

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF APRIL, 24, 2009

The meeting of the Board of Pension Trustees was called to order by P. Reese, at 9:05 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

Philip Reese
Nancy Shevock
Robert Allen
Jan King
Ann Visalli
Helen Foster

Trustees Absent

Gary Pfeiffer

Others Present

David Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Jeff Hoover, Pension Office
Cindy Collins, DAG
James Testerman, PAC
Charlotte Lister, PAC
Rob Gooderham, Ashford Consulting Group

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese welcomed everyone.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the March 27, 2009 meeting.

MOTION made by P. Reese and seconded by H. Foster to approve the Public Minutes of the Board of Pension Trustees' March 27, 2009 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the March 27, 2009 meeting.

MOTION made by N. Shevock and seconded by H. Foster to approve the Executive Minutes of the Board of Pension Trustees' March 27, 2009 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	2.6%	-23.1%	-22.7%
S & P 500 Index	8.8%	-36.4%	-38.1%
60/35/5*	5.6%	-22.2%	-23.8%
Delaware	5.6%	-24.6%	-25.4%
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 March totaled \$5,313 million. The Fund gained 2.6% for the month comparing negatively to a benchmark of 5.6% and behind the 60/35/5 benchmark which was also 5.6%.

The market, during the month of March had positive returns across all equity markets. U.S. Stocks in the broad Russell 3000 gained 8.8% including Large U.S. Growth Stocks at a positive 7.8% and the Large Value Index returned a positive 8.5%. Value includes a lot of the financial stocks that had a strong bounce in March. Small Cap Stocks were also up 8.9% according to the Russell 2000 Index. The International Markets also gained with the MSCI ACWI ex U.S. Index returning a positive 8.2%. The credit markets rebounded with the Barclays Govt/Corp Long Index posting a positive 1.8%. The Lipper Natural Resources Index was also positive with oil and metals at 7.3%

The fiscal year, un-audited year-to-date, for 9 months for the Fund will be reported at a (23.1%) loss, slightly better than the return for the benchmark at (24.6%). Calendar returns for 2009 are a negative (3.2%) compared to a negative (5.9%). The Fund has \$930 million or 17.5% of the Fund invested in cash. Underperformance is attributed to the recording of asset values in private partnerships as of 12/31 in the 3/31 returns recognizing write downs on venture funds but better than market valuations for the Carlyle and Riverstone partnerships. In addition, the large cash balance is a drag on overall returns.

MOTION was made by P. Reese and seconded by N. Shevock to enter into Executive Session to consider legal advice and to consider pending personnel matters and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

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 P. Reese and seconded by J. King to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. King and seconded by N. Shevock to rescind the authority to invest \$100 million with Oaktree High Yield and in its' place to authorize the investment of up to \$200 million to T. Rowe Price's High Yield Fund. Additionally, the Board confirmed prior unfunded allocation authorizations given to the Investment Committee to invest over time an additional \$50 million in Oaktree's Bank Loan Fund, and \$50 million with Oaktree in a High Income Convertible Fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. King and seconded by R. Allen to approve that any cash received from the Mellon Global Equitized Collateral Fund currently \$15 million, be invested in an S&P 500 Index Fund held either by Mellon or BGI.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. King and seconded by N. Shevock to authorize moving the entire balance of the current Mellon Capital Management TIPS account to a TIPS non-securities lending manager to be determined by legal counsel's negotiations on the most favorable contract terms for DPERS.

MOTION ADOPTED UNANIMOUSLY

The next Investment Committee meeting will be held on May 19, 2009.

4. PENSION ADMINISTRATOR'S REPORT

Bench Marking Report

K. Vincent reported to the Board the results of the Executive Summary 2008 CEM Bench Marking Report.

- DPERS is smaller than its peer universe
- The information DPERS receives from this report is very valuable
- Total service score for 2008 CEM Bench Marking Report was 69, which is below the peer median of 78. Last year DPERS' score was 70.
- Areas where DPERS had fewer transactions than its peers: written estimates, mass communication and presentations.
- DPERS is now offering group counseling sessions instead of individual counseling sessions.
- PeopleSoft upgrade will help with the pension estimates and employers.
- DPERS had a higher score than its peers when comparing the on time payment of benefits.
- Points were lost for not surveying members for customer satisfaction and the fact that DPERS does not offer on-line tools.
- DPERS' peers place more emphasis in their IT area.
- Suggested Improvements to improve DPERS' score: Satisfaction Surveys, On-Line Tools, Call Quality Monitoring, and increased communications with pensioners (i.e., send out more Newsletters).
- Total adjusted administration cost was \$84 per active member and annuitant. This was slightly above the peer median of \$82.

K. Vincent stated that she will be attending the CEM annual conference in May. A discussion of the merits was held.

Legislative Activity

HB 101

This Act allows an alternative method of calculating a retiree's final average compensation that does not result in the loss of pension benefits from salary and wage reductions.

HB 126

This Bill eliminates language in the Delaware Code that prohibits a judge of the State of Delaware from receiving his or her state pension upon becoming a federal judge.

HB 128

This Bill permits law enforcement officers and probation and parole officers to retire after 25 years of service without penalty.

D. Craik stated that Senator Colin Bonini has proposed a 5 point plan. One of the plans is an Early Retirement Option for State Employees, which is being considered, but has an estimated cost estimate of over \$500 million to implement.

Upcoming Workshops

D. Craik has a workshop next week with the Delaware State Police and will also be speaking to the members of Kent County Levy Court on May 5th.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman stated that the attendance at the Pre-Retirement Workshops have been high and thanked D. Craik and K. Vincent.

He also reported that a PAC Coalition has formed to work against the proposed pay cuts.

6. DEPUTY ATTORNEY GENERAL REPORT

MOTION was made by N. Shevock and seconded by J. King to enter into Executive Session to consider legal advice and to consider pending personnel matters and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

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 P. Reese and seconded by J. King to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. King and seconded by N. Shevock asking legal counsel to draft a Board resolution memorializing the fact that DPERS has not historically used Placement Agents to make investments. Further, requested that staff and counsel draft and propose an updated policy for review by the Investment Committee and Board with respect to a policy related to the use of placement agents.

MOTION ADOPTED UNANIMOUSLY

7. AUDIT COMMITTEE

R. Allen reported that the Audit Committee met on Wednesday, April 22, 2009. During the meeting a conference call was held with KPMG as the Initial Audit Meeting for FY 2010. General audit issues were discussed. R. Allen also advised that the staff is preparing a report for the Audit Committee to review relating to the establishment of policies and procedures for fraud.

KPMG advised that in addition to its audit duties this year it will be reviewing and advising DPERS staff during the implementation of the new General Ledger System to make the transition from the manual system to the new General Ledger System is compliant with KPMG's audit requirements.

Additionally, a discussion was held related to the independent audit of the First State Independence Fund ("FSIF") and the advantages of changing the fiscal year end of the First State Independence Fund from June 30th to December 31st. This change would be made retroactively to the formation of the FSIF so the first fiscal year end will be December 31, 2008. A discussion of the merits was held.

MOTION made by R. Allen and seconded by J. King to change the fiscal year end of the First State Independence Fund to December 31st retroactively so the first fiscal year end of the FSIF will be December 31, 2008.

MOTION ADOPTED UNANIMOUSLY

MOTION was made by R. Allen and seconded by H. Foster to enter into Executive Session to consider legal advice and to consider pending personnel matters and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

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 R. Allen and seconded by H. Foster to exit Executive Session.

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 May 29, 2009, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:05 p.m., there being no further business, MOTION was made by R. Allen and seconded by H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees