

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 JUNE 19, 2009

The meeting of the Board of Pension Trustees was called to order by J. King, at 9:16 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

Nancy Shevock
Jan King
Helen Foster
Ann Visalli

Trustees Absent

Robert Allen
Gary Pfeiffer
Philip Reese

Others Present

David Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Cindy Collins, DAG
Jim Testerman, PAC
Charlotte Lister, PAC

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 May 29, 2009 meeting.

MOTION made by N. Shevock and seconded by H. Foster to approve the Public Minutes of the Board of Pension Trustees' May 29, 2009 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 29, 2009 meeting.

MOTION made by N. Shevock and seconded by H. Foster to approve the Executive Minutes of the Board of Pension Trustees' May 29, 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	4.2%	-16.0%	-19.0%
S & P 500 Index	5.6%	-26.4%	-32.6%
60/35/5*	3.6%	-14.7%	-19.0%
Delaware	5.2%	-15.0%	-19.1%
Benchmark**			

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

**Benchmark mix of 38% Russell 3000, 1% NAREIT, 20% MSCI ACWI ex-US, 38.5% Barclays Universal, 1.5%, Barclays TIPS, 2% T-bills.

Total Fund assets at the end of May totaled \$5,766 million. The Fund gained 4.2% for the month comparing negatively to a benchmark of 5.2% but ahead of the 60/35/5 benchmark which was 3.6%.

Markets during the month of May had positive returns across all markets. U.S. stocks in the broad Russell 3000 gained 5.3% including Large U.S. Growth stocks at a positive 4.9% and the Large Value Index returned a positive 6.2%. Value includes a lot of the financial stocks that continued a strong rebound in May. Small Cap Stocks were also up 3.0% according to the Russell 2000 Index. The International Markets also gained with the MSCI ACWI ex U.S. Index returning a positive 10.0%. The Credit Markets rebounded with the Barclays Govt/Credit Long Index posting a positive 1.1%. The Lipper Natural Resources Index was also up 17% as oil and metals stocks surged.

The fiscal year un-audited year-to-date for 11 months for the Fund will be reported at a (16.0%) loss, slightly under the return for the benchmark at (15.0%). At the end of May, the Fund had \$362 million or 6.3% of the Fund invested in cash. Underperformance in recent months is due to the lagged reporting on the private partnerships and the large cash position.

The Investment Committee met in June with the managers of OFI Institutional, who manage a quantitative small cap core fund. This manager's performance has been struggling against its benchmark for some time, but after extensive discussion and comprehensive review of OFI the Committee elected not to take action at this time.

The Committee also approved an extension of time to Summit Subordinated Debt II, a private partnership.

The next Investment Committee meeting is on June 23rd.

4. PENSION ADMINISTRATOR'S REPORT

Legislative Activity

D. Craik reported on some Legislation currently in the General Assembly:

- HB 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.
- HB 218 – This Act would allow the calculation of a retiree's final average compensation so that it does not result in a loss of pension due to mandatory leave without pay (furlough).
- SB 147 – This Act provides a retirement incentive of 2 additional years of service to employees in the State Employees Pension Plan that retire on 6/30/09. The Act also includes the creation of a new tier of benefits for employees hired after 7/1/09.

CEM Update

D. Craik reported that he had received a CEM Report on Communications and Best Practices. He stated that other states like Delaware who have 50,000 – 100,000 members have a staff of 5 in their Communications Section. The Pension Office does not have a section dedicated solely to communications.

FY09 4th Quarter Activities

D. Craik reported that the Pension Office has been busy. The Joint Finance Committee has asked for daily spreadsheets for upcoming pension applications. Today's totals for pension applications are as follows:

- June – 113 (effective date 4/30)
- July – 125 (effective date 5/29)
- August – 460 (effective date 6/30)

As of June 15th in light of the Pension Office staffing shortage and the unprecedented number of pension applications arriving in the office, an administrative decision was made to suspend Estimate & Counseling services as well as Pension Creditable Audits and Reviews. This action was necessary so that staff could focus on processing new pension applications in a timely manner. The suspended services will resume in September 2009. Any, counseling and estimate requests already in process will be completed. Individuals who elect to retire will have their service verified as part of the application process. 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. This information has been posted on our Website.

The Office of Pensions has been authorized to borrow 5 employees from OMB to help the office get through the next several months. Additionally, the Pension Office may be able to borrow 2 more employees within the next couple of weeks.

PeopleSoft Upgrade

D. Craik reported that the PeopleSoft Upgrade “go live” date has now been extended to October 5, 2009.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman stated that the Pension Advisory Council members have been working very hard to protect existing health benefits, including maintaining co-pays and employee contributions toward health costs. The Council has also been working to avoid the implementation of any type of salary reductions for state employees.

6. DEPUTY ATTORNEY GENERAL REPORT

Fraud Procedures

C. Collins reported that she and D. Craik have developed an internal Fraud Policy for the Pension Office Staff and the Board of Pension Trustees. The Trustees' reviewed the draft and asked for clarification on some technical matters and made recommendations. A fulsome discussion was held on the merits of the Fraud Policy.

MOTION was made by H. Foster and seconded by N. Shevock to accept the Amended Fraud Procedures, subject to incorporating the recommended clarifications.

MOTION ADOPTED UNANIMOUSLY

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.

Risk Profile of the Fund

During the May Board meeting C. Collins was asked to report to the Board, at the June meeting, whether or not the Board had delegated to the Investment Committee the authority to exceed and or establish the stated risk profile of the Fund. C. Collins advised that it is the Board who has the responsibility and authority to establish DPERS' Investment Policy, which includes the risk profile of the Fund. Although the Investment Committee does not have the discretion to exceed and/or change the stated risk bands, the Board has delegated to the Investment Committee the responsibility to oversee the investment management of all benefit plan assets under a process approved by the Board.

7. AUDIT COMMITTEE

W. Sallings presented the Board with an update on DPERS FY09 Audit:

General Update

- KPMG Auditor's continue interim field work for the DPERS annual audit, the First State Independence Fund audit & the General Lodger project.
 - Benefit Confirmation letters have been sent out
 - Confirmation letters for Investments being held by Northern Trust have been drafted by KPMG
 - Conflict of Interest letters have been drafted by KPMG

- CAFR
 - Based on estimates from Printing & Publishing, the CAFR design (which excludes printing) will be approximately \$5K higher than last year. The Pension Office will attempt to offset some of the increased printing costs by having fewer copies printed, along with utilizing CD's for distribution.
- KPMG has begun auditing the IT area and has been on site reviewing the following technical IT areas:
 - Testing PeopleSoft security (new hires/terminations/etc.)
 - Network issues previously addressed which are being reviewed include:
 - Windows Updates Issue
 - Lack of full testing and sign off prior to implementation
 - Server Updates Issue
 - Are done manually and are not signed off/recorded

First State Independence Fund Audit

- The Pension Office anticipates having a draft copy of the financial statements by July 2nd

General Ledger/Accounts Receivable Project Update

- 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 (estimated visit sometime after June 29th)

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 July 31, 2009, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:13 p.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

Jan King
Acting Chair for the Board of Pension Trustees