

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JUNE 25, 2010

The meeting of the Board of Pension Trustees was called to order by P. Reese, at 9:00 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

Phil Reese
Ann Visalli
Tom Cook
Helen Foster
Nancy Shevock
Thomas Shaw

Trustees Absent

Suzanne Grant

Others Present

Dave Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Wade Sallings, Pension Office
Rob Gooderham, Ashford Consulting Group
Jim Testerman, PAC

1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese.

Mr. Reese introduced and welcomed DPERS new Trustee, Thomas Shaw. Mr. Shaw is the former Executive Vice President & Chief Operating Officer of PHI, (Pepco Holdings, Inc.).

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the May 21, 2010 meeting.

MOTION made by N. Shevock and seconded by T. Cook to approve the Public Minutes of the Board of Pension Trustees' May 21, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the May 21, 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' May 21, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

2. 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	-3.9%	16.1%	16.3%
S & P 500 Index	-8.0%	20.8%	21.0%
60/35/5*	-4.5%	15.3%	15.8%
Delaware	-4.9%	14.8%	15.0%
Benchmark**			

*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 May totaled \$6,478 billion. Although negative, the Fund's May return of -3.9% outperformed the Delaware Benchmark return of -4.9%. For the fiscal year-to-date through May, the Total Fund is up 16.1%, ahead of the Delaware Benchmark by 1.3%.

During the month of May, markets were weak due to a general retreat from risk assets by investors globally, whether due to lower ratings on European sovereign debt, or due to potential signs of slowdown in China, or signs of potentially decelerating growth at home. The S&P 500 was down 8.0%, with small cap stocks, as measured by the Russell 2000, experiencing only slightly less negative returns, losing 7.6%. The MSCI EAFE international stock index, reflecting continuing problems in Europe, was down 11.5%, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was down 10.5%. Fixed income markets were mixed during May, with high quality bonds performing well, as the Barclays LT Govt/Credit Index returned a positive 1.3%, while lower quality bonds fell as the JP Morgan Global High Yield index declined 3.4% for the month.

The Investment Committee has met twice since the last Board meeting. On June 8th, the committee reviewed the fund's asset allocation and the Investment Committee engaged in a lengthy review of the Fund's current risk level in light of current valuations.

The Investment Committee declined to recommend an investment in a secondary venture capital opportunity.

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

MOTION ADOPTED UNANIMOUSLY

At its second June meeting, held June 22nd, the Investment Committee received a presentation via conference call from T. Rowe Price's Natural Resources Investment Service (NRIS) portfolio management team. After discussion, the Investment Committee recommended to the Board of Pension Trustees that it withdraw \$50 million from DPERS' Mellon Capital Global Equitized Collateral Fund and invest the proceeds in DPERS' T. Rowe Price NRIS account.

MOTION made by P. Reese and seconded by N. Shevock to approve the withdrawal of \$50 million from DPERS' Mellon Capital Global Equitized Collateral Fund account and invest the proceeds in DPERS' T. Rowe Price NRIS account.

MOTION ADOPTED UNANIMOUSLY

The Investment Committee heard a presentation from Ashford Consulting Group on the distressed debt market and Oaktree Opportunities Fund VIIIb. After discussion, the Investment Committee recommends committing up to \$50 million to the Oaktree Capital Opportunities Fund VIIIb.

MOTION made by P. Reese and seconded by T. Cook to commit up to \$50 million to the Oaktree Opportunities Fund VIIIb.

MOTION ADOPTED UNANIMOUSLY

The Investment Committee, under its authority to execute documents relating to partnerships over which it exercises authority, approved an amendment to the Accel X limited partnership agreement.

The next meeting of the Investment Committee will be on July 13th.

4. AUDIT COMMITTEE REPORT

The Audit Committee has completed its annual review and updating of the Operational Flow Charts. P. Reese advised the Board that the Operational Flow Charts will be presented to the Investment Committee at one of its next meetings.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman expressed his delight that the proposed changes in benefits for new hires were defeated this legislative session.

6. STATE PENSION ADMINISTRATOR'S REPORT

Appeal Hearing

D. Craik reminded Trustees that DPERS has an Appeal Hearing scheduled for July 14th and that the Hearing Officers are A. Visalli and T. Cook.

August Pension Payroll

D. Craik reported that the Pension Office has received around 300 pension applications for August payroll. D. Craik reminded everyone that this time last year DPERS had 500 pension applications for the August payroll.

Miscellaneous Items

- Employees 2.5% pay cut will be restored
- PRI Fund – has been funded
- The Hartford Disability Insurance Program – the temporary disqualification period before short term disability payments can be received by state employees experiencing a disability was reduced from a waiting period of 60 days to 30 days.

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 Police/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.

7. DEPUTY ATTORNEY GENERAL REPORT

There was no report.

8. PENDING ITEMS

H. Foster updated the Board on the general points of the discussions held previously in regards to Board planning for the future and the challenges the Board faces. These discussions will continue in the future.

9. NEW BUSINESS

Governor Markell has asked P. Reese to remain the Chair of the Board of Pension Trustees.

Resolutions

D. Craik stated he is preparing Resolutions for Jan King, former Trustee and Robert Allen, former Trustee and Audit Committee member.

10. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on July 30, 2010, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:00 a.m., there being no further business, MOTION was made by P. Reese and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees