

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MAY 29, 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
Ann Visalli
Gary Pfeiffer

Trustees Absent

Jan King
Helen Foster

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
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 April 24, 2009 meeting.

MOTION made by N. Shevock and seconded by G. Pfeiffer to approve the Public Minutes of the Board of Pension Trustees' April 24, 2009 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the April 24, 2009 meeting.

MOTION made by N. Shevock and seconded by G. Pfeiffer to approve the Executive Minutes of the Board of Pension Trustees' April 24, 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	4.7%	-19.4%	-21.4%
S & P 500 Index	9.6%	-30.3%	-35.3%
60/35/5*	5.8%	-17.7%	-21.5%
Delaware	7.1%	-19.2%	-22.5%
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 Fund assets at the end of April totaled \$5,547 million and gained 4.7% for the month. Although lagging the Delaware Benchmark by 2.4% and the 60/35/5 benchmark by 1.1% during the month, 12-month returns still put the Total Fund slightly above the Delaware Benchmark. For the fiscal year-to-date, the total Fund is -19.4%, slightly lagging in the Delaware Benchmark by 0.2%.

During the month of April, markets showed gains in equities. The S&P 500 gained 9.6%, up from an 8.8% return in March, while small cap stocks, as measured by the Russell 2000, rose 15.5%. The MSCI EAFE international stock was up 12.8%, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) returned a positive 13.6% in April. Fixed Income Markets were mixed during the month with the TIPS Index returning -1.9% and the Barclays LT Govt/Credit Index also down -1.0%. High yield bonds continue to gain as the JP Morgan Global High Yield returned a positive 10.9%.

Due to the market moves that have reduced the attractiveness of senior loans for new investment, the Investment Committee recommends the withdrawal of uninvested cash of approximately \$25 million from the Oaktree Senior Loan account, and also recommends the rescission of the outstanding \$50 million commitment for additional investment in the Oaktree Senior Loan account.

MOTION made by P. Reese and seconded by N. Shevock to approve the withdrawal of uninvested cash of approximately \$25 million from the Oaktree Senior Loan account, and also approved the rescission of the outstanding \$50 million commitment for additional investment in the Oaktree Senior Loan Account.

MOTION ADOPTED UNANIMOUSLY

Given the signs that early cycle economic indicators are beginning to turn, combined with much lower equity markets than a year ago, the Investment Committee recommends the investment of \$400 million from the Cash Account as follows: \$200 million in the Mellon EB Non-SL Stock Index Fund (S&P 500 Index) and \$200 million in Mellon Large Cap Value Index Fund.

MOTION made by P. Reese and seconded by G. Pfeiffer to approve the investment of \$400 million from the Cash Account as follows: \$200 million in the Mellon EB Non-SL Stock Index Fund (S&P 500 Index) and \$200 million in Mellon Large Cap Value Index Fund.

MOTION ADOPTED UNANIMOUSLY

Investment Quarterly Report

R. Gooderham presented the Board with the Investment Committee Report for the quarter ending March 31, 2009. He reviewed the total Fund risk level, and discussed the performance of DPERS' assets as of March 31, 2009.

R. Gooderham also spoke of the Total Fund Risk Level and the Rolling 4 quarter returns. One of the Fund's objectives is to perform better in declining stock markets which will naturally dampen returns on the upside.

P. Reese asked R. Gooderham to prepare a report to the Board on the Fund's Liquidity requirements to fund benefits and capital calls for the next 3 years. P. Reese also asked C. Collins to report to the Board whether or not the Investment Committee has the authority to exceed the risk profile of the Fund without obtaining Board approval.

Current Market Environment

Mr. Gooderham discussed the status of the economy and various factors affecting the current investment market environment, noting both issues of ongoing concern and positive factors which indicated a more positive outlook. A fulsome discussion of market and economic conditions then followed.

4. PENSION ADMINISTRATOR'S REPORT

County/Municipal General Plan

During the January 2009 Board of Pension Trustees' meeting the Board voted to grant the Seaford Volunteer Fire Department request to join the County/Municipal General Employees' Pension Plan for the paid employees of the department as of January 1, 2009. Subsequent to the Board's approval the Seaford Volunteer Fire Department has asked to rescind its request to join the County/Municipal Employees Pension Plan. No monies have been sent to DPERS by the Seaford Volunteer Fire Department. Because no contributions have been submitted to DPERS by the Seaford Volunteer Fire Department, D. Craik is recommending that the Board vote to allow the Seaford Volunteer Fire Department to rescind its request to join the County/Municipal General Employees' Pension Plan..

MOTION made by R. Allen and seconded by N. Shevock to allow the Seaford Volunteer Fire Department to rescind joining the County/Municipal Employees' Pension Plan.

MOTION ADOPTED UNANIMOUSLY

Legislative Activity

D. Craik reported that things have been quiet on the Pension side of recent Legislation. D. Craik reported that he had finished the wording for the requested Early Retirement Incentive information for Senator Bonini and this Bill should be introduced next week. He also stated that if this bill passes it would take the Pension Office at least 6 months to implement the bill. A discussion of the merits was held.

D. Craik also reported that Justice Berger had contacted him in reference to a Deferred Retirement Option Program for State Employees, Judges and State Police. He will be drafting a response to Justice Berger. A discussion of the merits was held.

Quarterly Statistics

D. Craik presented the 3rd Quarter Pension Office Statistics stating that the big difference in FY09 compared to FY08 will be the Health Care Re-Opening. A decrease will be seen since there were no carrier changes. The Pension Office is also tracking the new pension applications per agency and occupation.

The Disability Report shows 4 new cases, which is an average. The pending cases are at an average of 3 cases.

Activities

D. Craik reported on the current Pension Office activities:

- CRIS Upgrade 8.8 to 9.0 with a go live date of 6/29
- General Ledger System with a go live date of July, FY10
- Recent Healthcare Re-opening which closed on 5/20
- Problems with the IRS Withholding Tax Tables. Notices were mailed out and we have received many phone calls asking questions and requesting new Tax Withholding Election Forms.

5. PENSION ADVISORY COUNCIL REPORT

There was no report.

6. DEPUTY ATTORNEY GENERAL REPORT

TIPS/Fraud

C. Collins reported that she is working with D. Craik on developing an internal Fraud Policy for the Pension Office Staff and the Board of Pension Trustees..

Policy on Placement Agents

C. Collins is also preparing a draft policy for DPERS, in reference to not using Placement Agents, for R. Gooderham and D. Craik to review. Policy should be finalized before the fiscal year end.

MOTION was made by R. Allen 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 made by R. Allen and seconded by A. Visalli to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

7. AUDIT COMMITTEE

R. Allen reported that KPMG has been on-site since May 5th. There was also a conference call with KPMG where they discussed the chart of accounts.

The Audit Committee and Pension Office Staff are keeping KPMG apprised of the General Ledger System. There has also been discussion on the First State Independent Fund I, LLC in reference to preparing financial statements.

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 June 19, 2009, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:07 p.m., there being no further business, MOTION was made by G. Pfeiffer and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees