

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 JULY 31, 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

Nancy Shevock
Philip Reese
Helen Foster
Robert Allen
Tom Cook
Suzanne Grant

Trustees Absent

Ann Visalli

Others Present

Terri Timmons, Pension Office
Wade Sallings, Pension Office
Cindy Collins, DAG
Joanna Adams, Pension Office
Gary Musto, Ashford Consulting Group
Seth Yablonovitz, Ashford Consulting Group

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese welcomed the new members of the Board, Suzanne Grant and Tom Cook.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the June 19, 2009 meeting.

MOTION made by N. Shevock and seconded by R. Allen to approve the Public Minutes of the Board of Pension Trustees' June 19, 2009 meeting.

MOTION ADOPTED UNANIMOUSLY

There were no Executive Minutes from the June 19, 2009 meeting.

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	0.2%	-15.7%	-15.7%
S & P 500 Index	0.2%	-26.2%	-26.2%
60/35/5*	0.4%	-14.3%	-14.3%
Delaware Benchmark**	0.2%	-14.8%	-14.8%

*Benchmark mix of 60% S&P500 Index, 35% Salomon Long Government and Corporate Bond Index, 5% T-bills.

**Benchmark mix of 38% Russell 3000, 20% MSCI ACWI ex-US, 38.5% Barclays Universal, 1.5%, Barclays TIPS, 2% T-bills.

There was no monthly activity report provided.

Investment Market Overview – 2nd Qtr, 2009

Seth Yablonovitz, of Ashford Consulting Group, introduced himself and provided a brief background on his career and how he came to work for Ted Ashford in 2006. S. Yablonovitz and G. Musto presented the 2nd Quarter, 2009 overview.

The dramatic equity rally that began in March continued through the second quarter when credit markets re-liquefied and staged a rally. The green shoots indicate that the worst of the crisis may be behind the country. The strong governmental policy response appears to be having some impact on the economic climate. However, there are still concerns about GDP growth, employment, the banking system and indicators that the strength of the economic and market recovery may be tepid.

In the U.S. Stock Market the most vulnerable companies experienced the greatest gains as economic conditions begin to stabilize. As investors' risk appetite returned they began leaving the safety of the dollar and invested in the International Markets, boosting international market returns. The Fixed Income Markets saw a recovery in spread sectors, but spreads remain elevated compared to historical levels.

The total fund performance for the fiscal year was down (15.7%) compared to a Policy Benchmark of (14.8%).

A fulsome discussion was held regarding the market.

MOTION was made by N. Shevock 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.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by P. Reese and seconded by H. Foster to approve the recommendation that large cap growth manager Intech be terminated and the account liquidated either by the incumbent manager or Northern Trust's transition management services based on the advice of Ashford Consulting Group to the Pension Office.

MOTION ADOPTED UNANIMOUSLY

MOTION made by P. Reese and seconded by N. Shevock to approve the recommendation that \$250 million be invested with T. Rowe Price's Global Large Cap Equity strategy.

Recommended funding sources for the new account are: (1) the proceeds from the Intech Liquidation (approximately \$118 million), (2) \$50 million from the Mellon Global Equitized Collateral Fund (a global equity mandate), and (3) \$80 million from international equity manager Mercator, with any balance to meet the full allocation made up from the Fund's short term cash account balance. Further, it is recommended that the fund's short term cash account supply any needed liquidity to facilitate the maintenance of market exposure through the transition.

MOTION ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

4. PENSION ADMINISTRATOR'S REPORT

In D. Craik's absence, C. Collins supplied the Pension Administrator's report with the following Legislative activity that affects Pensions, Key Issues of the office, the Disability Report of Earnings, and the FY09 4th Quarter Activities.

Legislative Activity

- S.B. 135 – This Bill will protect the retirement benefits of those State Troopers who take military leave prior to retirement. The employee will not realize a reduction in pension benefits because of a reduction in their State salary during a period of time that might fall in their final average compensation.
- H.B. 126 – This bill eliminates language in the Delaware Code that prohibits a sitting judge of the State of Delaware from receiving his or her state pension upon resignation from the Delaware bench and appointment as a federal judge.

- H.B. 290 – Sections 84, 85, and 86 of the Appropriation Act pertain to the calculation of an employee's final average compensation in the State Employees Pension Plan, closed State Police Plan, and the New State Police Pension Plan given the salary reduction for FY10. An employee retiring in FY10 will have their final average compensation computed as if there was no salary reduction.

Section 55 of the Appropriation Act transfers \$7,000,000 from the County/Municipal Police and Firefighters COLA Fund to the State's General Fund in FY10.

- H.B. 295 – Authorized the Secretary of Finance to transfer \$10,000,000 of abandoned property receipts received in excess of \$374,000,000 to the Other Post-Employment Benefits Fund.
- H.R. 29 – Directs the Office of Management and Budget to study and provide a report by December 15, 2009 with recommendations of the feasibility of implementing a Deferred Retirement Option Plan.

Key Issues

- The Pension Office is busy processing 538 pension applications. This is a record number of applications (other than during ERO in 1991) for a single month.
- PeopleSoft Upgrade – the new “go-live” date is October 5th and the implementation and testing phase of the project is currently ongoing.
- General Ledger System – the system is currently undergoing the “go-live” process.
- OPEB – the draft OPEB financials were sent to the Division of Accounting on August 4th.
- KPMG – The Pension Office continues to keep KPMG updated on the progress of the General Ledger/Accounts Receivable systems. KPMG plans to be onsite for system milestones.
- College Investment Program – the Pension Office has been asked to oversee this program. The Board requested that the Pension Office Organizational Chart will be updated to show a breakdown of duties and report back to the Board the amount of staff time required to oversee the program. Currently, Pension Office staff member Jeff Johnson is doing the work for DCIP.

Disability Report of Earnings

All disability pensioners, on a yearly basis, are required to fill out a Report of Earnings and submit to the Pension Office.

Adjustment Required	41
Deceased	3
No Adjustment	139
No Response	11
No Earnings	<u>561</u>
 TOTAL	 752

FY09 4th Quarter Activities

C. Collins reported that there was nothing unusual concerning the 4th quarter activities. J. Adams, Functional Services Manager for the Pension Office, stated that during the month of June all individual and group counseling sessions along with individual estimates were stopped due to the overwhelming number of July and August pension applications. The Pension Office staff is encouraging employees to use their 2008 Comprehensive Annual Statement, the calculator on DPERS Website and the human resources professionals assigned to their agencies/offices.

The Disability Insurance Program has reduced the number of new cases that the Medical Committee sees. The aging report statistics will increase in the upcoming months. The monthly Medical Committee meetings have been put on hold since June due to the heavy summer pension payroll.

There are no Pension Appeal Hearings scheduled through December.

5. PENSION ADVISORY COUNCIL REPORT

There was no report.

6. DEPUTY ATTORNEY GENERAL REPORT

Update on New York AG Pension Issues

C. Collins stated that the investigation in New York State with respect to placement agents is still on-going, that she will continue to monitor the situation and update the Board when appropriate.

Pension Appeal

C. Collins reported that there is a Pension appeal case that is currently in Superior Court.

7. AUDIT COMMITTEE

There was no report.

8. PENDING ITEMS

There were no new pending items.

9. NEW BUSINESS

P. Reese asked that D. Craik present a performance update for the FY10 budget versus the FY09 budget at the September Board meeting.

10. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on September 25, 2009, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:12 p.m., there being no further business, MOTION was made by P. Reese and seconded by R. Allen to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees