

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MAY 30, 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 Reese
Jan King
Nancy Shevock
Richard Cordrey
Helen Foster

Trustees Absent

Robert Allen
Jennifer Davis

Others Present

David Craik, Pension Office
Terri Timmons, Pension Office
Kim Vincent, Pension Office
Cindy Collins, DAG
Jim Testerman, PAC
Charlotte Lister, PAC
Rob Gooderham, Ashford Consulting Group
Garry Musto, Ashord Consulting Group

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 April 25, 2008 meeting.

MOTION made by J. King and seconded by N. Shevock to approve the public minutes of the Board of Pension Trustees' April 25, 2008 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the executive minutes of the April 25, 2008 meeting.

MOTION made by J. King and seconded by N. Shevock to approve the executive minutes of the Board of Pension Trustees' April 25, 2008 meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	3.0%	1.2%	2.8%
S & P 500 Index	4.9%	-6.3%	-4.7%
60/35/5*	2.7%	-0.8%	0.0%
Delaware	3.1%	0.6%	1.5%
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 April totaled \$7,328 million. The Fund gained 3.0% for the month compared negatively to a benchmark of 3.1% and ahead of the 60/35/5 benchmark which was 2.7%.

During the month of April the Fund experienced positive results across the equity markets. The Russell 3000 stocks gained 5.0%, Large Growth stocks gained 5.9% and Large Value Index returned a positive 4.9%. Small Cap stocks also had positive results of 4.2% in the equity market according to the Russell 2000 Index. The International Markets also experienced high gains along with the U.S. Market with the unhedged EAFE returning a positive 5.4%. The Bond Market was relatively flat along with Lehman LT Government/Corp Index which was flat at no return for the month.

The fiscal year unaudited year-to-date for 10 months for the Fund will be reported at a 1.2% gain, compared positively to a .6% benchmark. Calendar returns year-to-date for 2008 are a negative (1.4%) which compared positively to a benchmark of (1.8%).

At its' May meetings, the Investment Committee reviewed the use of Northern Trust's STIF versus GSTIF accounts for cash held by the Fund. With the unrest in the credit markets, the Committee continues to recommend use of the GSTIF product even with a lower yield. The Committee also reviewed a Manager and Asset Class Fee analysis and the 3/31/08 Derivative and Short Position Matrix. At its first monthly meeting OFI Institutional, the Fund's small cap core manager, discussed their performance, process and markets. Their visit resulted in a change to their Schedule A moving their expected long term return from 13.5% to 12.0%. At the Committee's second meeting, recommendations were made and passed extending the Carlisle V closing date and increasing the number of members on the Riverstone IV advisory board. The Committee approved funding of Barlow (multiple hedge fund managers) at \$200 million that was previously approved by the board.

The June Investment Committee meeting was canceled due to scheduling conflicts and the inability to achieve a quorum, members are available via phone if needs arise. The next scheduled Investment Committee meeting is July 15, 2008.

MOTION was made by J. King and seconded by R. Cordrey to enter into Executive Session.

MOTION ADOPTED UNANIMOUSLY

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

MOTION was made by H. Foster and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

4. PENSION ADMINISTRATOR'S REPORT

Legislative Update

D. Craik reported that no action has been taken on previous bills.

SB 205, which contains the technical correction required by the IRS, will be re-introduced by Senator Cook with a narrowly defined title in June for passage and enactment.

There has also been a Disability Insurance Program (DIP) clean-up Bill introduced for those who have a mental disability. After two years in the new Hartford Disability Program employees are no longer eligible for coverage even if the mental disability has not been resolved. For those state employees' who were given the option to opt into the Hartford Plan and did so this bill will allow them to reenter the Old State Disability Plan as if they had never opted out and retain full disability coverage. Employee must be vested when they entered into the Disability Insurance Program. This provision will not offer relief to employees who were hired after the Hartford Disability Plan was initiated by the State or those employees not eligible for coverage under the Old State Disability Plan.

Projects

- Document Imaging Project – the document imaging project is nearing completion and integration with the Pension Office Systems to allow for electronic storing and retrieval of documents. Training is currently underway and the system should be up and running by the end of June. This new software and hardware will enhance the workflows for the office and is the latest in technology.
- General Ledger – acquisition of a general ledger system is underway with the review of proposals from potential vendors and interviews. This project will probably take up to a year to fully implement once a vendor is selected. It is anticipated that the contract will be executed by mid June.
- PeopleSoft Upgrade – we have received proposals in response to the RFP and are in the evaluation stage. It is anticipated that a contract will be executed by mid July.

Appeal

William George, Jr. is now appealing to Superior Court the Board's decision to deny his appeal to the Board of Pension Trustees. C. Collins will be working on the information that will be needed.

Trustee Workshop

NCTR's Annual Trustee Workshop and Trustee Institute brochure was handed out to the Trustees. This workshop will concentrate on governance and the Institute will focus on investments.

Personnel

We had recently been approved to hire two positions. One was an H.R. Specialist I and the other was a Cash & Debt Manager. The H.R. Specialist I was recently hired and we are in salary negotiations with the selected candidate for the Cash & Debt Manager.

We have had one key employee leave the Pension Office and another is retiring as of July 31st. We also have one employee on maternity leave, three out on medical leave and have had 8 employees leave in the last 18 months, transferring to PHRST. With the hiring freeze we are placing more duties on the staff that we do have but would like the approval to move ahead and replace the employees who have or will be leaving. K. Vincent stated that the Pension Office is in desperate need for reclassification of many positions within Member Services.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman reported that Geraldine Gillespie is retiring from the Pension Advisory Council as of June 30th. Ms. Gillespie represents the Delaware School Food Service Association and Mr. Testerman would like to find someone to replace her. PAC presently has ten members.

6. DEPUTY ATTORNEY GENERAL REPORT

MOTION was made by J. King and seconded by H. Foster to enter into Executive Session.

MOTION ADOPTED UNANIMOUSLY

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

MOTION was made by H. Foster and seconded by N. Shevock to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

7. PENDING ITEMS

D. Craik stated that 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 June 20, 2008, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:44 p.m., there being no further business, MOTION was made by J. King and seconded by P. Reese to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip S. Reese
Board of Pension Trustees Chairman