

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF OCTOBER 29, 2010

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 Pension Office.

Trustees Present

Phil Reese
Suzanne Grant
Tom Cook
Nancy Shevock
Thomas Shaw
Ann Visalli

Trustees Absent

Helen Foster

Others Present

Dave Craik, Pension Office
Kim Vincent, Pension Office
Terri Timmons, Pension Office
Cindy Collins, DAG
Wade Sallings, Pension Office
Jeff Hoover, Pension Office
Rob Gooderham, Ashford Consulting Group
Garry Musto, Ashford Consulting Group
Andrea Godfrey, OMB Budget Office
Fiona Liston, Cheiron
Margaret Tempkin, Cheiron

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 September 24, 2010 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Public Minutes, with the noted correction, of the Board of Pension Trustees' September 24, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the September 24, 2010 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Executive Minutes of the Board of Pension Trustees' September 24, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

3. ACTUARIAL REPORT

Fiona Liston, a consultant with Cheiron, Inc., presented the Trustees DPERS' Fiscal 2010 Actuarial Valuation. The following topics were discussed:

- Historical Review
 - Growth in Participation
 - Growth in Assets
 - Assets & Liabilities; and
 - Contributions
- Principal 6/30/10 Valuation Results
 - Key Statistics for the State Employees' Pension Plan:
 - Number of active employees decreased by (0.6%)
 - Average salary decreased by (0.1%)
 - Number of retirees increased by 4.0%
 - Average benefit increased by 3.4%

- Principal 6/30/2010 Valuation Results
 - Actuarial Accrued Liability is \$7,096 million
 - Actuarial Value of assets is \$6,809 million
 - Unfunded Actuarial Liability is \$287 million
 - Funded ratio of 96%

The following employer contribution rates for FY12 were presented to the Board by Cheiron:

State Employees'	8.37%
State Judicial	27.49%
New State Police	16.43%
County/Municipal General	6.55%
County/Municipal P & F	14.53%
Diamond Port	7.53%
Volunteer fire	\$359.63

P. Reese asked if the Trustees' or the public had any questions about the 2010 Actuarial Valuation. A discussion of the merits was held concerning future benefit costs.

MOTION made by T. Shaw and seconded by N. Shevock to adopt the employer contribution rates as discussed.

MOTION ADOPTED UNANIMOUSLY

There was a consensus of the Board to have an experience study completed. Ms. Liston stated it would take approximately 2 to 3 months to collect the data, analyze and get the preliminary information to the Board. Ms. Liston was asked to stay in contact appropriately.

Mr. Reese asked that Ms. Liston present the Actuarial Valuation to the Investment Committee at the November 16th Investment Committee meeting.

4. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 9/30/10

<u>Fund</u>	<u>September 2010</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	4.9%	8.6%	11.4%
S & P 500 Index	8.9%	11.3%	10.2%
60/35/5*	5.4%	8.0%	9.6%
Delaware	5.7%	8.9%	9.8%
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 as of September 30, 2010 totaled \$6,848MM. The Fund's September return of 4.9% underperformed the Delaware Benchmark return of 5.7%, while the 12-month return for the Total Fund is ahead of the Delaware Benchmark. For the calendar year-to-date, the Total Fund is up 7.4%, also ahead of the Delaware Benchmark.

During the month of September, both domestic and international equity markets rebounded strongly from August declines. Improved earnings, employment and new order information helped equities as the S&P 500 rose 8.9%, while small cap stocks, as measured by the Russell 2000, were even stronger gaining 12.5%. The MSCI EAFE international stock index was up 9.8%, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 9.9% in September. Fixed Income market returns varied by sector. The Barclays TIPS Index was up 0.6% but the Barclays LT Govt/Credit Index fell 0.7%, while the JP Morgan Global High Yield index returned 2.8% for the month.

The Investment Committee has met twice since the last Board meeting. On October 12th, the Committee conducted its annual review of Ashford Consulting Group.

