taken on the Pending Items due to the workload of the Disability Insurance Project.

## 11. ADJOURNMENT

The next Pension Board meeting will be held on January 27, 2006, at 9:00, in the Delaware Conference Room of the Office of Pensions.

At 11:51 p.m., there being no further business, MOTION was made by J. King and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

---

Philip S. Reese  
Board of Pension Trustees Chairman