

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF SEPTEMBER 24, 2010**

The meeting of the Board of Pension Trustees was called to order by P. Reese, at 9:01 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

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

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  
Charlotte Lister, PAC  
Joseph Seibert, KPMG  
Sophia Smith, KPMG  
Eric Insler, Intern - OMB

## **1. OPENING COMMENTS**

The meeting of the Board of Pensions Trustees was called to order by P. Reese. Mr. Reese thanked the Board and the Pension Office Administration and Staff for their condolences during the recent death of his father.

## **2. APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the July 30, 2010 meeting.

MOTION made by H. Foster and seconded by T. Shaw to approve the Public Minutes, with the noted correction, of the Board of Pension Trustees' July 30, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

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

MOTION made by H. Foster and seconded by T. Shaw to approve the Executive Minutes of the Board of Pension Trustees' July 30, 2010 meeting.

MOTION ADOPTED UNANIMOUSLY

## **3. AUDIT COMMITTEE REPORT**

Suzanne Grant, Chair of the Audit Committee, introduced KPMG's Client Service Team of Joseph Seibert, Lead Engagement Partner, and Sophia Smith, Manager.

### DPERS' – Independent Auditor's Report

Joseph Seibert reviewed the results of the Fiscal Year 2010 Audit. The audit primarily focuses on DPERS's financial and investment activities but includes an overview of the other significant operational functions in order to confirm that activities are consistent. He thanked the management staff for their collaboration of the audit.

J. Seibert highlighted several areas of emphasis of the DPERS' audit:

- Existence and valuation of readily-marketable and alternative investment portfolios
- Calculation and receipt of employer contributions
- Calculation and payment of distributions to pensioners
- Calculation of actuarially-determined liabilities and testing of participant census data

J. Seibert stated that there were a few pending matters and that assuming satisfactory completion of these pending matters KPMG anticipates issuing an unqualified opinion of DPER's and FSIF's financial statements.

- Open confirmations (legal and census data portion of actuary)
- Review of Actuarial Valuation by KPMG actuary is in process, but not complete
- Administrative matters (complete review of CAFR)
- Representation letter
- Management letter

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

MOTION ADOPTED UNANIMOUSLY

#### 4. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 8/31/10

<u>Fund</u>	<u>August 2010</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
<b>Total Fund</b>	<b>-0.4 %</b>	<b>3.6%</b>	<b>10.0%</b>
<b>S &amp; P 500 Index</b>	<b>-4.5%</b>	<b>2.2%</b>	<b>4.9%</b>
<b>60/35/5*</b>	<b>-2.1%</b>	<b>2.4%</b>	<b>6.7%</b>
<b>Delaware</b>	<b>-1.8%</b>	<b>3.0%</b>	<b>7.1%</b>
<b>Benchmark**</b>			

\*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 August 31, 2010 totaled \$6,547MM. Although slightly negative, the Fund's -0.4% August return significantly outperformed the Delaware Benchmark return of -1.8%. For the twelve months through August, the Total Fund is up 10.0%, ahead of the Delaware Benchmark of 7.1%.

During the month of August, markets backed off from their July rebound as gloom about a potential "double-dip" took hold in the face of weaker employment and housing data. The S&P 500 was down 4.5%, with small cap stocks, as measured by the Russell 2000, returning -7.4%. International markets were slightly better with the MSCI EAFE international stock indexes down 3.1% and the broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) down 2.7%. Fixed income markets were positive during August, with Treasuries doing particularly well, as the Barclays LT Govt/Credit Index returned a positive 5.2%. The Barclays TIPS Index was up 1.7% and the JP Morgan Global High Yield Index returned 0.1% for the month.

The Investment Committee has met once since the last Board meeting. On September 14<sup>th</sup>, the Committee received a presentation from existing manager Oaktree Capital Management reviewing the Fund's domestic convertible account. In addition, the Investment Committee received a presentation from The Northern Trust Company, the Fund's custodian and cash manager.

The Investment Committee reviewed additional potential revisions to the current investment policy statement. After discussion, the Committee voted to recommend to the board approval of revisions to the Soft Dollar Policy (Appendix X) and a new Cross-Trading Policy (Appendix XI).

The Committee approved the proposed meeting dates for 2011.

The next meeting of the Investment Committee is to be held on September 28<sup>th</sup>.

MOTION made by H. Foster 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 T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by T. Shaw and seconded by H. Foster to approve the proposed revisions to the Investment Policy.

MOTION ADOPTED UNANIMOUSLY

**5. PENSION ADVISORY COUNCIL REPORT**

C. Lister stated that the Advisory Council's next meeting is scheduled for November 9, 2010.

**6. STATE PENSION ADMINISTRATOR'S REPORT**

2011 Committee Dates and Appeal Hearing Schedule

D. Craik stated that the 2011 Board of Pension Trustees Committee meeting dates have been completed as has the 2011 Appeal Hearing Schedule. He passed the schedule around and asked that the Trustees sign up for at least 3 dates.

Resolution

D. Craik presented a Resolution for Joel Poorman. He asked if there were any further changes requested before finalizing.

MOTION made by P. Reese and seconded by S. Grant to approve the Resolution for Joel Poorman as written.

MOTION ADOPTED UNANIMOUSLY

Aon Call Volumes

D. Craik reported that during the first week after Aon sent out their letter they received 2,600 calls and during the second week they received 648 calls. By the third week a letter was sent to pensioners from the Office of Management & Budget at which time Aon received 1,700 calls and during the fourth week they received 500 calls. The Pension Office has received roughly 1,600 calls from pensioners during this four week period.

As of this week approximately 11,600 pensioners had signed up with Experian which is a little over 50% of the current number of retirees.

**7. DEPUTY ATTORNEY GENERAL REPORT**

There was no report.

**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 October 29, 2010, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:15 a.m., there being no further business, MOTION was made by T. Shaw and seconded by T. Cook to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator