

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 NOVEMBER 20, 2009

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

Trustees Present

Nancy Shevock
Suzanne Grant
Robert Allen
Helen Foster

Trustees Absent

Tom Cook
Ann Visalli
Phil Reese

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Jeff Hoover, Pension Office
Kim Vincent, Pension Office
Rob Gooderham, Ashford Consulting Group
Jim Testerman, PAC
Charlotte Lister, PAC

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by S. Grant.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the October 30, 2009 meeting.

MOTION made by N. Shevock and seconded by R. Allen to approve the Public Minutes of the Board of Pension Trustees' October 30, 2009 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the October 30, 2009 meeting.

MOTION made by H. Foster and seconded by R. Allen to approve the Executive Minutes of the Board of Pension Trustees' October 30, 2009 meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Market Overview – 3rd Qtr, 2009

R. Gooderham presented the Board with the Investment Committee Report for the quarter ending September 30, 2009. He reviewed the total Fund Risk Level, and discussed the performance of DPERS' assets as of September 30, 2009.

R. Gooderham noted how the Fund's Risk Control process had led to strong returns relative to other funds over the latest 4 quarters, while in the most recent quarters the Fund has lagged the median.

MOTION made by R. Allen and seconded by N. Shevock to enter into Executive Session to consider pension 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 made by R. Allen and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

Investment Committee Performance Report

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	-0.5%	10.7%	17.2%
S & P 500 Index	-1.9%	13.5%	9.8%
60/35/5*	-1.0%	9.6%	11.7%
Delaware Benchmark**	-1.0%	10.7%	17.8%

*Benchmark mix of 60% S&P500 Index, 35% Barclays Long Gov't and Credit Bond Index, 5% T-bills.

Total assets in the Fund at the end of October totaled \$6,309 million. After many months of positive returns, equity markets fell in October. Credit markets did well due to continued spread narrowing. The Fund's October return of -0.5% outperformed the Delaware Benchmark return of -1.0%, while the 12-month return for the total Fund is slightly behind the Delaware Benchmark. For the fiscal year-to-date, the total Fund has achieved returns of 10.7%, which is even with the Delaware Benchmark.

During the month of October, both domestic and international equity markets experienced losses. The S&P 500 lost 1.9%, down from a positive 3.7% return in September, while small cap stocks, as measured by the Russell 2000, lost 6.8%. The MSCI EAFE international stock index was down 1.2%, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) also lost 1.2% in October. Fixed Income Markets were mixed during the month with the Barclays TIPS Index up 1.2% and the Barclays LT Govt/Credit Index down 0.7%. High yield bonds continue to gain as the JP Morgan Global High Yield returned 1.8%.

The Investment Committee has met once since the last Board meeting. On November 17th, the Committee received presentations from existing manager T. Rowe Price – Natural Resources Investment Services (NRIS) and from existing manager T. Rowe Price – High Yield.

The Investment Committee continued discussions from prior meetings regarding the current investment policy statement relating to the Fund's risk level and policy risk bands. The Investment Committee discussed revised investment policy language with which, it was reported, the Board Chair and legal counsel had approved. However, the Investment Committee could not come to agreement with said language, so further discussion will take place at the December Investment Committee meeting.

In addition, the Investment Committee discussed the status of the Fund's current risk level and allocation to investment grade bonds pursuant to DPERS' Investment Policy. After discussion, the Investment Committee recommended the following actions to the Board:

1. RECOMMEND that the monthly cash flow (approximately \$5-\$10 million per month) from the Mellon Capital Global Equitized Collateral Fund be re-directed to the Mellon Capital Non-Securities Lending Aggregate Bond Index fund.

MOTION made by N. Shevock and seconded by H. Foster and approved that monthly cash flow from the Mellon Capital Global Equitized Collateral Fund be re-directed to the Mellon Capital Aggregate Bond index fund.

MOTION ADOPTED UNANIMOUSLY

2. RECOMMEND that \$25 million be liquidated from the small cap account, managed by Rutabaga Management, and be transferred to the Mellon Capital Non-Securities Lending Aggregate Bond index fund.

MOTION made by R. Allen and seconded by H. Foster and approved that \$25 million be liquidated from the Rutabaga small cap equity account with proceeds transferred to the Mellon Capital Aggregate Bond index fund.

MOTION ADOPTED UNANIMOUSLY

3. RECOMMEND that the Senior Bank Loan account, managed by Oaktree Capital, be liquidated with proceeds transferred to the Northern Trust cash account pending future investment recommendations.

MOTION made by N. Shevock and seconded by R. Allen and approved that the Senior Bank Loan account managed by Oaktree Capital be liquidated with proceeds transferred to the Northern Trust cash account.

MOTION ADOPTED UNANIMOUSLY

The Investment Committee informed the Board that it approved up to a 2 year extension to the terms of the ONSET II partnership agreement, under its authority to approve documents, or to make decisions on all issues, transactions, or documents, pertaining to limited partnerships which have been approved for investment by the Board,

The next meeting of the Investment Committee meeting will be on December 15th.

4. AUDIT COMMITTEE REPORT

W. Sallings reported that KPMG has received and reviewed all outstanding investment manager audited financial statements and sent DPERS the Audit Reports on November 18th for inclusion and completion of the FY09 CAFR. Upon receipt, these reports will be submitted to Vanguard, DPERS' graphics designer, for inclusion. Upon receipt and review of this final version, the CAFR will be submitted for printing. He also stated that to reduce the cost of printing DPERS will only be printing 50 hard copies, but will have 200 CD's available. Completion time is estimated during the first week in December.

5. PENSION ADMINISTRATOR'S REPORT

Appeal Hearing Schedule

D. Craik stated that the Appeal Hearing Schedule had been updated with Trustee names for the vacant slots. He further stated that we have not had an appeal hearing this year and the likelihood of having any in 2010 was slim. Trustees will be notified of cancellations prior to hearing dates.

PeopleSoft Upgrade

D. Craik reported that the upgrade is still in need of functional process changes. The vendor is scheduled to roll off on December 4th. D. Craik will be speaking with the vendor because the process improvements will not be completed by December 4th.

Pre-Retirement Workshop

D. Craik announced that the Pension Office along with Social Security Administration, Statewide Benefits and Deferred Compensation will have a half day workshop, Saturday, November 21st at the State Troopers Association Building, from 9:00 a.m. – 12:00 p.m.

IRS Changes

The IRS has announced they are delaying the proposed changes for a normal retirement age versus service time for governmental plans until 2013. A discussion of the merits was held.

6. PENSION ADVISORY COUNCIL REPORT

J. Testerman stated that the Pension Advisory Council Met on November 10th and held elections for Chair, 1st Vice Chair and 2nd Vice Chair. Jim Testerman remains the Chair, Larry Talley the 1st Vice Chair and Charlotte Lister the 2nd Vice Chair.

J. Testerman reported that the Committee reviewed their goals for the upcoming year even though they don't expect much to happen.

7. DEPUTY ATTORNEY GENERAL REPORT

There was no report.

8. PENDING ITEMS

There were no new pending items.

9. NEW BUSINESS

There was no new business.

10. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on December 18, 2009, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 9:49 a.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

Suzanne Grant
Acting Chair for the Board of Pension Trustees