

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF NOVEMBER 19, 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
Suzanne Grant
Helen Foster
Nancy Shevock
Thomas Shaw
Ann Visalli

Trustees Absent

Tom Cook

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
Jim Testerman, PAC
Stephen McVay, 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 October 29, 2010 meeting.

MOTION made by N. Shevock and seconded by T. Shaw to approve the Public Minutes of the Board of Pension Trustees' October 29, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

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

MOTION made by N. Shevock and seconded by T. Shaw to approve the Executive Minutes of the Board of Pension Trustees' October 29, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 10/29/10

<u>Fund</u>	<u>October 2010</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	2.3%	11.2%	14.7%
S & P 500 Index	3.8%	15.5%	16.5%
60/35/5*	2.3%	10.5%	13.3%
Delaware Benchmark**	2.4%	11.5%	13.5%

*Benchmark mix of 60% S&P500 Index, 35% Barclays Government 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 October 31, 2010 totaled \$6,986MM. The Fund's September return of 2.3% slightly underperformed the Delaware Benchmark return of 2.4%, while the 12-month return for the Total Fund is ahead of the Delaware Benchmark. For the fiscal year-to-date, the total Fund is up 11.2%, behind the Delaware Benchmark of 11.5%.

During the month of October, both domestic and international equity markets continued to experience positive returns though they weren't as strong as those in September. Quantitative easing by the Federal Reserve helped equities with the S&P 500 up 3.8%, while small cap stocks, as measured by the Russell 2000, were even stronger gaining 12.5%. The MSCI EAFE international stock index was up 3.6%, and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) was up 3.4% in October. Fixed Income market returns varied by sector. The Barclays TIPS Index was up 2.7% as the Fed's action stirred inflation fears, while the Barclays LT Govt/Credit Index fell 2.2%. With credit spreads continuing to narrow, the JP Morgan Global High Yield index returned 2.4% for the month.

The Investment Committee has met once since the last Board meeting. On November 16th, the Committee received a presentation from existing manager T. Rowe Price to review the Fund's natural resources account. In addition, the Committee received a presentation from Cheiron, the Fund's actuary.

At its November 16th meeting, the Investment Committee reviewed Ashford Consulting Groups second quarter 2010 investment review presentations for the DPERS Fund and the Volunteer Fireman Fund.

The next meeting of the Investment Committee will be held on December 14th.

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

MOTION ADOPTED UNANIMOUSLY

4. AUDIT COMMITTEE REPORT

D. Craik reported that DPERS received the audit reports from KPMG on November 17th and they will be submitted to our graphics designer for inclusion in the FY10 CAFR.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman reported that the yearly elections were held for the Advisory Council and he was again elected as the Chair, Joseph Malloy was elected 1st Vice Chair and Charlotte Lister was elected as 2nd Vice Chair. Mark Ryde and Robert Jameson have replaced Larry Talley and Brian Douty as new members of the Advisory Council.

Mr. Testerman thanked Deputy Pension Administrator Kim Vincent for the great job she did with the recent Retiree Workshop.

6. STATE PENSION ADMINSTRATOR'S REPORT

Aon

D. Craik reported that Aon's Call Center closed down as of October 31st. The Pension Office will be receiving all pensioner inquires and phone calls going forward. The last date for pensioners to activate the credit monitoring service is November 28, 2010.

Appeal Hearing

D. Craik stated that there will be appeal hearings on December 8th in the Pension Office. The hearing officers are N. Shevock and T. Cook.

Board Luncheon

The next Board meeting will be held on December 17th and afterwards there will be a Board Luncheon with Pension Office Staff held at the Pension Office.

Kent County Meeting

D. Craik recently attended a meeting with Kent County and they will be investing 80% of their qualified retirement assets with the assets of the Delaware Public Employees' Retirement System, which is approximately \$19 million, before February of 2011.

7. DEPUTY ATTORNEY GENERAL REPORT

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 S. Grant and seconded by T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

At a previous Board meeting the potential impact of the Supreme Court's *Morrison* decision on the ability of investors to sue foreign companies under the Exchange Act of 1934 had been discussed. The court in *Morrison* overturned years of precedence which allowed Investors to bring actions under the Exchange Act. In its decision the Court said if Congress intended to provide that remedy then the Act should be explicitly amended to provide that remedy.

As a result of the Supreme Court's *Morrison* decision a group of public pension funds were organizing an effort to have Congress amend the Exchange Act to reinstate the status quo prior to *Morrison*, which would allow investors to bring lawsuits under the Exchange Act for securities purchased on foreign exchanges if the fraud occurred in the United States. Large Institutional Investors including Pension funds from Alabama, CALPERS, CALSTRS, Colorado, Florida, New York City, New York State, and North Carolina have reached out to and sent a letter to Congressional Committee Chairs who would be involved in amending the law.

DPERS has been asked to join this effort. The group has asked if DPERS would be willing to support this effort and agree to be a signatory on the letter which will be submitted to Congress. A discussion of the importance of this decision and its impact on the Fund we discussed.

MOTION made by P. Reese and seconded by T. Shaw to support a resolution to have DPERS join in the effort by Institutional Investors to have Congress amend the Exchange Act and to add Delaware's name to a letter from Institutional Investors' Group to Congress related to amending the Exchange Act in response to the Supreme Court decision in *Morrison v. National Australian Bank, Ltd*, which adversely affects U.S. investors when they purchase or sell securities of foreign companies that trade on a foreign exchange.

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 December 17, 2010, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 10:31 a.m., there being no further business, MOTION was made by N. Shevock and seconded by A. Visalli to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip Reese
Chair for the Board of Pension Trustees