

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF MARCH 17, 2006**

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:00 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

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

Trustees Absent

Others Present

David Craik, Pension Office  
Kim Vincent, Pension Office  
Marsha Kramarck, DAG  
Jim Testerman, PAC  
Charlotte Lister, PAC  
Alice Simon, Pension Office  
Kathy Kunkle, Pension Office  
Terri Timmons, Pension Office  
Garry Musto, Ashford Consulting Group  
Rob Gooderham, Ashford Consulting Group  
Linda Drew, Ashford Consulting Group

## 1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. P. Reese congratulated the Pension Office's Investment Section and Staff for receiving an award from the Government Finance Officers Association for the achievement for excellence in financial reporting for the Fiscal 2005 Board of Pension Trustees Annual Report.

## 2. APPROVAL OF THE MINUTES

The Trustees reviewed the minutes of the February 24, 2006 meeting.

MOTION made by J. Davis and seconded by R. Allen to approve the minutes of the Board of Pension Trustees' February 24, 2006 meeting.

MOTION ADOPTED UNANIMOUSLY

## 3. 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>-0.5%</b>	<b>10.2%</b>	<b>9.8%</b>
<b>S &amp; P 500 Index</b>	<b>0.3%</b>	<b>8.9%</b>	<b>7.0%</b>
<b>60/35/5*</b>	<b>0.3%</b>	<b>5.3%</b>	<b>6.1%</b>
<b>Delaware Benchmark**</b>	<b>0.2%</b>	<b>6.7%</b>	<b>7.7%</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, 2% T-bills.

Total assets in the Fund at the end of February were \$6,453 million. The Fund lost (.5%) for the month which was lower than the Delaware Benchmark of a positive .2% and was also behind the 60/35/5 benchmark which was .3%. The underperformance to the benchmark is mainly due to the large allocation to natural resources.

During the month of February, the Fund had mixed results in the financial markets. The Russell 3000 stocks gained .2%. Large Growth stocks were off for the month at a (.4%) loss while the Large Value index returned a positive .6%. Small cap stocks also experience a small loss at (.3%) in the Russell 2000. The international markets followed the U.S. market with the unhedged EAFE returning a negative (.2%). The bond market with Lehman LT Government/Corp Index experienced a 1.0% gain with the remainder of the fixed income market also yielding positive results. Natural resources had a large fall off of a negative (8.8%) in February which offsets only partially the 14.8% gain in January.

The fiscal year 2006 return for eight months for the Fund will be reported at a 10.2% gain, compared positively to a 6.7% benchmark. This positive variance to the benchmark is mainly due to

the high U.S. Equity and International Equity position of the Mellon-TAA and GTAA during this period and the strong performance of the T. Rowe Price NRIS tactical allocation. Calendar returns to date for 2006 are a positive 3.2% compared to a 2.3% benchmark.

The March 28<sup>th</sup> meeting has been cancelled and the next meeting of the Investment Committee will be held on April 18<sup>th</sup>.

#### Investment Policies and Objectives Draft

J. King presented an outline of the Investment Policies and Objectives Draft. Many hours have been spent on developing this policy and the Investment Committee has now approved it. J. King said the Draft would be ready for review within the next two weeks and asked that Board Members read the policy carefully and come back to the table with any questions and comments.

#### Global Custody Services RFP

G. Musto, Ashford Consulting Group, handed out the Trustee/Custodian Summary and Comparison Report. G. Musto stated that the Request For Proposal was sent to seven providers, six of which responded. The RFP's were reviewed and candidates were evaluated. Mercantile Bank and Northern Trust Company emerged from the process as semifinalists. A recommendation will be made to the Board of Trustees for the DPERS Global Custodian.

MOTION was made by N. Shevock and seconded by R. Allen that the Board go into Executive Session to consider confidential financial information or trade secrets.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to consider confidential financial information or trade secrets.

MOTION was made by J. Davis and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

Following a discussion, the following motion was made:

MOTION was made by J. King and seconded by N. Shevock to hire The Northern Trust Company to serve as the Global Custodian for DPERS effective July 1, 2006, subject to successful contract negotiations.

MOTION ADOPTED UNANIMOUSLY

#### **4. PENSION ADVISORY COUNCIL**

J. Testerman stated that there was a DSEA Workshop on March 9<sup>th</sup> in New Castle County and thanked D. Craik for his help. The Pension & Retirement Workshops which are sponsored by PAC and the Board of Pension Trustees will be held in March and April.

#### **5. PENSION ADMINISTRATOR'S REPORT**

##### Disability Pension Report

D. Craik stated that we are starting to see a decrease in these cases due to the new disability insurance program.

##### News Article

D. Craik stated that the Delaware State News published an article on March 8<sup>th</sup> in reference to the Pension Fund posting strong returns. The article was included in the Board packet for review.

##### SB 257

D. Craik spoke about SB 257 which was introduced on March 16<sup>th</sup>. This Act provides for pension eligibility of current per diem employees of the Legislature.

##### Pension Staff

The Pension Office has lost two employees recently, Joanna Adams and Melanie Caffo. These vacancies will be filled as soon as possible.

##### Actuarial RFP

The RFP was sent out to eight bidders. The RFP has also been posted on the Pension Office Website.

##### Workshops

D. Craik attended the DSEA Workshop where there were roughly forty attendees.

Disability Insurance Program Review

D. Craik stated that he has received ten appeals from employees with the NCC-VoTech. These appeals will be reviewed.

**6. AUDIT COMMITTEE REPORT**

There was no Audit Committee Report.

**7. DEPUTY ATTORNEY GENERAL REPORT**

An appeal case was deferred to Executive Session.

MOTION was made by R. Allen and seconded by N. Shevock that the Board go into Executive Session to consider legal advice and to consider pending personnel matters and confidential medical records.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss pending personnel matters and confidential medical records.

MOTION was made by R. Allen and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

Following a discussion, the following motion was made:

MOTION was made by R. Allen and seconded by J. Davis to accept the decision of the hearing officer in the case of Vickie Bedder to deny her request for additional credited service for the period at issue between February 1980 and August 1981.

MOTION ADOPTED UNANIMOUSLY

**8. PENDING ITEMS**

D. Craik stated that there were no updates on the Pending Items List.

**9. ADJOURNMENT**

The next Pension Board meeting will be held on April 28, 2006, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:33 p.m., there being no further business, MOTION was made by R. Allen and seconded by J. King to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Philip S. Reese  
Board of Pension Trustees Chairman