

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF MARCH 26, 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

Nancy Shevock  
Robert Allen  
Phil Reese  
Ann Visalli  
Suzanne Grant

Trustees Absent

Tom Cook  
Helen Foster

Others Present

Dave Craik, Pension Office  
Terri Timmons, Pension Office  
Wade Sallings, Pension Office  
Rob Gooderham, Ashford Consulting Group  
Jim Testerman, PAC  
Charlotte Lister, PAC  
Cindy Collins, DAG  
George Saxon, BOPT Investment Committee

## 1. OPENING COMMENTS

The meeting of the Board of Pensions Trustees was called to order by P. Reese. P. Reese introduced and welcomed George Saxon who is Chair of the Investment Committee.

## 2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the January 29, 2010 meeting.

MOTION made by N. Shevock and seconded by R. Allen to approve the Public Minutes of the Board of Pension Trustees' January 29, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the January 29, 2010 meeting.

MOTION made by N. Shevock and seconded by R. Allen to approve the Executive Minutes of the Board of Pension Trustees' January 29, 2010 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	1.0%	15.1%	29.4%
S & P 500 Index	3.1 %	21.8%	53.6%
60/35/5*	2.0%	15.0%	33.8%
Delaware Benchmark**	1.4%	15.0%	37.1%

\*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 February totaled \$6.479 billion. After experiencing negative returns in January, equity markets turned positive in February. The Fund's January return of -1.4% exceeded the Delaware Benchmark return of -1.7%, while the Fund's February return of 1.0% underperformed the Delaware Benchmark return of 1.4%. For the fiscal year-to-date through February, the total Fund up 15.1%, slightly ahead of the Delaware Benchmark.

During the month of February, returns for domestic equity markets turned positive after weakness in January. The S&P 500 was up 3.1%, with small cap stocks, as measured by the Russell 2000, experiencing similar positive returns, gaining 4.5%. The MSCI EAFE international stock index lost 0.7%, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was flat in February returning 0.0%. Fixed Income market returns were positive during the month with both Government and credit sectors experiencing positive returns. The Barclays TIPS Index was down 1.2% and the Barclays LT Govt/Credit Index had a positive 0.3% return, while the JP Morgan Global High Yield index declined 1.2% for the month.

The Investment Committee has met three times since the last Board meeting.

On February 9<sup>th</sup>, the Committee received a presentation from existing hedge fund manager Oaktree Capital reviewing the Fund's Emerging Markets Absolute Return investment. The 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 maintain the Fund's investment in the Oaktree Emerging Markets Absolute Return Fund that would otherwise be available for withdrawal on March 31<sup>st</sup>, and to allow the Class A shares then accessible to convert to B shares.

Under the same authority, the Committee unanimously approved one year extensions for OneLiberty Ventures Fund III and OneLiberty Ventures Fund IV.

At its second February meeting, held February 23<sup>rd</sup>, the Committee reviewed Ashford's fourth quarter 2009 investment review presentations for the DPERS Fund and the Volunteer Firemen Fund. A thorough discussion of the Fund's asset allocation positioning took place, with the Committee electing not to make any recommended changes at that time.

The Committee, under its authority to approve contract Schedule changes, approved changes to the Loomis, Sayles fixed income account Schedule A.

On March 16<sup>th</sup>, the Committee received a presentation via teleconference from existing distressed debt manager Oaktree Capital.

The Committee recommended the following action to the Board via poll vote, in order to maintain the Fund's stock and bond balance:

The Investment Committee recommended that the standing instruction to reinvest cash distributions within the Mellon GECF be discontinued with such distributions to be retained within the GECF assets. A discussion of the merits was held.

MOTION made by N. Shevock and seconded by S. Grant to approve that the standing instruction to reinvest cash distributions within the Mellon GECF be discontinued with such distributions to be retained within the GECF pending further recommendations for re-allocation of the GECF assets.

MOTION ADOPTED UNANIMOUSLY

The Committee, under its authority to approve contract Schedule changes, approved changes to the Barlow Partners First State Independence Fund Schedules A and D subject to review by counsel.

The next meeting of the Investment Committee will be on April 20<sup>th</sup>.

#### Quarterly Report

R. Gooderham presented the Board with the Investment Committee Report for the quarter ending December 31, 2009. He reviewed the total Fund risk level, and graphically what DPERS' assets have done over the past several years. He further spoke of risk control and the rolling 4 quarter returns. The return level was discussed and per R. Gooderham the expected rate of return for the Fund's benchmark was 7.6%. He stated the main reason for the lower expected return is that the Barclays Universal index yield has come down in recent periods. The long term returns have exceeded DPERS Policy Benchmark.

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

MOTION ADOPTED UNANIMOUSLY

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

S. Grant reported that the Audit Committee had met on March 3<sup>rd</sup> where the following topics were discussed:

- FY09 CAFR
- Flow Charts – Standards
- Disclosure issues

The next Audit Committee meeting will be held on April 23<sup>rd</sup> with KPMG in attendance.

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

##### Articles

D. Craik reported on two articles that had been published in the News Journal. The first article, "Delaware saves little toward retiree medical costs", was published on February 18<sup>th</sup> and the second article, "Who will pay the state's \$5.6 billion bill?" was published on February 21<sup>st</sup>.

The third article from the "Pew Center on the States" talks about how the states are doing with their funding levels over the 80% threshold. This article reported that Delaware is among 16 states that were graded as a solid performer. As retiree health care and non-pension benefits are concerned Delaware was graded as needing improvement.

D. Craik also stated that the article also talks about the investment return assumptions and has a break out by different states. DPERS investment return assumption is 8%.

##### Legislative Activity

SS 1 for SB 147 – This act provides a retirement incentive of 2 additional years of service to employees in the State Employees Pension Plan that retire on 6/30/10. D. Craik stated that he is currently working with the Controller General's Office providing fiscal information. Concerning the proposed new tier of benefits for employees hired on or after 7/1/10 D. Craik has recently met with other organizations to see what thoughts they have on this proposal. It was brought to the Trustees attention that the State is still paying for the last ERO the state offered during the early nineties.

##### Pension Workshops

D. Craik reported that the Pension Office in conjunction with the Pension Advisory Council has five upcoming nighttime pre-retirement workshops on the following dates: March 30<sup>th</sup>, April 1<sup>st</sup>, 14<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup>.

**6. PENSION ADVISORY COUNCIL REPORT**

J. Testerman stated that there was a Pension Workshop held on March 20<sup>th</sup> with DSEA and there were approximately 75 participants. J. Testerman reported that Kim Vincent did a great job with the presentation and the Social Security representative was one of the best they have had in years.

**7. DEPUTY ATTORNEY GENERAL REPORT**

C. Collins stated that the Ice Miller contract is up for renewal. The original contract was signed three years ago to engage Ice Miller as Tax Counsel. The firm has worked closely with the staff and has been an excellent resource and help to the Fund. A discussion of the merits was held on extending Ice Miller's contract for one year.

MOTION made by P. Reese and seconded by S. Grant to approve a one year contract extension with Ice Miller.

MOTION ADOPTED UNANIMOUSLY

**8. PENDING ITEMS**

There were no new pending items.

**9. NEW BUSINESS**

Due to H. Foster's absence the issue of Board Planning will be postponed until the April or May meeting.

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

MOTION ADOPTED UNANIMOUSLY

## **10. ADJOURNMENT**

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

At 11:44 a.m., there being no further business, MOTION was made by R. Allen and seconded by S. Grant 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