

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF MARCH 30, 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  
Robert Allen  
Nancy J. Shevock  
Jennifer Davis  
Jan King  
Richard Cordrey

Trustees Absent

Helen Foster

Others Present

David Craik, Pension Office  
Kim Vincent, Pension Office  
Dena Fry, Pension Office  
Cindy Collins, DAG  
Jim Testerman, PAC  
Charlotte Lister, PAC  
Kathy Kunkle, Pension Office  
Jeff Hoover, Pension Office

**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 February 23, 2007 meeting.

MOTION made by R. Allen and seconded by N. Shevock to approve the amended minutes of the Board of Pension Trustees' February 23, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

**3. PENSION ADVISORY COUNCIL**

J. Testerman reported that a Spring PAC Workshop was held on March 29<sup>th</sup> at the Owens Campus and there were approximately 75 attendees. Mr. Testerman stated that D. Craik did an excellent job presenting at the DSEA and Spring PAC workshops. Mr. Testerman reported that the next PAC meeting is scheduled for April 10<sup>th</sup> and that he will not be able to attend. He has asked D. Craik to speak about the workshops in his absence.

**4. 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>0.3%</b>	<b>9.9%</b>	<b>11.9%</b>
<b>S &amp; P 500 Index</b>	<b>-2.0%</b>	<b>12.2%</b>	<b>11.6%</b>
<b>60/35/5*</b>	<b>-0.5%</b>	<b>9.9%</b>	<b>9.3%</b>
<b>Delaware Benchmark**</b>	<b>0.1%</b>	<b>11.0%</b>	<b>10.9%</b>

\*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 February were \$7.079 billion. The Fund gained .3% for the month which was slightly ahead of the Delaware Benchmark of a positive .1% and was also ahead of the 60/35/5 benchmark which was also a negative (.5%).

The month of February was a rocky ride especially at the end of the month. The Fund had mixed returns across the asset classes. The Russell 3000 stocks lost (1.6%) with Large Growth

Stocks leading with a loss of a negative (2.2%) for the month and the Large Value Index also suffered losses of (1.6%). Small Cap Stocks held firmer than the Large Stocks with a loss of (.8%). The International Markets held in the wake of the U.S. Market with unhedged EAFE returning .8%. The Bond Market was the winner for February with gains across all sectors. The Lehman LT Government/Corp Index experienced gains of 3.1% with the remainder of the fixed income indices also yielding strong positive results. Natural Resources Index experienced a slight gain at a positive .4% for the month.

This fiscal year 2007 for 8 months return for the Fund will be reported at a 9.9% gain, compared negatively to an 11.0% 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 1.1% gain compared to a DE Benchmark of 1.0%

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

### County/Municipal Pension Funding

Town of Newport - D. Craik stated that last month the Board approved the Town of Newport to join the County Municipal Police Pension Plan as of August 1, 2005 for all new hires on or after December 1, 2004 with an amortization schedule to purchase prior service for a period up to ten years. The Town of Newport has yet to decide if they want to purchase the prior service for the officers.

Town of Bethany Beach – D. Craik stated that the Town of Bethany Beach is considering purchasing 35% of the prior service for those employees who were employed as of July 1, 2006. D. Craik reported that the cost would be \$558,300 with an initial payment of \$115,000. The remaining balance would be spread over a 5 year period.

MOTION made by J. Davis and seconded by R. Cordrey to allow the Town of Bethany to purchase 35% of prior service at a cost of \$558,300. Initial payment would be \$115,000 with the remaining balance spread over a 5 year period.

MOTION ADOPTED UNANIMOUSLY

### County/Municipal Police COLA Funding

The participants in the COLA Funding are the City of Wilmington, City of New Castle Police, New Castle County Government and the City of Dover. D. Craik presented the Trustee's with a handout for the City of Wilmington Pension Increases, State Contributions for Fiscal Years 1991 – 2020. Out of the \$35 million that has been obligated for the City the State still owes approximately \$18 million in contributions.

### Legislation

D. Craik updated the Trustees on recent legislation.

House Bill No. 64 - This Bill reinstates pension benefits to surviving spouses of State employees, whose benefits were discontinued because of remarriage prior to July, 1985

House Bill No. 80 – This Act authorized payment of a special pension to Dorothy L. Franklin.

Senate Bill No. 10 – This Bill will make the domestic partner of a State of Delaware regular officer, employee or eligible pensioner entitled to the same benefits that are provided to the spouse of a State employee or pensioner. Employees of Labor Unions and Delaware Authorities and Commissions covered under the sections of the code are also included.

## **6. AUDIT COMMITTEE REPORT**

R. Allen reported that the Pension Office was notified by the Government Finance Officers Association that our Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006, qualified for a Certificate of Achievement for Excellence in Financial Reporting. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. This is the 11<sup>th</sup> consecutive year that the Pension Office has received the award.

D. Craik will report on the Audit comments at the April Board meeting.

## **7. DEPUTY ATTORNEY GENERAL REPORT**

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. Davis and seconded by N. Shevock to amend the policy benchmark, effective July 1, 2006 to be composed of 38% Russell 3000, 20%

MSCI All-Country Work ex-US, 38.5% Lehman Universal Bond Index, 1.5% Lehman TIPS Index and 2% 90-day Treasury Bills.

MOTION ADOPTED UNANIMOUSLY

MOTION made by P. Reese and seconded by J. Davis to engage the firm of Ice Miller LLP as Special Tax Counsel.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. King and seconded by J. Davis to commit up to \$150 MM with Angelo, Gordon & Company within the next 2 years in the AG Super Fund strategy when the fund is opened to new investors.

MOTION ADOPTED UNANIMOUSLY

**8. PENDING ITEMS**

D. Craik stated that there were no changes to this list.

**9. NEW BUSINESS**

There was no new business to discuss.

**10. APPROVAL OF EXECUTIVE MINUTES**

The Trustees reviewed the executive minutes of the February 23, 2007 meeting.

MOTION made by J. King and seconded by J. Davis to approve the executive minutes of the Board of Pension Trustees' February 23, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

**11. ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on April 27, 2007, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:35 p.m., there being no further business,  
MOTION was made by N. Shevock and  
seconded by R. Allen 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