

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JANUARY 25, 2008

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:02 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

Philip S. Reese
Nancy Shevock
Helen Foster
Jan King
Robert Allen

Trustees Absent

JJ Davis
Richard Cordrey

Others Present

David Craik, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Jim Testerman, PAC
Charlotte Lister, PAC
Kathy Kunkle, Pension Office
Karen Field Rogers, OMB

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 December 14, 2007 meeting.

MOTION made by N. Shevock and seconded by R. Allen to approve the public minutes of the Board of Pension Trustees' December 14, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the executive minutes of the December 14, 2007 meeting.

MOTION made by N. Shevock and seconded by R. Allen to approve the executive minutes of the Board of Pension Trustees' December 14, 2007 meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	-0.3%	2.5%	9.2%
S & P 500 Index	-0.7%	-1.4%	5.5%
60/35/5*	-0.3%	1.5%	6.2%
Delaware	-0.4%	2.4%	8.2%
Benchmark**			

*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 December were \$7,487 million. The Fund lost (.3%) for the month compared positively to a benchmark of a negative (.4%) and even to the 60/35/5 benchmark which was a negative (.3%).

During the month of December the Fund experienced mixed results across the equity markets. The Russell 3000 stocks lost (.6%), Large Growth stocks gained .2% and Large Value index returned a negative (1.0%). Small cap stocks also experienced a slight loss of (.1%) in the equity market according to the Russell 2000 Index. The International Markets experienced higher losses compared to the U.S. market with the unhedged EAFE returning a negative (2.3%). The Bond Market was relatively flat with Lehman LT Government/Corp Index also experiencing a slight loss of (.1%).

The fiscal year, (unaudited) year-to-date for 6 months for the Fund will be reported at a 2.5% gain, compared positively to a 2.4% benchmark. Calendar returns are an overall positive 9.2% compared positively to a benchmark gain of 8.2%.

Discussion was held on how volatile the market currently is.

Given the turmoil in the credit markets, in its' January 29th meeting, the Investment Committee will be meeting with bond managers Lehman Asset Management and Loomis, Sayles & Co. WAMCO will be meeting with the Investment Committee on February 12th.

MOTION was made by R. Allen and seconded by N. Shevock that the Board go into Executive Session to consider legal advice and to consider pending 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 was made by N. Shevock and seconded by J. King to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. King and seconded by P. Reese to affirm the actions of the Investment Committee to 1) suspend the securities lending program engaged in with Northern Trust, 2) transfer cash balances currently managed by Northern Trust in its STIF Fund to the Northern Trust GSTIF pool, 3) liquidate \$50 million from the Loomis, Sayles fixed income account, in an orderly manner not to exceed 45 days and 4) withdraw \$150 million from the Western Asset Management Absolute Return Fund.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. King and seconded by N. Shevock to allocate \$100 million to Farallon Institutional Partners (FIP). Funding will occur by liquidating \$50 million from TAA and \$50 million from the OFI account.

MOTION ADOPTED UNANIMOUSLY

4. PENSION ADMINISTRATOR'S REPORT

Second Quarter Statistics

D. Craik stated that the Deletes figure needed to be re-checked due to the number being too high. He did state that the number of healthcare changes and phone calls were higher during the first quarter because of open enrollment for healthcare changes.

Legislative Update

The Pension Office has requested 4 new positions for the Call Center and funds to upgrade our computer imaging system.

Senator Cook asked D. Craik to prepare SB 205 that would increase the Burial Benefit from \$7,000 to \$8,750. The cost of this would be \$1.2 million.

SB99 – permits all credited services to be used for eligibility in determining if a survivor's pension is payable.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman reported that the elections for the Committee had taken place and he was again chosen as the Chair, along with Larry Talley as 1st Vice Chair and Charlotte Lister as 2nd Vice Chair.

Mr. Testerman stated that the goals of the Pension Advisory Council are as follows:

- Appropriations for the pre-funding of medical benefits
- Removal of penalty for early retirement
- Post Retirement Increase

The spring pre-retirement workshops have been scheduled. Mr. Testerman stated that the Pension Office staff has taken care of scheduling and coordinating this effort for the past several years.

6. DEPUTY ATTORNEY GENERAL REPORT

C. Collins updated the members on the Legislation Tax Project which will include changes to the Rules and Regulations.

7. PENDING ITEMS

D. Craik stated that there were no new pending items.

8. NEW BUSINESS

There was no new business to discuss.

9. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on February 29, 2008, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:23 a.m., there being no further business, MOTION was made by N. Shevock and seconded by R. Allen to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip S. Reese
Board of Pension Trustees Chairman