

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF NOVEMBER 16, 2007

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:01 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

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

Trustees Absent

Robert Allen

Others Present

David Craik, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Jim Testerman, PAC
Charlotte Lister, PAC
Kathy Kunkle, Pension Office
Jeff Hoover, Pension Office
Karen Field Rogers, OMB
Rob Gooderham, Ashford Consulting Group
Garry 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 Garry Musto of Ashford Consulting Group.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the public minutes of the October 26, 2007 meeting.

MOTION made by N. Shevock and seconded by J. King to approve the public minutes of the Board of Pension Trustees' October 26, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the executive minutes of the October 26, 2007 meeting.

MOTION made by N. Shevock and seconded by J. King to approve the executive minutes of the Board of Pension Trustees' October 26, 2007 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>
Total Fund	2.3%	5.0%	15.5%
S & P 500 Index	1.6 %	3.7%	14.6%
60/35/5*	1.3%	3.7%	10.9%
Delaware	2.2%	4.9%	14.1%
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 October totaled \$7,683 million. The Fund gained 2.3% for the month compared positively to a benchmark of a positive 2.2% and also to the 60/35/5 benchmark which was a positive 1.3%.

During the month of October the Fund experienced positively across all equity markets. The Russell 3000 stocks gained 1.8%, Large Growth stocks gained 2.1% and the Large Value index was

flat with a zero return for the month. Small Cap stocks also experienced gains of 2.9% in the equity market of the Russell 2000. The International Markets also experienced gains compared to the U.S. Market with the unhedged EAFE returning a positive 3.9%. The Bond Market with Lehman LT Government/Corp Index also experienced gains of 1.6%.

The fiscal year, (un-audited) year-to-date return for 4 months for the Fund, will be reported at a 5.0% gain, compared positively to a 4.9% benchmark. Year-to-date calendar returns are an overall positive 11.8% compared positively to a benchmark gain of 10.8%.

The Committee, during October 30th meeting, reviewed with Oaktree International, one of the Fund's managers in the international convertible area. The Committee reviewed the market, general portfolio and performance.

The Committee met on November 13th in which it reviewed monthly performance, discussed the Third Quarter Investment Review, and spent time learning about enhanced equity strategies that are hot in the market. In addition, a presentation was made by Rutabaga Capital Management, one of the Fund's small cap manager. Time was spent understanding current buy and sell strategies. Also, the third quarter Securities Lending program was reviewed.

Additionally, the Committee discussed the securities held by Pecks Management Partners. The Fund has been liquidating this portfolio since 2001. Current market value of this account is approximately \$25 million. To speed liquidation, the Committee recommended moving two securities valued at approximately \$15 million to the venture management account for liquidation. The Committee will work with Ashford Consulting Group and the investment managers to determine the best course available for the effective handling of the remaining securities.

The next Investment Committee meeting will be held on December 18th.

The Committee reviewed third quarter results for the OPEB portfolio.

Quarterly Performance Report

Rob Gooderham presented the Board Members with the Investment Committee Report for the Quarter Ending September 30, 2007. Mr. Gooderham reviewed the total Fund performance, asset allocation and the rolling benchmark for the rolling four quarter return. He reviewed the Board policy with regard to risk management and the policy of rebalancing the portfolio in order to manage the risk of the portfolio within prescribed risk bands. This is done, in part, to limit the exposure of downside risk to the portfolio. J.J. Davis stated that she felt limiting downside risk was a prudent strategy when dealing with state employees' pensions, even if it means that in some years the Fund may not perform as well as other more aggressive and risk tolerant Funds. A discussion of the merits was held.

OPEB

G. Musto stated that we are off to a good start with the OBEP Trust and reported there was a 3.6% gain over the last quarter. He did state that November will not see the same gains. A discussion of the merits was held.

MOTION was made by J. King 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, legal matters, trade secrets and financial information.

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 N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

4. PENSION ADMINISTRATOR'S REPORT

Pre-Retirement Workshops

D. Craik reported that on November 15th a full day Pre-Retirement Conference was held at the Sheraton, which was co-sponsored by OMB's Human Resources Management, Pension Office and the Division of Services for Aging and Adults with Physical Disabilities. Thirty Pension Office staff members attended and there were approximately 300 active state employees who attended.

Appeal Hearing

D. Craik stated that there are two Pension Appeal Hearings in December and we are in need of an additional hearing officer and asked for any volunteers. J. Davis volunteered to be the additional officer.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman thanked the Pension Office staff who attended the DSEA Workshop, especially Linda Hinkle who made a presentation.

The November PAC meeting did not have a quorum but there was a discussion on the 2008 issues.

J. Testerman thanked D. Craik for attending all of the PAC meetings.

6. DEPUTY ATTORNEY GENERAL REPORT

Freedom of Information Act (FOIA) Update

C. Collins discussed the Office of Pension's obligations when responding to a FOIA request, as well as the responsibilities of the Board of Pension Trustees and Committees when conducting meetings. . She further stated that a public document has been defined to include information of any kind, owned, made, used, retained, received, produced, composed, drafted or otherwise compiled or collected, by any public body including e-mails, letters and any other written documents. A public meeting occurs whenever a quorum of the Board or Committee is present, even if a meeting has not been noticed.

She also stated that there were 16 exemptions, contained in the statute, which provide the basis to not have to produce documents or to enter into an executive session at an open meeting. Although, any of the 16 exemptions might be used as the basis to exclude the production of a document or to enter into executive session at a public meeting, generally given the nature of business conducted by the Pension Office the exemptions used by the Board and the office include: (1) personnel, medical or pupil file exemption, (2) trade secret and confidential or financial information exemption, (3) pending or potential litigation exemption, (4) executive minutes exemption, and (5) public safety exemption.

7. PENDING ITEMS

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

8. NEW BUSINESS

There was no new business to discuss.

9. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on December 14, 2007, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:59 a.m., there being no further business, MOTION was made by J. King and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip S. Reese
Board of Pension Trustees Chairman