

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
MCARDLE BUILDING
860 SILVER LAKE BLVD., SUITE 1
DOVER, DE 19904-2402

When Calling Long Distance
Toll Free Number 1-800-722-7300
E-mail: pensionoffice@state.de.us

Telephone (302) 739-4208
FAX # (302) 739-6129
www.delawarepensions.com

BOARD OF PENSION TRUSTEES
MEETING MINUTES OF OCTOBER 26, 2007

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:02 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

Philip S. Reese
Nancy J. Shevock
Robert Allen
Jennifer Davis
Richard Cordrey

Trustees Absent

Jan King
Helen Foster

Others Present

David Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Jim Testerman, PAC
Kathy Kunkle, Pension Office
Jeff Hoover, Pension Office
Jeff Johnson, Pension Office
Faith Rentz, OMB
Karen Field Rogers, OMB
Steve Kubico, Controller General's Office
Rob Gooderham, Ashford Consulting Group
Linda Drew, Ashford Consulting Group
Fiona Liston, Cheiron
Margaret Tempkin, Cheiron

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese welcomed everyone in attendance and introduced Fiona Liston and Margaret Tempkin with Cheiron. K. Kunkle also introduced Jeff Hoover and Jeff Johnson, members of the Investment Section.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the public minutes of the September 28, 2007 meeting.

MOTION made by J. Davis and seconded by R. Allen to approve the public minutes of the Board of Pension Trustees' September 28, 2007 meeting with amendment.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the executive minutes of the September 28, 2007 meeting.

MOTION made by R. Allen and seconded by N. Shevock to approve the executive minutes of the Board of Pension Trustees' September 28, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

3. ACTUARIAL REPORT

Fiona Liston and Margaret Tempkin presented the Trustees the 2007 Actuarial Valuation. The following topics were discussed:

- Historical Review
 - Plan Maturity Indicators: Growth in Participation
 - Key Actuarial Indicators: Growth in Assets
 - Key Actuarial Indicators: Assets & Liabilities
- Principal 7/1/2007 Valuation Results
 - Key Statistics for State Employees Pension Plan:
 - Number of active employees increased by 0.2%
 - Average salary increased by 3.9%
 - Number of retirees increased by 2.8%
 - Total benefits paid increased by 6.8%
 - Average benefit increased by 3.9%
 - Key Results for State Employees Pension Plan:

- Accrued Liability is \$6,208 million
- Value of Assets is \$6,438 million
- Actuarial Liability surplus is \$230 million
- Changes in Liability/Assets as of 7/1/2007 was a net gain of \$102 million for a funding ratio of 104%
- The following employer contribution rates for FY09 were presented:

State Employees'	5.67%
State Judiciary	27.16%
New State Police	14.32%
County/Municipal Police	13.82%
County/Municipal Employees	6.44%
Volunteer Firemen	\$300.49
Diamond State Port	6.53%

MOTION was made by P. Reese and seconded by J. Davis to adopt the employer contribution rates as discussed.

MOTION ADOPTED UNANIMOUSLY

4. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	2.6 %	2.6%	15.4%
S & P 500 Index	3.7%	2.0%	16.4%
60/35/5*	2.5%	2.4%	11.9%
Delaware	3.1%	2.6%	14.4%
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 September totaled \$7,525 million. R. Gooderham noted that the Fund's third quarter return was 2.6% and that, relative to the benchmark, was even for the period although the Fund had outperformed in July, the weakest month of the quarter, while lagging in September as riskier asset classes soared.

The next meeting of the Investment Committee will be on October 30, 2007.

5. PENSION ADMINISTRATOR'S REPORT

Quarterly Statistics

D. Craik stated that in the meeting packet was a copy of the FY08 1st Quarterly Statistics. There was an increase with healthcare due to heavier volume. The format for this report will be updated for the next quarter. The Disability report reflects only 9 new cases and 3 continuance cases for the quarter.

- 622 New Pension applications processed
- 1,545 Deletes (deaths and return to work)
- 3,092 Additions to healthcare
- 9,510 Changes in healthcare
- 309 Estimates
- 76 Individual counseling sessions
- 16 Walk-in customers (average per day)
- 7,800 Phone calls (average per month)
- 23,500 Phone calls (average per quarter)
- 208 Refunds
- 154 Burial benefits
- 11 Audits
- 5 Employee workshops (average per quarter)
- 6,233 Pieces of incoming mail (per quarter)
- 11,565 Pieces of outgoing mail (per quarter)
- 25,713 Imaged items (per quarter)

Cash Flow Report

D. Craik reported that he will start presenting this report on a quarterly basis. This report will cover the receipts, disbursements and estimated annual and monthly cash flow.

Best Practices Update

K. Vincent reported that the measurements, and the exception report goals had been completed and the information sent to the consultants, Pat Dowden and Eric Hart. The completion date has been set for 12/31/07 with a report to the Trustees during the 1st quarter of 2008. After that a yearly report will be made at the October Board meeting.

Strategic Planning Committee

K. Vincent reported that the mission statement, goals and measurements had been completed and the Committee expects a completion date of January 2008.

2008 Appeal Hearing Dates

D. Craik reported that the 2008 Appeal Hearing dates had been completed and were in the Trustee packets. He asked that each Trustee sign up for 2 or 3 hearing dates and give them to T. Timmons.

Riverfront Development Corporation

D. Craik reported that the Riverfront Development Corporation wants to purchase prior service on a five year repayment schedule. A discussion of the merits was held.

MOTION made by J. Davis and seconded by R. Allen to allow the Riverfront Development Corporation to purchase prior service on a five year repayment schedule.

MOTION ADOPTED UNANIMOUSLY

6. PENSION ADVISORY COUNCIL REPORT

J. Testerman stated that the next PAC meeting is scheduled for November 13th.

7. DEPUTY ATTORNEY GENERAL REPORT

MOTION was made by N. Shevock and seconded by R. Allen 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 N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION by J. Davis and seconded by N. Shevock to commit up to \$50 million to Accel X.

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 November 16, 2007, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:50 a.m., there being no further business, MOTION was made by R. Allen and seconded by P. Reese to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip S. Reese
Board of Pension Trustees Chairman