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 approve extension request from OneLiberty Ventures III, L.P. and OneLiberty IV, L.P.

At its second October meeting, held October 26th, the Investment Committee reviewed Ashford's recommendation to invest in the Master Limited Partnership (MLP) asset class. During the Board meeting a presentation was made related to this new asset class and a discussion was held of the merits of the Investment Committee's recommendations to invest in this new asset class. The Board considered active or passive investing in MLPs, which index was preferred for passive investing, which manager was felt to best suit the System's needs, and how best to implement the System's recommended investment. The Board voted on the following actions to fund and establish an account for DPERS in the amount of \$200 million indexed to the S&P MLP Index. The transaction will be funded as follows: \$50 million from the Mellon Capital Global Equitized Collateral Fund account; \$50 million from the Mellon Capital Large Cap Value Fund account, and \$100 million from the Mellon Capital Treasury Inflation Protection Securities (TIPS) Fund account.

The Board considered a limited partnership investment with a legacy venture capital firm in Flagship IV. The firm focuses on the bio-medical and technology fields. Following a discussion the Board determined to invest \$30 million in Flagship IV.

The Board discussed the Investment Committee's recommendation to liquidate the Fund's investment in Farallon.

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, approved an extension request by Carlyle III.

The next meeting of the Investment Committee is to be held on November 16th.

MOTION made by T. Shaw 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 S. Grant and seconded by A. Visalli to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to approve the recommendation that \$50 million be withdrawn from the Mellon Capital Global Equitized Collateral Fund account; \$50 million be withdrawn from the Mellon Capital Large Cap Value Fund account, \$100 million be withdrawn from the Mellon Capital Treasury Inflation Protection Securities (TIPS) Fund account.

MOTION ADOPTED UNANIMOUSLY

MOTION made by S. Grant and seconded by N. Shevock to approve the recommendation that \$200 million be committed to an account in either a separate account or commingled vehicle to be managed by Mellon Capital Management and designed to replicate the S&P MLP Index.

MOTION ADOPTED UNANIMOUSLY

MOTION made by S. Grant and seconded by N. Shevock to approve the recommendation that the Farallon Capital Partners investment be redeemed at the fund's opening on December 31, 2010.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to approve the recommendation to invest \$30 million in the Flagship Ventures Fund IV.

MOTION ADOPTED UNANIMOUSLY

MOTION made by S. Grant and seconded by T. Shaw to ratify the Poll Vote to invest up to \$150 million in Focused Investors, up to \$250 million in the Wellington Dividend Growth Fund and to liquidate \$300 million from the Mellon Non-Securities Lending Stock Index Fund and \$100 million from the Mellon Aggregate Index Fund to support the investments listed.

MOTION ADOPTED UNANIMOUSLY

5. PENSION ADVISORY COUNCIL REPORT

There was no report.

6. STATE PENSION ADMINISTRATOR'S REPORT

Quarterly Reports

D. Craik reviewed the 1st Quarter FY11 Pension Office statistics. He remarked that the quarterly number for New Pension Applications was lagging the 1st quarter of last year. FY10 was a busier year for employees retiring.

The phone calls for the 1st Quarter FY11 were about the same as last year; however, recent activity has increased significantly in response to the Aon incident.

The Medical Committee quarterly report shows nothing unusual with very few new cases due to the new Disability Program.

Aon

D. Craik reported that Pension Administration had attended three meetings this week with DSEA-Retired in regards to Aon. D. Craik stated that there were quite a few questions asked.

7. DEPUTY ATTORNEY GENERAL REPORT

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Cook and seconded by S. Grant to accept the decision of the Hearing Officers to affirm the decision of the Pension Administrator and deny the appeal of Carol M. Dobson, who sought retroactive benefits beyond the two month statutory period which she has been awarded.

MOTION ADOPTED UNANIMOUSLY

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 November 19, 2010, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:12 a.m., there being no further business, MOTION was made by S. Grant and seconded by T. Shaw to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees