

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF JULY 30, 2010**

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  
Suzanne Grant  
Tom Cook  
Helen Foster  
Nancy Shevock  
Thomas Shaw

Trustees Absent

Ann Visalli

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Cindy Collins, DAG  
Wade Sallings, Pension Office  
Jeff Hoover, Pension Office  
Garry Musto, Ashford Consulting Group  
Seth Yablonovitz, Ashford Consulting Group  
Charlotte Lister, PAC  
Zafar Chaudhry, Treasurer's Office

## 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 June 25, 2010 meeting.

MOTION made by H. Foster and seconded by T. Cook to approve the Public Minutes of the Board of Pension Trustees' June 25, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the June 25, 2010 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Executive Minutes, with the noted correction, of the Board of Pension Trustees' June 25, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

## 3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 6/30/10

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>-1.7%</b>	<b>14.1%</b>	<b>14.1%</b>
<b>S &amp; P 500 Index</b>	<b>-5.2%</b>	<b>14.4%</b>	<b>14.4%</b>
<b>60/35/5*</b>	<b>-2.5%</b>	<b>12.4%</b>	<b>12.4%</b>
<b>Delaware</b>	<b>-1.8%</b>	<b>12.7%</b>	<b>12.7%</b>
<b>Benchmark**</b>			

\*Benchmark mix of 60% S&P500 Index, 35% Barclays Long Gov't 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 June totaled \$6,348 billion. Although negative, the Fund's June returns of -1.7% again slightly outperformed the Delaware Benchmark return of -1.8%. For the fiscal year through June, the Total Fund is up 14.1%, ahead of the Delaware Benchmark by 1.4%.

During the month of June, markets were mixed with equity markets continuing to decline while fixed income markets, especially Treasury Bonds, were positive. The S&P 500 was down 5.2%, with small cap stocks, as measured by the Russell 2000, declining more, losing 7.7%. The MSCI EAFE international stock index was down only 1.0% as the euro rallied from late May weakness, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 1.3%. Fixed income markets were positive during June, with high quality bonds doing particularly well, as the Barclays LT Govt/Credit Index returned a positive 4.0% and lower quality bonds still positive as the JP Morgan Global High Yield index experiencing a positive 1.2% return for the month.

The Investment Committee has met once since the last Board meeting. On July 13th, the Investment Committee received a presentation from existing manager Axiom International Investors reviewing the Fund's global equity investment account.

The Investment Committee, under its authority to approve documents, or to make decisions on all issues, transactions, or documents, pertaining to limited partnerships which have been approved for investment by the Board, unanimously voted to approve a consent request from Summit Ventures IV, L.P.

The next meeting of the Investment Committee is to be held on August 17<sup>th</sup>.

MOTION made by T. Shaw 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.

MOTION ADOPTED UNANIMOUSLY

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. Cook and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

#### Investment Policy Review

G. Musto presented the Board with a summary of changes to DPERS' existing Investment Policy for its review and comments. DPERS' Investment Committee has reviewed and discussed the changes and recommends that the Board approve the revised Investment Policy. The majority of the changes are definitional changes along with a few index updates. P. Reese asked the Trustees' to

review the policy changes and be ready for a discussion and vote on the revisions to the Investment Policy at the September Board meeting.

#### **4. AUDIT COMMITTEE REPORT**

D. Craik reported that the KPMG Auditors were in-house and work has started for DPERS audit.

#### **5. PENSION ADVISORY COUNCIL REPORT**

C. Lister stated that the Advisory Council has not met since the last Board meeting. The Council was pleased that the new Benefits Tier did not pass for the new fiscal year.

#### **6. STATE PENSION ADMINSTRATOR'S REPORT**

##### Legislative Activity

HB 324 - This Act clarifies the situations where a police or firefighter may retire from the employment of one Delaware county or municipal fire or police department and receive pension benefits, then subsequently obtain employment in a different county or municipal system while continuing to receive pension benefits from the County/Municipal Pole/Firefighter Pension Plan.

HB 325 - This Act provides that persons with disabilities, who are eligible for a service pension, disability pension, or survivor's pension, can direct the Delaware Public Employees' Retirement System to place eligible pension benefits directly into a Miller trust, without those pension funds adversely affecting an individual's eligibility for Medicaid or other benefits. Income generated by the trust that remains in the trust is not income to the individual.

Per D. Craik, both of these bills were passed and signed by the Governor.

##### Quarterly Activity

D. Craik stated that the FY10 Pension Office statistics showed that most areas are normal with the exception of the New Pension Applications totals which are running ahead of FY09 because of the magnitude of applications received during the summer months last year. He also reported that the Estimates and Individual Counseling Sessions were behind the previous year due to both of these services being ceased during the summer and early fall months of last year.

Currently there are 350 New Pension Applications for August payroll processing and Counseling and Estimate Sessions have been suspended for the month of August.

D. Craik reported that the Medical Committee Report reflects 8 new cases and that the August Medical Committee meeting has been canceled.

### Resolutions

D. Craik stated that the Resolutions for Ernst Dannamann, Jan King and Robert Allen had been sent to all Trustees for review and input. He asked if there were any further changes requested before finalizing.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Resolutions for Ernst Dannamann, Jan King and Robert Allen as written.

MOTION ADOPTED UNANIMOUSLY

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

C. Collins reported that several matters needed to be brought to the Board's attention.

1. The Financial Regulatory Reform Bill passed and C. Collins after a review of the bill will report back to the Board areas which may have a direct impact on DPERS.
2. The SEC has issued the final Pay to Play rules with respect to political contributions from Investment Advisors. The new rules may require DPERS to initiate new policies with respect to its Investment Advisors and affiliates political contributions. Most of the new Pay to Play rules will go into effect in 2011.
3. A recent Supreme Court decision, *Morrison v. National Australia Bank*, reverses years of case law. The result of this decision allows foreign issuers of securities, who sell securities to Americans or do business in America, from being subject to civil liability under the Exchange Act. In its decision the Court indicated that if investors wanted to remedy this result they should engage Congress to amend the Exchange Act and provide an explicit cause of action. A group of Institutional Investors is forming to address this issue and determine what efforts may be warranted to address the effect of the Supreme Court's ruling, including a letter campaign. P. Reese stated that the general consensus is that the Board needs to be involved and if C. Collins needs direction she will contact the Board Members.

### Appeal Hearing

An Appeal Hearing was held on July 14<sup>th</sup>. C. Collins expects the Board will vote on this Appeal during the September Board meeting.

## **8. PENDING ITEMS**

There were no new pending items.

**9. NEW BUSINESS**

There was no new business.

**10. ADJOURNMENT**

The next Pension Board meeting is scheduled to be held on September 24, 2010, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:02 a.m., there being no further business, MOTION was made by P. Reese and seconded by T. Cook to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Philip Reese  
Chair for the Board of Pension Trustees