

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF APRIL 27, 2007

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:03 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

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

Trustees Absent

Robert Allen

Others Present

David Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Jim Testerman, PAC
Kathy Kunkle, Pension Office
Karen Field Rogers, OMB
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.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the minutes of the March 30, 2007 meeting.

MOTION made by J. King and seconded by R. Cordrey to approve the amended minutes of the Board of Pension Trustees' March 30, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

3. PENSION ADVISORY COUNCIL

J. Testerman reported that 5 PAC Spring Pre-Retirement Workshops were held during March & April with a total of 405 attendees.

4. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	1.1 %	11.3%	11.4%
S & P 500 Index	1.1%	13.5%	11.4%
60/35/5*	0.6%	10.6%	9.6%
Delaware	1.0%	12.0%	11.1%
Benchmark**			

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

**Benchmark mix of 37% Russell 3000, 1% NAREIT, 20% MSCIA, 38.5% Lehman Bond universal, 1.5% LBTIPS, 2% T-bills.

Total assets in the fund at the end of March were \$7.161 billion. The Fund gained 1.1% for the month which was slightly ahead of the Delaware Benchmark of a positive 1.0% and was also ahead of the 60/35/5 benchmark which was also a positive .6%.

The month of March was a strong market for stocks. The Russell 3000 stocks gained 1.0% with Large Growth stocks lagging slightly at .9% for the month and the Large Value Index leading

with a positive return of 1.5%. Small Cap stocks had a good month returning a positive of 1.1%. The International Markets lead the U.S. Market returning with the unhedged EAFE returning 2.5%. The long Bond Market was the loser for March. The Lehman LT Government/Corp Index experienced losses of (1.5)% with the remainder of the fixed income indices also yielding slight positive results. Natural Resources Index experienced strong gains of 5.5%.

The fiscal year 2007 for 9 months return for the Fund will be reported at an 11.3% gain, compared negatively to a 12.0% benchmark. This negative variance to the Benchmark is mainly due to the high NRIS Tactical Allocation and the large Alternative Asset Allocation. Calendar returns are posted at a positive 2.3% gain compared to a DE Benchmark of 1.9%

At its meeting on April 17, 2007, the investment team Intech, a large U.S. Stock Manager, presented their results and the Investment Committee explored their current underperformance to the Benchmark. The Investment Committee accepted Schedule A changes for Lehman, a Fixed Income Manager. In addition, the Investment Committee recommends this quarter's cash need be funded by \$50MM liquidated from the Mellon TAA account and another \$50MM taken from Oaktree International Convertible account.

MOTION made by P. Reese and seconded by H. Foster to allow this quarters cash need to be funded by \$50MM liquidated from the Mellon TAA account and another \$50MM taken from the Oaktree International convertible account.

MOTION ADOPTED UNANIMOUSLY

Discussion was held on the source of funds for the Angelo Gordon contract. It was recommended that the Investment Committee shall determine the source of funding for the previously approved Angelo Gordon contract.

MOTION made by J. King and seconded by N. Shevock that the funding, up to \$150MM, for the Angelo Gordon contract would be determined by the Investment Committee.

MOTION ADOPTED UNANIMOUSLY

The next Investment Committee meeting will be held on May 15th, with Howard Marks coming from Oaktree to speak and acknowledge the long investment history we have with the firm.

5. PENSION ADMINISTRATOR'S REPORT

Healthcare

D. Craik reported that the Statewide Benefits Unit mailed out a letter to all pensioners regarding the 2007 Healthcare re-opening, which has generated a lot of calls to our office.

Quarterly Statistics

D. Craik stated that there were no real surprises with the FY07 3rd quarter statistics. He stated that we are coming into another busy period.

	1 st Qtr	2 nd Qtr	3 rd Qtr
• Applications (New Pension)	600	278	286
• Deletes (Deaths & RTW)	200	188	175
• Healthcare (Additions)	1,900	835	906
• Healthcare (Changes)	700	601	703
• Estimates	250	392	221
• Ind. Counseling Sessions	140	96	114
• Walk-in Customers (Ave per day)	30	22	23
• Phone Calls (Ave per month)	5,000	3,500	4,400
• Phone Calls (Ave per quarter)	16,000	10,500	13,100
• Refunds	250	302	216
• Group Life Benefits	222	185	209
• Audits	30	17	31
• Employee Workshops (per quarter)	3	9	2

Disability Report

D. Craik reported that there were 5 new cases for review.

Training Unit

D. Craik asked K. Vincent, Deputy Pension Administrator, to explain about the new Pension Office Training Unit. K. Vincent reported that this unit is a result of staff initiative, more specifically, the Member Services staff. The unit will consist of two people and be a part of the Functional Support Section after an initial implementation period. This team will train new Pension Office employees working in the Member Services Section. Beginning in January 2008, the Training Unit will report to the manager of Functional Support. The assignment to the Training Unit will be on an alternating rotational basis with no less than 24 months.

FY06 Audit Comments

D. Craik reported that there has been a lot of progress on the FY06 Audit Comments and will be completed by the end of this year. J. King requested that the Investment Committee would like to see the Audit Committee minutes on Alternative Investments.

Legislation

D. Craik updated the Trustees on recent legislation.

House Bill No. 136 - This Bill states that the present pension statutes permit persons who came from other states to Delaware and who became State employees, if they were veterans, to use "service time" toward a State pension; provide that each such person became a State employee prior to July 1, 1976, within five (5) years after graduation from college, or within five (5) years after completing a tour of duty. Presently, if a veteran starts State employment after July 1, 1976, or even one (1) day after five (5) years then there is no credit for military service.

Those retired State employed veterans who served on full-time active duty in the Armed Forces of the United States and were honorably discharged and who qualified for a State service pension after July 1, 1976, shall receive an annual supplement of \$240.00 paid in monthly increments of \$20.00 added to their current pension.

This Bill is sponsored by Representative Spence and Senator McBride.

Appeal Hearing

D. Craik stated that the May 9th hearing had been cancelled due to not having any cases. He also stated that the June 13th hearing needed a second hearing officer. P. Reese volunteered to serve as a second hearing officer.

Actuarial Reports

D. Craik reported that the 6/30/06 actuarial reports were delivered to the Pension Office and stated that if any of the Trustees wanted a copy to please contact him.

6. AUDIT COMMITTEE REPORT

The next meeting of the Audit Committee will be held on May 7th.

7. DEPUTY ATTORNEY GENERAL REPORT

C. Collins reported that she, D. Craik and K. Vincent met with Ice Miller on April 26th for a planning session. There were several areas discussed, along with a timeline of when these items need to be started and completed.

MOTION made by J. King and seconded by H. Foster that the Board goes into Executive Session to consider confidential legal matters and trade secrets.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss confidential legal matters and trade secrets.

MOTION was made by J. Davis and seconded by R. Cordrey to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

8. PENDING ITEMS

D. Craik stated that there were no new pending items.

9. NEW BUSINESS

There was no new business to discuss.

10. APPROVAL OF EXECUTIVE MINUTES

The Trustees reviewed the executive minutes of the March 30, 2007 meeting.

MOTION made by R. Cordrey and seconded by N. Shevock to approve the executive minutes of the Board of Pension Trustees' March 30, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

11. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on May 25, 2007, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:00 a.m., there being no further business, MOTION was made by P. Reese and seconded by J. King to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip S. Reese
Board of Pension Trustees Chairman