

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF NOVEMBER 18, 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
Nancy Shevock
Helen Foster
Suzanne Grant
Ann Visalli
Tom Cook

Trustees Absent

Others Present

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

1. **OPENING COMMENTS**

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

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the October 28, 2011 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Public Minutes of the October 28, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the October 28, 2011 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approved the Executive Minutes of the October 28, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 10/31/11

<u>Fund</u>	<u>Oct 2011</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	5.0%	-3.1%	8.2%
S & P 500 Index	10.9%	-4.5%	8.1%
60/35/5*	6.6%	-0.8%	7.1%
Delaware Benchmark**	6.7%	-2.5%	4.5%

*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 October totaled \$7,306MM. The Fund's October return of 5.0% lagged the Delaware Benchmark return of 6.7%, while the 12-month return for the total Fund of 8.2% is 3.7% ahead of the Delaware Benchmark. For the fiscal year-to-date, the total Fund is down 3.1%, slightly behind the Delaware Benchmark return of -2.8%.

In a sharp reversal following weakness in August and September, global equity markets turned positive in October. The S&P 500 returned 10.9%, while small cap stocks, as measured by the Russell 2000, were up 15.1%. The MSCI EAFE international stock index was up 9.6% with the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) up 10.5% in October. With the exception of long duration Treasuries, fixed income market returns were positive in January. The Barclays TIPS Index returned 0.2%, while the Barclays LT Govt/Credit Index fell 1.4%. With credit spreads narrowing, the JP Morgan Global High Yield index rose 5.9% for the month.

The Investment Committee has met once since the last Board meeting.

At the Investment Committee meeting on November 15th, the Investment Committee had a presentation from existing manager Sanderson Asset Management reviewing the Fund's international equity account.

The Investment Committee reviewed third quarter reporting for the Fund, Firemen's Fund, the Non-Traditional assets, the First State Independence Fund and derivative positions. In addition, the Investment Committee reviewed an analysis of soft dollar commissions for the latest fiscal year.

Following an asset allocation discussion, the Investment Committee voted to recommend by poll vote to the Board the following actions to lower risk:

- Liquidate \$50 million from the Daruma small cap equity account
- Liquidate \$50 million from the T. Rowe Price Natural Resources account
- Liquidate \$50 million from the Oaktree international convertible account
- Liquidate \$25 million from the Dodge & Cox international equity account
- Liquidate \$25 million from the Rutabaga small cap equity account
- Liquidate 25% of the Fund's investment in the Oaktree Emerging Markets Absolute Return Fund
- Allocate \$100 million of the proceeds to the Wellington equity account
- Allocate \$50 million of the proceeds to the Mellon S&P MLP index fund account
- Allocate \$50 million of the proceeds to the Mellon Aggregate Bond index fund account
- Allocate the net proceeds to cash pending further consideration

MOTION made by T. Cook and seconded by H. Foster to ratify a poll vote to liquidate \$50 million from the Daruma small cap equity account; liquidate \$50 million from the T. Rowe Price Natural Resources account; liquidate \$50 million from the Oaktree international convertible account; liquidate \$25 million from the Dodge & Cox international equity account; liquidate \$25 million from the Rutabaga small cap equity account; liquidate 25% of the Fund's investment in the Oaktree Emerging Markets Absolute Return Fund; to allocate \$100 million of the proceeds to the Wellington equity account; allocate \$50 million of the proceeds to the Mellon S&P MLP index fund account; allocate \$50 million of the proceeds to the Mellon Aggregate Bond index fund account; and to allocate the net proceeds to cash pending further consideration.

MOTION ADOPTED UNANIMOUSLY

Risk Sub-Committee Report

R. Gooderham explained that the objective of the Sub-Committee was to explore and review potential improvements to the investment risk management process of the DPERS Board and Investment Committee.

The next meeting of the Investment Committee will be held on December 13th.

5. PENSION ADVISORY COUNCIL REPORT

Charlotte Lister reported that the yearly elections were held for the Advisory Council. Joseph Malloy was elected as the Chair, Wayne Emsley was elected as 1st Vice Chair, Charlotte Lister was elected as 2nd Vice Chair and Jim Testerman was elected as an At-Large Member.

C. Lister stated that the primary goals of the Council are to advocate that the State will continue annual contributions to OPEB; continue to authorize post retirement increases annually for state retirees; and to remove the early retirement penalty for state employees. The next meeting of the Advisory Council will be in January.

6. STATE PENSION ADMINISTRATOR'S REPORT

D. Craik reported that for the FY13 Budget the Pension Office will be asking for up to \$800,000 for the PeopleSoft upgrade. These funds would be allocated to hardware purchases.

D. Craik stated that the fall Pre-Retirement Workshops have concluded and the number of participants has tripled from the same time last year. At the workshop in Kent County there were over 223 participants and it was standing room only.

Legislative Update

Work is still being completed to support the processes for SB 30, Civil Unions; and HB 81, Pension Health Reform. In November the Pension Office processed seven Burial Benefits checks to Funeral Homes, SB 140.

Resolution – Town of Selbyville

The Pension Office has received a Resolution from the Town of Selbyville to enter into a contract with the State Board of Pension Trustees to allow the Town to participate in the State of Delaware County and Municipal Pension Plans, which would be the General employees and Police employees.

A discussion of the merits was held.

MOTION made by S. Grant and seconded by T. Cook to allow the Town of Selbyville to enter into a contract with the State Board of Pension Trustees to allow the Town to participate in the State of Delaware County and Municipal Pension Plans.

MOTION ADOPTED UNANIMOUSLY

6. DEPUTY ATTORNEY GENERAL REPORT

MOTION made by S. Grant 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.

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. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by S. Grant and seconded by H. Foster to accept the decision of the Hearing Officers to deny the appeal of Christianne M. Haggerty, who sought a conversion of her partial disability benefits to total disability benefits.

MOTION ADOPTED UNANIMOUSLY

MOTION made by S. Grant and seconded by H. Foster to accept the decision of the Hearing Officers to deny the appeal of Christian Stamm, who sought a conversion of his partial disability benefits to total disability benefits.

MOTION ADOPTED UNANIMOUSLY

7. PENDING ITEMS

There were no new pending items.

8. NEW BUSINESS

There was no new business.

9. **ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on December 16, 2011, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:51 a.m., there being no further business, MOTION was made by P. Reese and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip S. Reese
Chair for the Board of Pension Trustees