

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JUNE 15, 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
Helen Foster
Richard Cordrey

Trustees Absent

Robert Allen
Jennifer Davis

Others Present

David Craik, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Megan Moreno, Paralegal, DAG's Office
Jim Testerman, PAC
Charlotte Lister, PAC
Jeff Hoover, Pension Office
Karen Field Rogers, OMB
Rob Gooderham, Ashford Consulting Group
Gary Musto, Ashford Consulting Group

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese welcomed Rob Gooderham and Gary Musto from Ashford Consulting Group.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the public minutes of the May 25, 2007 meeting.

MOTION made by R. Cordrey and seconded by J. King to approve the public minutes of the Board of Pension Trustees' May 25, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the executive minutes of the May 25, 2007 meeting.

MOTION made by R. Cordrey and seconded by J. King to approve the executive minutes of the Board of Pension Trustees' May 25, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

3. PENSION ADVISORY COUNCIL

J. Testerman reported that the Advisory Council is closely monitoring legislation. 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	1.9 %	16.4%	16.8%
S & P 500 Index	3.5 %	22.6%	22.4%
60/35/5*	1.8%	15.8%	16.0%
Delaware	1.6%	16.9%	17.1%
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 May totaled \$7,440 million. The Fund gained 1.9% for the month compared positively to a benchmark of a positive 1.6% and also to the 60/35/5 benchmark which was 1.8%.

During the month of May the Fund experienced gains across all equity markets. The Russell 3000 Stocks gained 3.6%, Large Growth Stocks rose 3.1% and Large Value Index returned a positive 3.6%. Small Cap Stocks experienced a gain of 4.1% in the equity market of the Russell 2000. The International Markets lagged the U.S. Market with the unhedged EAFE returning a positive 1.8%. The Bond Market with Lehman LT Government/Corp Index also experienced losses of (1.7)% due to rising interest rates.

The fiscal year returns year-to-date for the Fund will be reported at a 16.4% gain, compared negatively to a 16.9% benchmark. Year-to-date calendar returns are an overall positive 7.0% compared positively to a benchmark of a gain of 6.4%.

Again, because of the returns in the equity market of the portfolio, we are at the top of our risk bands. While the Investment Committee did not have a quorum, there was a consensus to trim down some of our equity positions and to fund the OPEB Trust with \$35 million in assets held in the Pension Fund. It is recommended that we reduce \$25 million from Intech, \$25 million from Legg Mason, and \$25 million from Mercator. The money will be held in cash at this time.

MOTION made by J. King and seconded by N. Shevock to trim down some equity positions and to fund the OPEB Trust with \$35 million in assets held in the Pension Fund. It is recommended that we reduce \$25 million from Intech, \$25 million from Legg Mason, and \$25 million from Mercator. The money will be held in cash at this time.

MOTION ADOPTED UNANIMOUSLY

The Committee reviewed recommendations for commitments to two private equity managers. At this time we recommend capital commitments to two new funds being started with existing managers. While the Investment Committee did not have a quorum, there was a consensus to fund ATV VIII for \$40 million. ATV has reached the point where it is a strong, deep organization with a balanced, bi-coastal strategy. ATV VIII is on track for a top quartile performance based on the life of the fund to-date returns and the strong portfolio they have going forward. The Fund is expected to close on June 22nd at approximately \$450 million. In addition, the members of the Committee also recommend commitment of \$30 million to the Flagship 2007 fund currently being raised. Flagship has a solid organization with two outstanding leaders focused on seed and start-up investments in the life sciences. The two managing partners have been involved in more than 125 start-ups. The firm's activity is national but is concentrated in New England. This fund is also expected to close in June for approximately \$250 million.

MOTION made by J. King and seconded by N. Shevock to commit to two new funds being started with existing managers. The commitment is to fund ATV VIII for \$40 million and \$30 million to Flagship 2007.

MOTION ADOPTED UNANIMOUSLY

Extension Letters

A discussion of the merits on extending the Partnership Agreements with Summit Partners until July 21, 2009 and Cherry Tree until December 31, 2008 was held.

MOTION made by J. King and seconded by N. Shevock to extend the Partnership Agreements with Summit Partners until July 21, 2009 and Cherry Tree until December 31, 2008.

MOTION ADOPTED UNANIMOUSLY

The next meeting of the Investment Committee is June 26th.

5. PENSION ADMINISTRATOR'S REPORT

Legislative Update

OPEB Fund, SB 136, has been introduced by Senator Cook. No other action taken on any other bills.

July Meeting

ICE Miller has been invited to attend the July Board meeting. There will be a briefing on some of the issues that have been identified.

CEM Benchmarking has also been invited to discuss this year's scoring. The score has increased from last year.

County Municipal Report

D. Craik stated that the Town of Fenwick Island Police Department would like to join the County Municipal Police Plan as of August 1, 2007.

MOTION made by P. Reese and seconded by H. Foster to allow the participation of the Town of Fenwick Island Police Department to join the County Municipal Police Plan as of August 1, 2007.

MOTION ADOPTED UNANIMOUSLY

Healthcare Open Enrollment

D. Craik stated that the Pension Office received over 17,500 phone calls and over 1,200 walk-in customers during the re-opening period. On the last day of open enrollment we received 1000 calls and 200 walk-in customers. Overall there were 4,200 changes made for the pensioner's healthcare.

SEBC Meeting

On June 25th D. Craik will attend the State Employees' Benefits Committee Meeting and will give them an update on OPEB.

6. AUDIT COMMITTEE REPORT

D. Craik stated that the IT Auditors have been here meeting with our IT Section and the Financial Auditors are still here preparing for the FY07 Audit.

7. DEPUTY ATTORNEY GENERAL REPORT

MOTION made by J. King and seconded by N. Shevock 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 made by R. Cordrey and seconded by J. King to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Foster to establish a separate and distinct account for the OPEB Trust Funds with Northern Trust Bank and to temporarily transfer the existing OPEB funds of approximately \$33 million from DPERS' Northern Trust account into a Money Market fund at Northern Trust Bank.

MOTION ADOPTED UNANIMOUSLY

MOTION made by R. Cordrey and seconded by H. Foster to give the Investment Committee the authority to initially select Managers of the OPEB Trust, as needed pursuant to the processes established in the Investment Policy for DPERS pending the adoption of a separate Investment Policy for the OPEB Trust.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by R. Cordrey to give authority to the Investment Committee to initially select longer term managers, in addition to a short term manager, as needed pursuant to the processes established in the Investment Policy for DPERS pending the adoption of a separate investment policy for the OPEB Trust.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by R. Cordrey to give authority to P. Reese to (i) sign and execute the OPEB Trust document in substantially the same form as presented to the

Board at the June 15, 2007 meeting, (ii) any necessary custody agreements with Northern Trust Bank, and (iii) any other ancillary documents needed to establish the OPEB Trust.

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 July 27, 2007, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:51 a.m., there being no further business, MOTION was made by R. Cordrey 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