

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MARCH 27, 2009

The meeting of the Board of Pension Trustees was called to order by P. Reese, at 9:01 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

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese announced that the Office of Pensions had been awarded the GOFA Achievement for Excellence in Financial Reporting for the thirteenth time.

2. APPROVAL OF THE MINUTES

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

MOTION made by H. Foster and seconded by N. Shevock to approve the Public Minutes of the Board of Pension Trustees' February 27, 2009 meeting.

MOTION ADOPTED UNANIMOUSLY

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

MOTION made by J. King and seconded by N. Shevock to approve the Executive Minutes of the Board of Pension Trustees' February 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	-3.8%	-25.1%	-25.1%
S & P 500 Index	-10.6%	-41.5%	-43.3%
60/35/5*	-6.7%	-26.3%	-28.0%
Delaware Benchmark**	-6.1%	-28.6%	-29.7%

*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 February totaled \$5,192 million. The Fund lost (3.8%) for the month comparing positively to a benchmark of (6.1%) and ahead of the 60/35/5 benchmark which was (6.7%).

The market, during the month of February, continued to fall again this month in all the equity markets. U.S. Stocks in the broad Russell 3000 lost (10.5%) including Large U.S. Growth stocks at a negative (8.5%) and the Large Value Index returned a negative (13.4%). Value includes a lot of the financial stocks that have been under enormous pressure. Small Cap Stocks were also off (12.2%) according to the Russell 2000 Index. The International Markets also lost with the MSCI ACWI ex U.S. Index returning a negative (10.3%). The credit markets were also under great pressure on the long with the Barclays Lehman Gov/Corp Long Index posting a negative (1.8%). The Lipper Natural Resources Index was also off at a negative (8.6%).

The fiscal year, un-audited year-to-date, for 8 months for the Fund will be reported at a (25.1%) loss, slightly better than the return for the benchmark at (28.6%). Calendar returns for 2009 are a (5.8%) compared to a (10.9%). The Fund has \$674 million or 13.0% of the Fund invested in cash.

The Investment Committee met in March and brought in the managers of Oaktree Emerging Market Fund. DPERS has approximately \$118 million in the Oaktree Emerging Market Fund up for liquidation or renewal at the end of June out of a total of \$187 million. Presentations were made concerning performance, processes and changes to the Fund including a move to improve liquidity. The Investment Committee recommends renewing DPERS commitment to this portion of Oaktree Emerging Fund for a period of one year. A discussion of the merits was held.

MOTION was made by J. King and seconded by H. Foster to liquidate approximately \$118 million at the end of June, out of a total of \$187 million, and recommends renewing DPERS commitment to this portion of Oaktree Emerging Fund for a period of one year.

MOTION ADOPTED UNANIMOUSLY

The Investment Committee also recommends selling the investment in Mellon Capital's EAFE Index Fund, valued at approximately \$45 million. These liquidated funds would then be reinvested equally between two of DPERS existing global equity managers, Ballie Gifford and Axiom International. A discussion of the merits was held.

MOTION was made by J. King and seconded by R. Allen to approve selling the investment in Mellon Capital's EAFE Index Fund at approximately \$45 million and then be reinvested equally between two of DPERS existing global equity managers Ballie Gifford and Axiom International.

MOTION ADOPTED UNANIMOUSLY

During 2008, the Investment Committee discontinued participating in Northern Trusts' securities lending program. It has been brought to the Investment Committee's attention that several of DPERS' accounts are in commingled vehicles that participate in securities lending. To be consistent in conservatism, the Investment Committee recommends that these funds be moved to similar funds that do not allow securities lending. To do this we need authority to move approximately \$249 million from Mellon Capital Management LB Aggregate Index Fund to Mellon's non-lending Fund invested in the same index. In addition, authority is requested to shift Mellon TIPS Fund assets, approximately \$290 million to BGI non-lending TIPS Fund. A discussion of the merits was held.

MOTION made by J. King and seconded by R. Allen to approve to move approximately \$249 million from Mellon Capital Management LB Aggregate Index Fund to their non-lending Fund invested in the same index and to shift Mellon TIPS fund assets at approximately \$290 million to BGI non-lending TIPS Fund.

MOTION ADOPTED UNANIMOUSLY

The next Investment Committee meeting will be held on April 21st.

4. PENSION ADMINISTRATOR'S REPORT

Governor's Performance Review

D. Craik stated that the Governor's Performance Review is still on-going. Two charters need to be revised and one is completed. When the review has been completed D. Craik will present a copy to the Trustees

Proposed HB 91

This new bill would allow 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. D. Craik reported that this language is not correct and will have to be re-written to adhere to IRS approval.

Pension Office Activity

D. Craik reported the office has had a significant increase in phone calls and walk in customers due to the Governor's budget speech. It was stated that due to the economy and with the proposed budget cuts the Pension Office may see an increase in the near future with state employees retiring. The office now offers Group Counseling Sessions, but may need to review the process and implement changes to meet the significant increase in customer services requests and pension inquiries from state employees.

Pensioner's Healthcare

The healthcare changes that have been suggested may have minimal impact on pensioners over the age of 65. Pensioners under the age of 65 will be treated as active employees.

CEM Report

P. Reese asked D. Craik to report on the CEM Report at the April Board meeting.

Position Vacancies

D. Craik stated that the Pension Office has 10 vacant positions. Discussion was held on where these vacancies were within the office. D. Craik reported that the Pension Office has been given approval to fill two of the vacancies, one being in the IT Programming Section and the other in the Member Services Section.

MOTION was made by H. Foster and seconded by J. King to enter into Executive Session.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION was made by N. Shevock and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman thanked the Pension Office staff for their efforts recently at the Sussex County Pre-Retirement Workshop and the March 26th Workshop at the Stanton Middle School; which there were 105 attendees. There are four more upcoming workshops throughout the state.

6. DEPUTY ATTORNEY GENERAL REPORT

C. Collins reported that the Tax Project is going very well.

7. AUDIT COMMITTEE

R. Allen reported that the next Audit Committee meeting is being set up for April 22nd.

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 April 24, 2009, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:20 p.m., there being no further business,
MOTION was made by J. King 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