

**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](mailto:pensionoffice@state.de.us)**

**Telephone (302) 739-4208**  
**FAX # (302) 739-6129**  
**[www.delawarepensions.com](http://www.delawarepensions.com)**

**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF JULY 29, 2011**

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

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

Trustees Absent

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Cindy Collins, DAG  
Wade Sallings, Pension Office  
Jeff Hoover, Pension Office  
Garry Musto, Ashford Consulting Group  
Joe Malloy, 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 June 24, 2011 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the June 24, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the June 24, 2011 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Executive Minutes of the June 24, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

**3. INVESTMENT COMMITTEE REPORT**

Investment Committee Performance Report as of 6/30/11

<u>Fund</u>	<u>June 2011</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>(0.9)%</b>	<b>23.9%</b>	<b>23.9%</b>
<b>S &amp; P 500 Index</b>	<b>(1.7)%</b>	<b>30.7%</b>	<b>30.7%</b>
<b>60/35/5*</b>	<b>(1.2)%</b>	<b>19.3%</b>	<b>19.3%</b>
<b>Delaware</b>	<b>(1.1)%</b>	<b>19.8%</b>	<b>19.8%</b>
<b>Benchmark**</b>			

\*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 June 30, 2011 totaled \$7,622 MM. The Fund's June return of -0.9% outperformed the Delaware Benchmark return of -1.1%; the calendar year-to-date return of 7.3% for the total Fund is 2.9 percentage points ahead of the Delaware Benchmark. For the fiscal year, the total Fund is up 23.9%, 4.1 percentage points ahead of the Delaware Benchmark.

During the month of June, equity markets were weak although they rebounded off late-month lows. The S&P 500 return was down 1.7%, while small cap stocks, as measured by the Russell 2000, lost 2.3%. International stocks also reflected increased concerns with European markets as the MSCI EAFE international stock index fell 1.3%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) declined 1.5% in June. Fixed Income market returns were modestly negative in June. The Barclays LT Govt/Credit Index declined 1.9%, while the JP Morgan Global High Yield index lost 0.7% for the month. The Barclays TIPS index, reflecting strength in Treasuries, gained 0.8% in June.

The Investment Committee has met twice since the last Board meeting. On June 28<sup>th</sup>, the Investment Committee heard from existing managers Angelo Gordon and Centerbridge.

The Investment Committee voted to recommend to the Board transfer of cash balances currently managed by Northern Trust in its STIF fund to the Northern Trust GSTIF pool.

The Investment Committee, under its authority to execute documents relating to manager schedules and contracts over which it exercises authority, approved an Action and Consent to T. Rowe Price Recovery Fund II.

At its meeting on July 12<sup>th</sup> the Investment Committee had a presentation from existing manager T. Rowe Price reviewing the Fund's fixed income accounts.

Following a review of DPERS' First State Independence Fund (FSIF), the Investment Committee voted to recommend to the Board withdrawal of \$100 million from the FSIF. A recommendation as to the revised composition of the FSIF and deployment of proceeds will follow based on further analysis.

The next meeting of the Investment Committee will be held on August 16<sup>th</sup>.

MOTION made by T. Cook and seconded by S. Grant 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 T. Cook and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by P. Reese and seconded by T. Shaw to ratify a poll vote to remove all cash from the Northern Trust collective Short Term Investment Fund (STIF) to the Northern Trust Collective Government Short Term Investment Fund (GSTIF).

MOTION ADOPTED UNANIMOUSLY

MOTION made by P. Reese and seconded by N. Shevock to withdraw \$100 million from the First State Independence Fund (FSIF). The deployment of the proceeds will follow based on further analysis.

MOTION ADOPTED UNANIMOUSLY

MOTION made by P. Reese and seconded by H. Foster to continue to engage Ashford Consulting Group, Inc. as the Investment Advisor for the Delaware Public Employees Retirement System. The new agreement, effective July 1, 2011, will be for a period of 5 years with two 1-year extensions.

MOTION ADOPTED UNANIMOUSLY

**5. AUDIT COMMITTEE REPORT**

There was no report.

**6. PENSION ADVISORY COUNCIL REPORT**

There was no report.

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

Pension Office Activities

D. Craik reported that the Pension Office currently has 400 pension applications for August payroll; which is typically the busiest month.

The FY11 Quarterly Pension Office Activities report shows that the number of healthcare changes was slightly lower than the previous year. The phone calls for FY11 were slightly higher due to Aon and Open Enrollment for healthcare.

The quarterly Disability Report reflects 12 new cases with a total of 28 for the year. The low numbers are due mainly to the disability insurance program.

### Legislative Recap

SB 30 Civil Union – This act creates the recognized legal relationship of civil union in Delaware for eligible persons. Parties, who enter into a lawful civil union in Delaware or are recognized under Delaware law, will have the same rights, benefits, protections and responsibilities as married persons under Delaware law. This law becomes effective January 1, 2012. The Pension Office is currently working on implementing procedural and operational changes to provide civil union benefits beginning in January of 2012.

HB 81 Pension Health Reform – Provides for a new tier of pension benefits and health insurance benefits relating to the State Employees' Pension Plan. All pension changes are effective for employees hired after January 1, 2012. Certain health provisions are effective on different schedules. The Pension Office is currently working on implementing the new legislation.

HB214 People First Language ("PFL") - This is part of a national movement to promote dignity and inclusion for people with disabilities. PFL specifies that the order of terms used to describe any individual places the person first, and the description of the person second. The Pension Office will be working on any changes needed to reflect the new legislation.

SB140 – This amendment allows the assignment of benefits for funeral expenses. In addition, this amendment mandates the use of a form approved by the Board of Pension Trustees allowing the assignment of benefits. There have been discussions with funeral directors and D. Craik has been invited to attend the September meeting of the funeral directors. The Pension Office is addressing several tax compliance and tax reporting issues associated with the legislation, as well as implementing procedural and operational changes.

HB 217 – This act grants pension increases to retired State Employees, retired Judges, retired "New" State Police and retired County/Municipal Police/Firefighters on January 1, 2012 for persons retired on or before June 30, 2010. This act also gives the Board of Pension Trustees the authority to amend the growth rate in the State Employees' pension plan, Judiciary pension plan, and the State Police pension plan.

HB 195 – This act provides for the appointment of a committee, by the Governor, to review Police Pensions and Healthcare. The committee shall review, make recommendations, and report to the Joint Finance Committee on the current status of police pensions and healthcare for active and retired officers under the Delaware County and Municipal Police/Fire Pension Plan and associated plans.

### Appeal Hearings

D. Craik reminded the Trustees that we have two appeal hearings in September and one in November.

**8. DEPUTY ATTORNEY GENERAL REPORT**

C. Collins and D. Craik held a conference call with Ice Miller, DPERS' Tax Advisor, about legislation passed during FY 2011 and outstanding submissions/private letter ruling requests before the Internal Revenue Service on behalf of DPERS. A time-line will be developed and presented at the next Board meeting identifying the various tax and compliance projects under way for FY 2012.

**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 September 30, 2011, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 9: 48 a.m., there being no further business, MOTION was made by N. Shevock and seconded by S. Grant to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

---

Philip Reese  
Chair for the Board of Pension Trustees