

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF APRIL 25, 2008**

The meeting of the Board of Pension Trustees was called to order by J. King, at 9:00 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

Jan King  
Nancy Shevock  
Robert Allen  
Richard Cordrey  
Jennifer Davis

Trustees Absent

Philip Reese  
Helen Foster

Others Present

David Craik, Pension Office  
Terri Timmons, Pension Office  
Cindy Collins, DAG  
Jim Testerman, PAC  
Charlotte Lister, PAC  
Kathy Kunkle, Pension Office  
Karen Field-Rogers, OMB

## 1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by J. King.

## 2. APPROVAL OF THE MINUTES

The Trustees reviewed the public minutes of the March 28, 2008 meeting.

MOTION made by J. King and seconded by R. Allen to approve the public minutes of the Board of Pension Trustees' March 28, 2008 meeting with amendment.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the executive minutes of the March 28, 2008 meeting.

MOTION made by J. King and seconded by N. Shevock to approve the executive minutes of the Board of Pension Trustees' March 28, 2008 meeting.

MOTION ADOPTED UNANIMOUSLY

## 3. INVESTMENT COMMITTEE REPORT

### Investment Committee Performance Report

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	(0.5)%	(1.8)%	2.1%
S & P 500 Index	(0.4)%	(10.7)%	(5.1)%
60/35/5*	(0.3)%	(3.4)%	0.1%
Delaware Benchmark**	(0.6)%	(2.5)%	1.1%

\*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 March totaled \$7,125 million. The Fund lost (.5%) for the month compared positively to a benchmark of a negative (.6%) and behind the 60/35/5 benchmark which was a negative (.3%).

During the month of March the Fund experienced negative results across the equity markets. The Russell 3000 stocks lost (.6%), Large Growth stocks lost (.4%), and Large Value Index returned a negative (.8%). Small Cap stocks had slightly positive results of .4% in the equity market according to the Russell 2000 Index. The International Markets experienced higher losses compared to the U.S. Market with the unhedged EAFE returning a negative (1.1%). The Bond Market was relatively flat along with Lehman LT Government/Corp Index which was flat at no return for the month.

The fiscal year unaudited year-to-date for 9 months for the Fund will be reported at a (1.8%) loss, compared positively to a negative (2.5%) benchmark. Calendar returns for the 1<sup>st</sup> quarter are at an overall loss of (4.3%) compared positively to a negative benchmark of (4.7%).

At its' April meeting, the Investment Committee recommended to the Board, via a poll vote, the following changes in the DPERS portfolio that are to be made as soon as possible:

- 1) Liquidation of up to \$100 million from the Mellon Tactical Asset Allocation Fund (as of 3/31/08, \$484 million in value) to be invested as soon as possible in the Oaktree Domestic Convertible account. Investment in the Oaktree Domestic Convertible account, after this move, would be approximately \$375 million or 5.2% of the total fund.
- 2) Liquidation of up to \$50 million from the Mellon Global Tactical Asset Allocation Fund (as of 3/31/08, \$1,220 million in value) to be invested as soon as possible in the Oaktree International Convertible account. Investment in the Oaktree International Convertible account, after this move, would be approximately \$500 million or 6.4% of the total fund.

MOTION was made by J. King and seconded by J. Davis to liquidate up to \$100 million from the Mellon Tactical Asset Allocation Fund and invest in the Oaktree Domestic Convertible account and to liquidate up to \$50 million for the Mellon Global Tactical Asset Allocation fund and invest in the Oaktree International Convertible account.

MOTION ADOPTED UNANIMOUSLY

The Investment Committee also recommended the approval of up to \$30 million commitment to IDG Accel China Capital. Commitments have been made to two previous funds (\$10 million, 12/05, \$22.5 million 6/07). This fund will be the only 100% foreign owned RMB investment vehicle approved by the government to date valued in Chinese currency called Renminbi, often abbreviated as RMB. This has a number of advantages as it enables investments in companies targeting local IPO's, it means that dollars are transferred to RMB, a purposefully undervalued currency and enables pursuit of clean tech opportunities which normally require more capital. The deals offered are expected to be in the \$30-\$50 million size with little or no leverage. The Fund expects to do three

deals a year and invest roughly \$120 million in those three transactions with a reserve of \$60 million. Both IDG and Accel continue to be key resources. These high end transactions will not conflict with IDG-Accel Chine Growth Fund II; however, there is a process to deal with conflict if it does arise. The commitment of \$30 million will be 5% of the fund and will keep us in a top bracket position.

MOTION made by J. King and seconded by N. Shevock to commit up to \$30 million to IDA Accel China Capital. This fund will be the only 100% foreign owned RMB investment vehicle approved by the government to date.

MOTION ADOPTED UNANIMOUSLY

J. King informed the Board that the liquidation of Legg Mason and the funding of NRIS was not done in the way it was intended when voted upon. All the liquidated Legg Mason funds were invested into NRIS at the same time, instead of the contemplated lagged investment over a 60 day timeframe in three distinct proportional investments. This was due to a miscommunication between Ashford Consulting Group and the Investment Committee.

The Investment Committee also approved recommending to the Board the proposed DPERS' Securities Litigation Policy, which has been circulated to the Investment Committee and the Board. The Committee also met with Oaktree to discuss their performance and investments in their Domestic Convertible mandate.

The next meeting of the Investment Committee will be held on May 13, 2008.

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

##### Quarterly Administrative Report

D. Craik reported that there was nothing unusual to report on the quarterly statistics. The FY08 1<sup>st</sup> quarter numbers are high due to open healthcare enrollment.

##### Legislative Update

D. Craik reported that a Bill was recently introduced to give the Board of Pension Trustees' the authority to charge interest to County and Municipal agencies. A discussion was held on possible ways of handling this.

There has also been a Disability Insurance Program (DIP) clean-up Bill introduced for those who are on a mental disability. After two years in DIP these cases are terminated and this Bill would allow them to come back into the Pension disability system. Employee must be vested when they entered into the Disability Insurance Program.

##### Sudan Bill

Per D. Craik, SB 233 is in Committee. This bill is Senator McDowell's proposed Sudan Divestment Act. D. Craik noted that Senator McDowell did not incorporate any of the suggested changes the Pension Office proposed to the bill.

#### Retirement

D. Craik announced that Ray Johnson is retiring effective September 1, 2008 with 39 years, 10 months of service. R. Johnson was one of the original Pension Office employees when the office was created. His vast knowledge and experience will be missed.

### **5. PENSION ADVISORY COUNCIL REPORT**

J. Testerman reported that the 5 PAC Spring Pre-Retirement Workshops were held with a total of 301 attendees.

### **6. DEPUTY ATTORNEY GENERAL REPORT**

#### Proposed Rules and Regulations

C. Collins explained that in the Board packets, for review, were the current, edited and updated versions of the Rules and Regulations for the retirement plans administered by DPERS. C. Collins explained the timeline for approval of the Rules and Regulations. A discussion of the merits was held. After an approval by the Board of the proposed Rules and Regulations, the Rules and Regulations will be submitted to the Registrar of Regulations for publication June 1, 2008, and then a public hearing will be held in July. The Rules and Regulations should be formally adopted after the process by the end of September. It was stated that the Diamond State Port needs to make changes to its plan document and then have the Diamond State Port Board approve the revised plan document.

MOTION was made by J. Davis and seconded by R. Cordrey to go forward with the submission of the Rules and Regulations to the State Registrar.

MOTION ADOPTED UNANIMOUSLY

#### Securities Litigation Policy

C. Collins stated that the proposed DPERS Securities Litigation Policy had been circulated to both the Board and the Investment Committee for review and discussion. At the last Investment Committee meeting the Investment Committee voted to recommend to the Board approval of the

proposed policy. C. Collins reviewed the GFOA Recommended Practice, the Board's fiduciary duties and the proposed policy. A discussion of the merits was held. The Securities Litigation Policy states the following:

1. DPERS shall monitor the status of all PSLRA class action filings in which DPERS has identified it has recognized damages, will provide reports to the Investment Committee and the Board of potential causes of action, will file claims in those cases when settlements or damage awards are noticed, and will recover DPERS proportionate share of the monies, and
2. DPERS will generally not pursue designation as lead or co-lead plaintiff in a PSLRA action, or other litigation, unless an evaluation, as set forth above, finds that DPERS has a substantial financial interest in a case, and the Investment Committee and the Board determines that it is in the best interest of DPERS to seek appointment as lead or co-lead plaintiff, or to pursue other litigation.

MOTION made by R. Allen and seconded by N. Shevock to adopt the Securities Litigation Policy.

MOTION ADOPTED UNANIMOUSLY

#### Volunteer Firefighters Plan

A plan document was prepared to restate the Delaware Volunteer Firefighter's Pension Plan as a length of service award plan under Code Section 457(e)(11). The plan document was reviewed by DPERS staff and constituent groups, and the Plan was approved at the March 28<sup>th</sup> Board meeting. C. Collins requested that the Board approve the submission of a private letter ruling request to the IRS affirming the qualified status of the revised plan.

MOTION was made by J. Davis and seconded by N. Shevock to enter into Executive Session.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss pending personnel matters and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

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

MOTION ADOPTED UNANIMOUSLY

Following discussions, the following motions were made:

Motion made by J. King and seconded by R. Allen to submit a PLR request to the IRS for the Delaware Volunteer Firefighter's Pension Plan.

**MOTION ADOPTED UNANIMOUSLY**

MOTION was made by J. Davis and seconded by N. Shevock to accept the decision of the hearing officer, in the case of William L. George, Jr., to deny his request to be granted creditable service for his CETA employment from January 2, 1979 through September 30, 1979, time not otherwise eligible for creditable service.

**MOTION ADOPTED UNANIMOUSLY**

MOTION was made by J. Davis and seconded by N. Shevock to authorize our D.A.G. to negotiate a pool of Alternative Investment Special Legal Counsel and to enter agreements for legal services to be used to review contracts, on an as needed basis, when the Fund makes investments subject to approval by the Board. Any such contract shall be subject to final approval by the Governor and the Attorney General.

**MOTION ADOPTED UNANIMOUSLY**

**7. PENDING ITEMS**

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

**8. NEW BUSINESS**

There was no new business.

**9. ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on May 30, 2008, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:24 p.m., there being no further business, MOTION was made by R. Allen and seconded by N. Shevock 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