

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MAY 25, 2012

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

Trustees Present

Suzanne Grant
Ann Visalli
Nancy Shevock
Helen Foster
Arturo Agra
Tom Shaw
Tom Cook

Trustees Absent

Others Present

Dave Craik, Pension Office
Kim Vincent, Pension Office
Cindy Collins, DAG
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Rob Gooderham, Ashford Consulting Group
Joseph Malloy, PAC Chair
Charlotte Lister, PAC

1. **OPENING COMMENTS**

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the April 27, 2012 meeting.

MOTION made by T. Shaw and seconded by H. Foster to approve the Public Minutes of the April 27, 2012 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the April 27, 2012 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Executive Minutes of the April 27, 2012 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 4/30/12

<u>Fund</u>	<u>Apr-12</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.1%	2.4%	1.6%
S & P 500 Index	-0.6%	7.8%	4.8%
60/35/5*	0.1%	7.6%	6.2%
Delaware Benchmark**	-0.1%	3.6%	1.9%

*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 at the end of April totaled \$7,582MM. The Fund's April return of 0.1% outperformed the Delaware Benchmark return. For the fiscal year-to-date, the total Fund is positive 2.4%, 1.2 percentage points below the Delaware Benchmark.

Both domestic and international equity markets fell slightly in the month of April. The S&P 500 was down 0.6%, while small cap stocks, as measured by the Russell 2000, declined 1.5%. International stocks also were negative reflecting continued concerns about Europe as the MSCI EAFE international stock index was down 2.0%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) declined 1.6% in April. Fixed income market returns

were positive in April. The Barclays Universal Index was up 1.1%, while the JP Morgan Global High Yield index gained 1.0% for the month. The Barclays TIPS index was up 2.0% in April.

The Investment Committee has met once since April.

At the Investment Committee meeting on May 15th, the Committee received a presentation from existing manager Axiom International and reviewed the Fund's global equity account.

The Investment Committee reviewed first quarter reporting for the Fund, Volunteer Firefighters' Fund, the First State Independence Fund and derivative positions.

The Investment Committee voted to recommend by poll vote to the Board the redemption of 25% of the Oaktree Emerging Markets Absolute Return Fund.

The next meeting of the Investment Committee will be held on June 12, 2012.

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Shaw to ratify the poll vote for the redemption of 25% of the Oaktree Emerging Markets Absolute Return Fund.

MOTION ADOPTED UNANIMOUSLY

4. AUDIT COMMITTEE REPORT

H. Foster reported that the Audit Committee met on May 4th along with members of KPMG for the Fiscal Year 2012 audit entrance meeting. Discussions were held about the nature of the audit process and the role of the audit committee. The Committee will meet again on September 21st.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that a Pre-Retirement Workshop was held in New Castle County for the County Municipal Police and Firemen where there were 16 attendees.

6. STATE PENSION ADMINISTRATOR'S REPORT

D. Craik continues to work on issues in reference to Return to Work. The Return to Work Appeal Hearings that were scheduled for May have been rescheduled for July. T. Shaw reported that he would not be available for the July Hearings. N. Shevock volunteered to take his place in July.

D. Craik reported on pending legislation.

The JFC has proposed a 1% post retirement increase for Pensioners; along with \$15MM to be placed in OPEB Trust. Both of these actions need to be voted on.

Pension Office Activities

D. Craik reported that the Pension Office has been extremely busy with Healthcare Open Enrollment. The Office began receiving phone calls on April 20th and they continued through to May 23rd. Over 11,191 incoming calls were answered by staff, of those at least half were in reference to Open Enrollment. In addition to the calls, the Pension Office had over 1,700 walk-in customers for the same time period.

Actuary

D. Craik received a proposal from Cheiron, DPERS' current actuary, to extend the existing agreement for an additional year. This proposal includes a modest increase, which D. Craik believes is reasonable. D. Craik recommended to the Board that it approve the one year extension of Cheiron's contract, and advised the Board that an RFP for actuarial services would be issued next year.

MOTION made by N. Shevock and seconded by H. Foster to approve a one year extension to Cheiron's contract.

MOTION ADOPTED UNANIMOUSLY

7. **DEPUTY ATTORNEY GENERAL REPORT**

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

MOTION ADOPTED UNANIMOUSLY

8. **PENDING ITEMS**

D. Craik noted that the Pending Items list had been updated.

9. **NEW BUSINESS**

There was no new business.

10. **ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on June 22, 2012, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:46 a.m., there being no further business, MOTION was made by T. Shaw and seconded by T. Cook to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Suzanne B. Grant
Chair for the Board of Pension Trustees