

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MAY 21, 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

Robert Allen
Phil Reese
Ann Visalli
Suzanne Grant
Tom Cook
Helen Foster
Nancy Shevock

Trustees Absent

Others Present

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

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 30, 2010 meeting.

MOTION made by R. Allen and seconded by N. Shevock to approve the Public Minutes of the Board of Pension Trustees' April 30, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the April 30, 2010 meeting.

MOTION made by R. Allen and seconded by N. Shevock to approve the Executive Minutes, with the noted correction, of the Board of Pension Trustees' April 30, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

2. INVESTMENT COMMITTEE REPORT

MOTION made by H. Foster and seconded by R. Allen 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 T. Cook to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by H. Foster to give authority to the Investment Committee to sell up to \$125 million for cash from the Mellon Global Equitized Collateral Fund and subject to further action.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Cook to commit to an investment in Meritech IV, subject to counsel's review of the documents, up to \$40 million or 10% of the size of Meritech IV, whichever is less.

MOTION ADOPTED UNANIMOUSLY

Investment Committee Quarterly Report

R. Gooderham presented the Board with the Investment Committee Report for the quarter ending March 31, 2010. 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 total Fund Risk level at the end of March, 2010 was at 61%. R. Gooderham stated that the long term returns have exceeded DPERS Policy Benchmark and that the long term returns compare well against other public funds.

Investment Committee Performance Report

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	1.3%	20.8%	26.4%
S & P 500 Index	1.6%	31.2%	38.8%
60/35/5*	1.4%	20.7%	25.6%
Delaware Benchmark**	1.1%	20.7%	27.3%

*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 April totaled \$6,762 billion. While domestic equity and fixed income markets were strong in March, international markets experienced mixed returns. The Fund's March return of +1.3% outperformed the Delaware Benchmark return of +1.1%. For the fiscal year-to-date through April, the Total Fund is up 20.8%, slightly ahead of the Delaware Benchmark.

During the month of April, domestic equity markets continued to experience positive returns. The S & P 500 was up 1.6%, with small cap stocks, as measured by the Russell 2000, experiencing even stronger positive returns, gaining 5.7%. The MSCI EAFE International Stock Index, reflecting problems in Europe was down 1.8%, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was barely positive returning 0.2%. Fixed Income market returns were positive during the month. The Barclays TIPS Index was up 2.4% and the Barclays LT Govt/Credit Index was even stronger returning 3.0%. The JP Morgan Global High Yield index increased 2.3% for the month.

The Investment Committee has met once since the last Board meeting, on May 18th. At that meeting, the Committee received a presentation from existing manager T. Rowe Price on the Fund's fixed income portfolio.

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

The Investment Committee discussed Ashford Consulting Groups private equity recommendation.

The next meeting of the Investment Committee will be on June 8th.

4. AUDIT COMMITTEE REPORT

The Auditors are in the Pension Office doing preliminary work.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman stated that the Advisory Council continues to lobby against the proposed changes in benefits for new hires.

6. STATE PENSION ADMINISTRATOR'S REPORT

Legislative Activity

HB 128 – This Bill permits law enforcement officers and probation officers to retire after 25 years of service without penalty.

CEM

K. Vincent presented the Board with the final CEM report for FY2009. She stated that this report is a management tool that can be used to improve customer service levels, better understand our business, measure and manage the Pension Office performance and communicate to our stakeholders. There are 73 leading global pension systems that participate in the benchmarking service.

When evaluating costs and performance, the most relevant comparisons are to systems similar to DPERS in membership and nationality. DPERS' peer group consists of U.S. participants closest to DPERS in membership size. The total adjusted administration cost for DPERS was slightly above the peer median. Similar to DPERS' peers, the Pension Office spent the largest proportion of the budget on Member Transactions.

7. DEPUTY ATTORNEY GENERAL REPORT

There was no report.

8. PENDING ITEMS

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 R. Allen and seconded by T. Cook to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

9. NEW BUSINESS

There was no new business.

10. ADJOURNMENT

The next Pension Board meeting is scheduled to be held on June 25, 2010, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:01 a.m., there being no further business, MOTION was made by R. Allen and seconded by H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees