

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 MARCH 25, 2011

The meeting of the Board of Pension Trustees was called to order by P. Reese, at 9:04 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

Phil Reese
Tom Shaw
Helen Foster
Nancy Shevock
Ann Visalli

Trustees Absent

Suzanne Grant
Tom Cook

Others Present

Dave Craik, Pension Office
Kim Vincent, 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
Fiona Liston, Cheiron
Margaret Tempkin, Cheiron
Judy Anderson, DSEA
Tim Barchak, DSEA

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 February 25, 2011 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the February 25, 2011 Board of Pension Trustees' meeting with noted changes.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the February 25, 2011 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Executive Minutes of the February 25, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. ACTUARIAL EXPERIENCE STUDY

F. Liston and M. Tempkin, of Cheiron, presented the Board with an experience study detailing a review of the key assumptions for the State Employees Plan, usually performed every 5 years, to ensure the plan is being valued appropriately. The economic assumptions factors to consider are as follows:

- Past experience of the Plan
- Historical Data in General
- Outlook for the future
- What other Funds are doing

The following economic assumption changes are being recommended:

- Reduce investment return assumption from 8% to either 7.75% or 7.5%
- Reduce inflation from 3.75% to either 3.5% or 3.25%
 - o This impacts across-the-board salary increase component
 - o Merit component adjusted so total salary growth per year agrees with observed rates over study period
- These two changes would result in an increased rate produced by the 7/1/2010 valuation from 8.37% to either 9.28% or 10.20% of payroll

The following are demographic assumptions:

- Minor adjustments to retirement tables
- Minor adjustments to termination tables
- Move disabled table half-way between rates experienced and those that were assumed
- Maintain mortality table for disabled members
- Change mortality table for non-disableds to reflect 100% of the RP-2000 table with full Generational projection
- Move to merit salary scale that varies only by service and not age

A discussion on the merits was held. It was noted that this Actuarial Experience Study will be presented to the Investment Committee.

4. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 2/28/11

<u>Fund</u>	<u>February 2011</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	3.1%	20.2%	19.2%
S & P 500 Index	3.4%	30.5%	22.6%
60/35/5*	2.1%	18.2%	15.5%
Delaware	2.0%	18.4%	16.0%
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 February 28, 2011 totaled \$7,471 MM. The Fund's February return of 3.1% outperformed the Delaware Benchmark return of 2.0%, while the 12-month return for the total Fund of 19.2% is 3.2% ahead of the Delaware Benchmark. For the fiscal year-to-date, the total Fund is up 20.2%, ahead of the Delaware Benchmark return of 18.4%.

During the month of February, both the domestic and international equity markets experienced positive returns. The S&P 500 returned 3.4%, while small cap stocks, as measured by the Russell 2000, rose 5.5%. The MSCI EAFE international stock was up 3.3% with the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 2.6% in February. With the exception of Treasuries which continued their decline, fixed income market returns were positive in February. The Barclays TIPS Index returned 0.9%, while the Barclays LT Govt/Credit Index rose 1.5%. With credit spreads narrowing, the JP Morgan Global High Yield index rose 1.4% for the month.

The Investment Committee has met once since the last Board meeting. On March 15th the Committee received a presentation from existing manager Loomis Sayles reviewing the Fund's fixed income 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 Mellon Capital Tactical Asset Allocation Schedule A. Under the same authority, the Investment Committee approved an extension to Advanced Technology Ventures VII, L.P.

The next meeting of the Investment Committee will be on April 12th.

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

5. AUDIT COMMITTEE REPORT

D. Craik stated that the next Audit Committee meeting will be held on April 15, 2011.

6. PENSION ADVISORY COUNCIL REPORT

J. Testerman stated that he firmly believes that the pension contribution rate should not be raised to 5%. He also expressed concern for future healthcare benefit changes.

7. STATE PENSION ADMINSTRATOR'S REPORT

There was no report.

8. DEPUTY ATTORNEY GENERAL REPORT

C. Collins distributed the Board's Self Examination Survey and requests that it is returned to her by May 1st. She stated that in the near future she will present the Board with a comparison of the results of the 2008 Survey to where we are now.

9. PENDING ITEMS

There were no new pending items.

10. NEW BUSINESS

D. Craik reminded everyone that the April 29th Board meeting had been changed to Thursday, April 28th. Paul Kasriel, Director of Economic Research with Northern Trust, will present the Board with his economic outlook.

11. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on April 28, 2011, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:18 a.m., there being no further business,
MOTION was made by N. Shevock and
seconded by Philip Reese to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees