

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 JANUARY 28, 2011

The meeting of the Board of Pension Trustees was called to order by P. Reese, at 9:02 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

Phil Reese
Suzanne Grant
Helen Foster
Nancy Shevock
Thomas Cook

Trustees Absent

Tom Shaw
Ann Visalli

Others Present

Dave Craik, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Wade Sallings, Pension Office
Jeff Hoover, Pension Office
Rob Gooderham, Ashford Consulting Group
Jim Testerman, Pension Advisory Council
Charlotte Lister, Pension Advisory Council

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the December 17, 2010 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Public Minutes of the December 17, 2010 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the December 17, 2010 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Executive Minutes of the December 17, 2010 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 12/31/11

<u>Fund</u>	<u>December 2010</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	3.4%	15.4%	14.0%
S & P 500 Index	6.7%	23.3%	15.1%
60/35/5*	3.5%	14.1%	11.8%
Delaware	3.8%	14.8%	12.0%
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 as of December 31, 2010 totaled \$7,219 MM. The Fund's December return of 3.4% lagged the Delaware Benchmark return of 3.8%, while the 12-month return for the total Fund of 14.0% is 2.0% ahead of the Delaware Benchmark. For the fiscal year-to-date, the total Fund is up 15.4%, ahead of the Delaware Benchmark return of 14.8%.

During the month of December, both the domestic and international equity markets were strong. The S&P 500 returned 6.7%, while small cap stocks, as measured by the Russell 2000, gained 7.9%. The MSCI EAFE international stock was up 8.1% with the broader MSCI All-Country

World ex-U.S. stock index (which includes emerging markets) up 7.8% in December. Fixed Income market returns were mixed in December. The Barclays TIPS Index declined 1.6%, while the Barclays LT Govt/Credit Index fell 2.1%. With credit spreads tightening, the JP Morgan Global High Yield index rose 1.9% for the month.

The Investment Committee has met once since the last Board meeting. On January 20th, the Investment Committee received a presentation from manager T. Rowe Price reviewing its Institutional Floating Rate (IFR) strategy, which invests primarily in bank loans. After discussion, the Investment Committee agreed to recommend to the Board a \$150 million investment in the T. Rowe Price IFR strategy, funded from a portion of the Fund's investment in the Mellon Aggregate bond index fund.

The Investment Committee, under its authority to execute documents relating to manager schedules and contracts over which it exercises authority, approved an amendment to the Trident V limited partnership agreement.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Foster and seconded by T. Cook to approve the recommendation to invest \$150 million in the T. Rowe Price IFR strategy, funded from a portion of the Fund's investment in the Mellon Aggregate bond index fund.
MOTION ADOPTED UNANIMOUSLY

MOTION ADOPTED UNANIMOUSLY

The next meeting of the Investment Committee is scheduled for February 15th.

4. AUDIT COMMITTEE REPORT

S. Grant reported that the Audit Committee had reviewed the DPERS 2010 Comprehensive Annual Financial Report.

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

MOTION ADOPTED UNANIMOUSLY

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman reported that the January Advisory Council meeting was canceled due to inclement weather. Their next meeting will be held in April.

6. STATE PENSION ADMINSTRATOR'S REPORT

Quarterly Statistics

D. Craik reported that the pension applications for FY11 are down from FY10. February is the second busiest month for pension applications and the Pension Office currently has 154 applications, which are tracking lower than usual. All other activity has stayed relatively the same.

Disability Report

D. Craik reported that the Medical Committee has 11 new cases to review and there are 34 Continuance Cases. The Aging Report shows nothing unusual at this time.

Governors FY 12 Budget

It was reported by D. Craik that the employer contribution pension rates that were approved by the Board of Pension Trustees for FY 2012 during its October meeting have been included in the FY12 Budget. Concerning the PRI funding, this is the first year that there will be no funds going into the PRI since 1994.

7. DEPUTY ATTORNEY GENERAL REPORT

C. Collins reported that the IRS has issued a revenue ruling which under certain circumstances will allow qualified retirement plans to co-mingle, for investment purposes only, assets held in trust to fund health benefits. This ruling would allow DPERS to invest the OPEB Trust assets into the Master Trust. Prior to taking any action to implement this option there are various issues which will need to be addressed and investigated. Additionally, it will be necessary for the State to develop a funding policy in order to determine whether or not it is appropriate to invest these funds alongside the retirement funds. A report will be compiled and presented to the Board and Investment Committee for further discussion and deliberation.

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 February 25, 2011, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:31 a.m., there being no further business, MOTION was made by N. Shevock and seconded by Suzanne Grant to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees