

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 JUNE 24, 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
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Wade Sallings, Pension Office
Rob Gooderham, Ashford Consulting Group
Seth Yablonovitz, Ashford Consulting Group
Joe Malloy, 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. D. Craik introduced Joe Malloy, 1st Vice Chair of the Pension Advisory Council.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the May 20, 2011 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the May 20, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 20, 2011 meeting.

MOTION made by N. Shevock and seconded by S. Grant to approve the Executive Minutes of the May 20, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 5/31/11

<u>Fund</u>	<u>May 2011</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.0%	24.9%	22.8%
S & P 500 Index	-1.1%	32.9%	25.9%
60/35/5*	-0.2%	20.7%	17.6%
Delaware Benchmark**	-0.5%	21.1%	18.9%

*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 May 31, 2011 totaled \$7,708 MM. The Fund's May return of 0.0% outperformed the Delaware Benchmark return of -0.5%; the 12-month return for the total Fund is 3.9 percentage points ahead of the Delaware Benchmark. For the fiscal year-to-date, the total Fund is up 24.9%, 3.8 percentage points ahead of the Delaware Benchmark.

During the month of May, equity markets were weak while bond markets were modestly positive. The S&P 500 return was down 1.1%, while small cap stocks, as measured by the Russell 2000, lost 1.9%. International stocks also reflected increased concerns with Greece as the MSCI EAFE international stock index fell 3.0%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) declined 2.9% in May. Fixed Income market returns were positive in May. The Barclays LT Govt/Credit Index was up 3.0%, while the JP Morgan Global High Yield index reflected credit concerns and returned 0.5% for the month. The Barclays TIPS index gained 0.3% in May.

The Investment Committee has met once since the last Board meeting. On June 15th, the Investment Committee met with existing manager T. Rowe Price and reviewed the Fund's natural resources equity account.

The Investment Committee, under its authority to execute documents relating to manager schedules and contracts over which it exercises authority, approved a change to the T. Rowe Price NRIS Schedule A. Under the same authority, the Investment Committee approved extensions to ONSET II, L.P. and ONSET III, L.P.

The next meeting of the Investment Committee will be held on June 28th.

MOTION made by T. Shaw and seconded by H. Foster 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. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

5. AUDIT COMMITTEE REPORT

S. Grant reported that D. Craik, W. Sallings, C. Collins and she met with Jim Burke, new member of the Audit Committee, last week for an orientation.

6. PENSION ADVISORY COUNCIL REPORT

J. Malloy, 1st Vice Chair of the Pension Advisory Council, thanked everyone for welcoming him to the Board meeting. He reported that the Council does not meet until November; at which time elections for officers will take place.

7. STATE PENSION ADMINSTRATOR'S REPORT

Legislative Update

HB164 – This proposed bill would permit employees who are employed in positions that are classified as Hazardous Duty Level A-1 to retire at 25 years without any reduction in pension benefits. Those employees will pay a higher employee contribution rate. The bill will be introduced once the system receives a favorable Private Letter Ruling from the IRS. If approved, the legislation will be effective the following legislative year after receipt of IRS approval. The main provisions of the bill include: (1) a higher employee contribution rate; (2) the ability to retire after 25 years of service, at any age, without having a reduction of benefits, and (3) the employee would have to have been contributing under the new provisions for two years.

HB214 – People First Language (“PFL”) legislation 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.

SB140 – Current law does not allow funeral expenses to be paid with the consent of the beneficiary of the pension from a deceased state employee. This bill changes the statute to allow funeral expenses to be paid out of the benefits of the decedent.

Pension Office Activities

D. Craik reported that as of June 30th the Pension Office will have 339 pension applications for August payroll.

On June 29th there will be a report released from the National Institute on Retirement Security titled “Lessons from Well-Funded Public Pensions: An Analysis of Six Plans that Weathered the Financial Storm”. Using financial data from 2000- 09 the research studied six public pension plans of which the Delaware State Employees Pension Plan was included. While each of the plans saw lower investment returns during the 10 year timeframe each plan remained well-funded despite two economic downturns. The common features of the plans that allowed them to remain well funded were:

- Employer pays 100% of the annual required contribution, which Delaware has always done.
- Employee’s make contributions to help share in the cost of the plan.
- When benefit improvements are adopted those changes are actuarially valued and funded.
- Cost of living adjustments are granted responsibly, Delaware grants adjustments on an ad hoc basis and fund over a 5 year period.
- They adopt anti-spiking measures to ensure actuarial integrity, with the passage of HB81 there are anti-spiking provisions for employees hired after 1/1/12.
- The Fund uses economic actuarial assumptions that can reasonably be expected to be achieved over the long term. Recently the DPERS Board lowered the expected rate of return to 7.5% reflecting a more conservative view of risk adjusted investment returns going forward

8. DEPUTY ATTORNEY GENERAL REPORT

MOTION made by H. Foster 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.

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 T. Shaw and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Cook and seconded by N. Shevock to accept the decision of the Hearing Officers that the request for an appeal to have the State pay 100% of health insurance benefits for Ms. Sandra DeLane, be denied.

MOTION ADOPTED UNANIMOUSLY

9. PENDING ITEMS

There were no new pending items.

10. NEW BUSINESS

P. Reese reported that George Saxon, Chair of the Investment Committee, is recovering from his illness but it may be some time before he will be back as the Chair of the Investment Committee.

A discussion of the merits was held.

MOTION made by N. Shevock and seconded by S. Grant to nominate Dale Stratton as the Acting Chair of the Investment Committee until such time George Saxton recovers from his illness and returns as Chair of the Investment Committee.

MOTION ADOPTED UNANIMOUSLY

The Chairman and the Board commended the system's Executive Director, David Craik, for the outstanding job he has done and continues to do for the State, DPERS, the systems' beneficiaries, and its staff and the Board.

11. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on July 29, 2011, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:43 a.m., there being no further business, MOTION was made by P. Reese and seconded by T. Shaw to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees