

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF DECEMBER 16, 2011

The meeting of the Board of Pension Trustees was called to order by P. Reese, at 9:00 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

Phil Reese
Tom Shaw
Nancy Shevock
Helen Foster
Ann Visalli
Tom Cook

Trustees Absent

Suzanne Grant

Others Present

Dave Craik, Pension Office
Cindy Collins, DAG
Terri Timmons, Pension Office
Jeff Hoover, Pension Office
Rob Gooderham, Ashford Consulting Group
Seth Yablonovitz, Ashford Consulting Group
Joseph Malloy, PAC Chair
Charlotte Lister, PAC
Wayne Emsley, PAC
Jim Testerman, PAC

Dr. Shellenberger, Medical Committee
Dr. Frelick, Medical Committee
Dr. Smoyer, Medical Committee
Dr. Riegel, Medical Committee
Dr. Brereton, Medical Committee
Dr. MacEwen, Medical Committee
Dr. Del Duca, Jr., Medical Committee
Robin List, Pension Office
Joi Vanderhei, Pension Office

1. OPENING COMMENTS

The meeting of the Board of Pension Trustees was called to order by P. Reese. Mr. Reese officially announced that he was retiring as Chair of the Board as of January 31, 2012. He thanked everyone for their friendship, commitment and hard work. N. Shevock stated that he has been an excellent Chair and thanked him for all he has done.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the November 18, 2011 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the November 18, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the November 18, 2011 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Executive Minutes of the November 18, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. MEDICAL COMMITTEE REPORT

Dr. Shellenberger reported that there is less work for the Committee to oversee since the new State Disability Program was created. The new program is currently administered by the Hartford Insurance Company. The majority of the case work of the Committee is the review of existing cases which relate to various medical issues including mental illness, orthopedic issues and addiction to prescription drugs. Presently there is no system for tracking the cases of disabled former employees who attend and those who do not attend Vocational Re-hab. There is also no authority which would allow the Medical Committee to require participation in Vocational Re-hab.

Dr. Frelick spoke further on Occupational Rehabilitation stating it is important to define the differences between Palliative and Rehabilitative Health care.

Palliative care usually aims to provide pain/or discomfort relief without necessarily concentrating on curative treatments, although the differences between curing diseases and providing relief may overlap. Palliative care can be a method to deliver better health care and general patient support when managing the condition or disease is the objection of care once a cure cannot be accomplished

Occupational Rehabilitation is a way of evaluating an injury or a disease which disrupts an occupation and helps plan a way of management to allow returning to a previous job. If that is not possible, it tries to “mend” a disability to allow working effectively at a different job which may need some reasonable modification. Rehabilitation helps build a person’s self confidence and justifies the efforts made to overcome a disability.

Unfortunately, the Old Disability Program of the State of Delaware does not provide a disabled employee a return to work, if that employee is unable to perform the tasks required by his or her previous job.

Currently there is a program at Christiana Rehabilitation Hospital for Parkinson’s patients, and a similarly modified rehabilitation program using physical therapy to help the elderly maintain stamina and strength. The Medical Committee believes that the Hospital may be willing to add a program to help disabled workers obtain the skills to maintain a job or training for partially disabled workers. If this is something the State would be interested in pursuing it may be helpful to engage the University of Delaware as well, since it provides the Department of Labor a statistics program. The Hospital would probably be able to obtain information from the States’ Labor statistics to provide information about the States’ labor force and perhaps build a database to evaluate the effectiveness of any program that was implemented. While, our efforts to obtain help from the Federal/State Occupational Rehabilitation programs have not yielded results as of yet it is our hope that with a collaborative effort from the State progress can be made

4. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 11/30/11

<u>Fund</u>	<u>Nov 2011</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	(1.4)%	(4.5)%	6.2%
S & P 500 Index	(0.2)%	(4.7)%	7.8%
60/35/5*	(0.2)%	(1.0)%	7.2%
Delaware	(1.2)%	(4.0)%	4.0%
Benchmark**			

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

**Benchmark mix of 38% Russell 3000 Index, 20% MSCI ACWI exUS, 38.5% Barclays Universal Bond Index, 1.5% Barclays TIPS Index, 2% T-bills

Total assets in the Fund at the end of November totaled \$7,178MM. The Fund’s November return of -1.4% modestly lagged the Delaware Benchmark return of -1.2%, while the 12-month return for the total Fund of 6.2%, is 2.2% ahead of the Delaware Benchmark. For the fiscal year-to-date, the total Fund is down 4.5%, slightly behind the Delaware Benchmark return of -4.0%.

Domestic equity markets were down modestly in the month of November, led by continuing concerns about Europe. The S&P 500 was down 0.2%, while small cap stocks, as measured by the Russell 2000, declined 0.4%. The MSCI EAFE international stock index declined by 4.9% with the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 5.1% in November. With the exception of government securities, fixed income market returns were negative in November. The Barclays TIPS Index returned 0.8%, while the Barclays LT Govt/Credit Index fell 0.2%. The JP Morgan Global High Yield index declined 1.9% for the month.

The Investment Committee has met once since the last Board meeting and conducted an additional meeting via teleconference call.

On December 1st, the Investment Committee reviewed a request from Flagship Ventures and under its authority to execute documents relating to partnerships, over which it exercises authority, approved an amendment to Flagship Ventures IV, L.P.

At its meeting on December 13th, the Investment Committee had a presentation from existing manager Loomis Sayles reviewing the Fund's fixed income account.

Following a market outlook and asset allocation discussion, the Investment Committee voted to recommend, by poll vote, to the Board the following actions to reduce credit exposure:

- Withdraw \$100 million from the Loomis Sayles bond account
- Withdraw \$75 million from the T. Rowe Price bond account
- Allocate \$100 million of the proceeds to the Mellon Aggregate Bond index fund account
- Allocate \$50 million of the proceeds to the Focused Investors equity account
- Allocate \$25 million of the proceeds to the Wellington Management equity account

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved extensions to OneLiberty Ventures III, OneLiberty Ventures IV, and One Liberty Ventures 2000.

The next meeting of the Investment Committee will be held on January 10, 2012.

MOTION made by T. Cook and seconded by T. Shaw 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.

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 H. Foster and seconded by T. Cook to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by P. Reese and seconded by N. Shevock to ratify a poll vote approving to withdraw \$100 million from the Loomis Sayles bond account; withdraw \$75 million from the T. Rowe Price bond account; and to allocate \$100 million of the proceeds to the Mellon Aggregate Bond index fund account; allocate \$50 million of the proceeds to the Focused Investors equity account; and allocate \$25 million of the proceeds to the Wellington Management equity account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by T. Cook for DPERS to increase its commitment to Flagship Ventures IV, L.P. from \$30 million to \$40 million.

5. **AUDIT COMMITTEE REPORT**

P. Reese stated that S. Grant has stepped down as the Chair of the Audit Committee due to her appointment to the Investment Committee. That being said, Mr. Reese discussed with the Board Members the nomination of the new Audit Committee Chair. James Burke, a current member of the Audit Committee, is being recommended. After discussion the following motion was made:

MOTION made by P. Reese and seconded by H. Foster to approve the nomination of James Burke as the new Chair of the Audit Committee.

MOTION ADOPTED UNANIMOUSLY

Further discussion was held on the nomination of Robert L. Paretta and Stephen D. Ritchie as the newest members of the Audit Committee. Mr. Paretta has a Doctorate in Accounting and a Minor in Economics, Finance and Quantitative Methods. Mr. Ritchie has more than 25 years of experience in the areas of tax planning, auditing and consulting. Mr. Ritchie holds a Bachelor of Science degree in accounting and is also a Certified Public Accountant.

After discussion the following motion was made:

MOTION made by P. Reese and seconded by N. Shevock to approve the nominations of Robert L. Paretta and Stephen D. Ritchie to become members of the Audit Committee.

MOTION ADOPTED UNANIMOUSLY

6. **PENSION ADVISORY COUNCIL REPORT**

J. Malloy reported that the elections were held in November for the new PAC officers.

He also reported that the Council had adopted the following primary and secondary goals for the 2012 legislative session:

Primary Goals

- Continue annual contributions to OPEB with the goal of attaining full funding in the future
- Continue to authorize post retirement increases annually for state retirees
- Remove the early retirement penalty for state employees

Secondary Goals

- Use 2% as the only multiplier for the State Employees' Pension Plan
- Continue to pay 100% of the annual required contributions to the Pension Trust Fund

7. **STATE PENSION ADMINISTRATOR'S REPORT**

Legislative Update

Work is still being completed to support the processes for SB 30, Civil Unions; and HB 81, Pension Health Reform. The Statewide Benefits Unit will be holding informational sessions to answer active employee's questions.

Active Employee's Newsletter

There is an article in the Retiree's Newsletter regarding returning to work after retirement. The article outlines for the retiree, who may be looking at returning to work for the State, guidelines that the IRS indicates must be followed, as well as the State provisions. The article will discuss the limitations on being able to return to work for the State while receiving a pension benefit.

Pension Office Activities

The Pension Office is busy preparing for the calendar year end with 1099's, W-2's, and annual statements.

8. DEPUTY ATTORNEY GENERAL REPORT

C. Collins stated that she has drafted a letter to Delaware's Congressional delegation asking for their help with the IRS on the outstanding determination letter request that DPERS submitted to the IRS for its qualified plans during Cycle C.

QEBA Trust

C. Collins is in the final stages of preparing the Trust document in order for the QEBA Trust to be in place for the January 2012 pension benefit payment.

Rules & Regulations

Because of recent legislative changes and IRS requirements the Pension Office will be updating the Rules and Regulations for the qualified Plans. C. Collins stated that she will need a Board Member to Chair the Public Meeting that should be held in March.

9. PENDING ITEMS

There were no new pending items.

10. NEW BUSINESS

There was no new business.

11. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on January 27, 2012, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:40 a.m., there being no further business, MOTION was made by T. Shaw and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne B. Grant
Chair for the Board of Pension Trustees