

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JULY 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
Jan King
Robert Allen
Jennifer Davis

Trustees Absent

Helen Foster
Richard Cordrey

Others Present

David Craik, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Charlotte Lister, PAC
Kathy Kunkle, Pension Office
Jeff Hoover, Pension Office
Jan Hartford, CEM Benchmarking
Mary Beth Braitman, Ice Miller, LLP
Terry Mumford, Ice Miller, LLP
Mary Wood, Pension Office

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese welcomed Jan Hartman with CEM Benchmarking and Mary Beth Braitman and Terry Mumford from Ice Miller, LLP.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the public minutes of the June 15, 2007 meeting.

MOTION made by N. Shevock and seconded by R. Allen to approve the public minutes of the Board of Pension Trustees' June 15, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the executive minutes of the June 15, 2007 meeting.

MOTION made by J. King and seconded by R. Allen to approve the executive minutes of the Board of Pension Trustees' June 15, 2007 meeting with the correction to be made, on page two, first bullet, which should state to "hold" assets.

MOTION ADOPTED UNANIMOUSLY

3. PENSION ADVISORY COUNCIL

C. Lister reported that the next PAC meeting is scheduled for November 13th.

4. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	-0.4%	15.9%	15.9%
S & P 500 Index	-1.7%	20.6%	20.6%
60/35/5*	-1.0 %	14.6%	14.6%
Delaware	-0.7%	16.0%	16.0%
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 June totaled \$7,404 million. The Fund lost (.4%) for the month compared positively to a benchmark of a negative (.7%) and also to the 60/35/5 benchmark which was a negative (1.0%).

During the month of June the Fund experienced missed results across the equity markets. The Russell 3000 stocks lost (1.9%), Large Growth stocks lost (1.2%) and Large Value Index returned a negative (2.3%). Small cap stocks experienced a loss of (1.5%) in the equity market of the Russell 2000. The International Markets experienced slight gains compared to the U.S. Market with the unhedged EAFE returning a positive .1%. The Bond Market with Lehman LT Government/Corp Index also experienced losses of (1.1%) due to rising interest rates.

The fiscal year un-audited return year-to-date for the Fund will be reported at a 15.9% gain, compared negatively to a 16.0% benchmark. Year-to-date calendar returns are an overall positive 6.5% compared positively to a benchmark gain of 5.6%.

The Committee recommends liquidation of the MCM Currency Opportunity Fund due to underwhelming returns since inception. As of the end of June, the Fund held \$109 million in assets in this product. A poll vote on this recommendation was not taken. A discussion of the merits on liquidating the MCM Currency Opportunity Fund was held.

MOTION made by J. King and seconded by P. Reese to liquefy the MCM Currency Opportunity Fund due to underwhelming returns.

MOTION ADOPTED UNANIMOUSLY

The Board took previous action on the hiring of Angelo Gordon pending opening of their fund. We received notice calling for \$100 million funding over the next week given opportunities they see in the market. We have the cash available to fund this program due to the liquidation of the currency fund; however, an additional liquidation of \$50 million of TAA assets will be triggered to have funds on hand for benefit payments as needed.

There was a discussion held on the difficulty finding preferred investments for the OPEB Trust Funds that do not conflict with our Trust and government structure.

The next meeting of the Investment Committee is August 21st.

5. PENSION ADMINISTRATOR'S REPORT

CEM Benchmarking

D. Craik introduced Jan Hartford, who is with CEM Benchmarking. Ms. Hartford presented the Board Members with the Benchmarking results of the operational side for FY06. Ms. Hartford explained that this report is a management tool to help better understand how DPERS compared to other retirement systems. This report also helps to focus on the following practical operational issues:

- Identifying areas for service improvements
- Identifying areas for process improvements
- Sharing ideas and best practices with our peers

When evaluating costs and performance, the most relevant comparisons are to system's similar to DPERS in number of members. DPERS peer group consists of U.S. participants closest to us in membership size.

In Summary:

- The Total Service Score of 70 is below the peer median of 75, but did increase from 63 for the prior year. The service score is based on 11 different activities weighted based on importance. Areas for improvement would be to survey members for feedback on the services performed by the Pension Office, projection of phone call volume, and reduce the number of forms that need to be notarized.
- The relative plan complexity was below the peer median, due to a lower number of payment options and customization options.
- DPERS Administration Cost of \$73 is close to the peer median of \$70 and down from a cost of \$74 for 2005. The administration cost is consistent based on the transactional volumes. However, based on the scale disadvantage and higher cost environment, CEM would expect DPERS costs to be slightly higher.

Legislative Update

D. Craik reported on Legislation affecting Pensions.

S.B. 136 This bill creates a new trust fund for the Other Post-Employment Benefits (OPEB) that will be used to accumulate and invest assets to pay the State share of retiree health insurance premiums.

H.B. 250 Sections of the annual Appropriation Act modifies previous parts of the Delaware Code pertaining to pension administration. This bill will allow the Board of Pension Trustees to continue to use the existing processes that have been developed to acquire various financial services for the investment of assets contained in the Delaware Public Employees' Retirement System. There is also a change to the amortization schedule for the SEPP and NSP plans, as well as a change to the section titles in the Delaware Code related to a pension provided death benefit.

County Municipal Report

D. Craik stated that the Elsmere Fire Company would like to join the General County Municipal Pension Plan as of August 1, 2007. They currently have two paid employees.

MOTION made by R. Allen and seconded by N. Shevock to allow the participation of the Elsmere Fire Company to join the General County Municipal Pension Plan as of August 1, 2007.

MOTION ADOPTED UNANIMOUSLY

Quarterly Statistics

D. Craik stated that there was a lot of activity with the FY07 4th quarter statistics due to the recent changes with the State’s healthcare vendors.

	1 st Qtr	2 nd Qtr	3 rd Qtr	4 th Qtr
• Applications (New Pension)	600	278	286	238
• Deletes (Deaths & RTW)	200	188	175	179
• Healthcare (Additions)	1,900	835	906	446
• Healthcare (Changes)	700	601	703	637
• Estimates	250	392	221	160
• Ind. Counseling Sessions	140	96	114	119
• Walk-in Customers (Ave per day)	30	22	23	43
• Phone Calls (Ave per month)	5,000	3,500	4,400	8,401
• Phone Calls (Ave per quarter)	16,000	10,500	13,100	
25,204				
• Refunds	250	302	216	268
• Group Life Benefits	222	185	209	228
• Audits	30	17	31	4
• Employee Workshops (per quarter)	3	9	2	9

Disability Report

D. Craik reported that we have 8 new cases and 34 continuance cases for the 4th quarter.

6. AUDIT COMMITTEE REPORT

R. Allen reported that KPMG Auditors completed the IT Audit in June and will return on July 30th for 6 weeks. Also, Pension Staff supplied data to the Actuary in mid July. The States Printing and Publishing will be printing the CAFR for us this year with a draft expected to be completed by the end of August. The deadline for any and all corrections will be September 10th with the final printing to be completed and presented to the Board of Pension Trustees during the September 28th Board meeting. A meeting with the State Auditor’s has also been scheduled for September 10th.

7. DEPUTY ATTORNEY GENERAL REPORT

An appeal case was deferred to Executive Session.

MOTION was made by N. Shevock and seconded by J. Davis that the Board go into Executive Session to consider legal advice and to consider pending personnel matters and confidential medical records, legal matters and trade secrets.

MOTION ADOPTED UNANIMOUSLY

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

MOTION was made by R. Allen and seconded by J. King to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

Following a discussion, the following motion was made:

MOTION was made by N. Shevock and seconded by J. Davis to accept the decision of the hearing officers, in the case of Bertha Smith-Pruitt, to deny her request for the issuance of a replacement check for the Refund Check issued in January of 1985.

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. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on September 28, 2007, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:45 a.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

Philip S. Reese
Board of Pension Trustees Chairman