

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF FEBRUARY 23, 2007**

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:05 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

Philip S. Reese  
Robert Allen  
Helen Foster  
Nancy J. Shevock  
Jennifer Davis  
Jan King  
Tom Cook, Acting Secretary of Finance

Trustees Absent

Others Present

David Craik, Pension Office  
Kim Vincent, Pension Office  
Terri Timmons, Pension Office  
Cindy Collins, DAG  
Charlotte Lister, PAC  
Karen Field Rogers, OMB  
Kathy Kunkle, Pension Office  
Jeff Hoover, Pension Office  
Jeff Johnson, Pension Office

## **1. OPENING COMMENTS**

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese introduced and welcomed Jeff Johnson and Jeff Hoover who are the newest members in the Pension Office Investment Section.

## **2. APPROVAL OF THE MINUTES**

The Trustees reviewed the minutes of the January 19, 2007 meeting.

MOTION made by R. Allen and seconded by N. Shevock to approve the minutes of the Board of Pension Trustees' January 19, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

## **3. PENSION ADVISORY COUNCIL**

In J. Testerman's absence D. Craik reported that the Spring PAC Workshops have been scheduled and the flyer has been mailed out to all active employees. D. Craik stated that we can expect to see roughly 100 employees per session. C. Lister, 2<sup>nd</sup> Vice Chair of the Pension Advisory Council stated that the Advisory Council has not met since January 9<sup>th</sup>.

## **4. AUDIT COMMITTEE REPORT**

R. Allen reported that the Committee met on February 12<sup>th</sup> to review updates on the FY06 audit comments. He stated that when the Committee meets in the spring they will discuss asking for additional information on alternative investments. The Audit Committee advised the Board that the Comprehensive Annual Financial Report for the fiscal year ending June 2007 would be presented to the Board at the September 2007 Board meeting and the printed and bound copies of the Comprehensive Annual Financial Report for the fiscal year ending June 2007 would be delivered to the Office of Pensions in October 2007.

## **5. PENSION ADMINISTRATOR'S REPORT**

### Workshops

D. Craik reported that he has been attending pre-retirement workshops for the State Police during the past month. The most recent workshop included the spouses.

### DPERS Education Policy

D. Craik referred to H. Foster to discuss the Education Policy. H. Foster stated that this policy outlines both a baseline of trustee knowledge and the procedures for acquiring it. She spoke of the need for on-going education such as the Wharton Pension Investment Seminar and other seminars, conferences and meetings with peers that are developmental. Taking advantage of these to enhance skills and understanding of complex pension management issues is key to exercising our fiduciary duty as trustees. H. Foster asked the Members to look at this document as a living document to which changes and updates can be made as needed.

MOTION made by H. Foster and seconded by J. King to adopt the Board Education Policy.

MOTION ADOPTED UNANIMOUSLY

### Reporting and Monitoring Policy

D. Craik reviewed at length the Board Reporting and Monitoring policy. It is a summary of the work done by the board, which is collected in one place. It includes all of the reports and information sets deemed necessary to provide oversight of DPERS operations. Mr. Craik stated that this policy will be used as a guideline to keep the Board Members apprised of what should be scheduled for discussion in the upcoming months and years.

### Town of Newport

D. Craik stated that the Newport Police had joined the County Municipal Police Pension Plan as of August 1, 2005 for all new hires on or after December 1, 2004. The Town of Newport is now making a formal request to allow the participation of employees who were hired before August 1, 2005.

MOTION made by J. Davis and seconded by R. Allen to allow the participation of employees, who were hired before August 1, 2005, with an amortization schedule to purchase prior service for a period up to ten years.

MOTION ADOPTED UNANIMOUSLY

## 6. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>0.7%</b>	<b>9.6%</b>	<b>11.0%</b>
<b>S &amp; P 500 Index</b>	<b>1.5%</b>	<b>14.5%</b>	<b>14.1%</b>
<b>60/35/5*</b>	<b>0.9%</b>	<b>10.5%</b>	<b>6.9%</b>
<b>Delaware</b>	<b>0.9%</b>	<b>10.9%</b>	<b>8.7%</b>
<b>Benchmark**</b>			

\*Benchmark mix of 60% S&P500 Index, 35% Salomon Long Government and Corporate Bond Index, 5% T-bills.

\*\*Benchmark mix of 37% Russell 3000, 1% NAREIT, 20% MSCIA, 38.5% Lehman Bond universal, 1.5% LBTIPS, 2% T-bills.

Total assets in the Fund at the end of January were \$7.07 billion. The fund gained .7% for the month which is slightly behind the Delaware Benchmark of a positive .9% and was also behind the 60/35/5 benchmark which was also .9%.

The month of January gave the Fund another strong market with positive returns in most asset classes. The Russell 3000 stocks gained 1.9% with Large Growth Stocks lagging at a positive 1.2% gain for the month while the Large Value Index returned a positive 1.3%. Small Cap Stocks lead at a positive return of 1.7%. The International Markets were also positive with unhedged EAFE returning .7%. The Bond Market with Lehman LT Government/Corp Index experienced losses of .6% with the remainder of the fixed income indices also yielding positive results. Natural Resources Index experienced a slight gain at a positive .2% for the month.

The fiscal year 2007, for 7 months return for the Fund, will be reported at a 9.6% gain, compared negatively to a 10.9% benchmark. This negative variance to the benchmark is mainly due to the high NRIS tactical allocation and the large alternative asset allocation. Calendar returns are the same as the monthly returns.

At its meeting on February 13, 2007, the Investment Team from Oaktree Capital, our International Convertible Manager, presented market and performance information. The Committee also reviewed revenue generated from our securities lending program and in addition, the derivative report was reviewed for the year end. There was also discussion on what we are going to do regarding more information and work needed to satisfy KPMG for the next fiscal audit regarding our alternative investments.

MOTION made by J. King and seconded by R. Allen that the Board goes into Executive Session to consider confidential legal matters and trade secrets.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss confidential legal matters and trade secrets.

MOTION was made by R. Allen and seconded by J. King to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

## **7. DEPUTY ATTORNEY GENERAL REPORT**

MOTION made by R. Allen and seconded by J. Davis that the Board goes into Executive Session to consider confidential legal matters and trade secrets.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss confidential legal matters and trade secrets.

MOTION was made by R. Allen and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

## **8. PENDING ITEMS**

D. Craik stated that there were no updates on the Pending Items List or the FY06 Matrix of the Management Audit Letter. He reported that DTI will not allow another Disaster Recovery in June. They are willing to move the schedule around next year so our recovery period is closer to the annual audit.

## **9. NEW BUSINESS**

There was no new business to discuss.

**10. ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on March 30, 2007, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 12:33 p.m., there being no further business,  
MOTION was made by N. Shevock and  
seconded by J. King to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Philip S. Reese  
Board of Pension Trustees Chairman