

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JANUARY 27, 2012

The meeting of the Board of Pension Trustees was called to order by S. Grant, at 9:03 a.m. in the Delaware Conference Room of the Pension Office.

Trustees Present

Suzanne Grant
Tom Shaw
Nancy Shevock
Helen Foster
Ann Visalli
Tom Cook
Arturo Agra

Trustees Absent

Others Present

Cindy Collins, DAG
Terri Timmons, Pension Office
Jeff Hoover, Pension Office
Kathy Kunkle, Pension Office
John McCartney, Pension Office
Rob Gooderham, Ashford Consulting Group
Joseph Malloy, PAC Chair
Jim Testerman, PAC

1. OPENING COMMENTS

The meeting of the Board of Pension Trustees was called to order by the newly appointed Chair, Suzanne Grant. Ms. Grant welcomed everyone and stated that the previous Chair, Phil Reese, had done a tremendous job during his tenure and the Fund had a solid track record.

Ms. Grant then introduced Arturo Agra, who is the newly appointed Trustee. Mr. Agra is currently the Vice President of Strategic Planning for Pepco Holdings, Inc. In addition he is President and CEO of Conective Energy and serves on numerous Boards.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the Public Minutes of the December 16, 2011 meeting.

MOTION made by T. Shaw and seconded by T. Cook to approve the Public Minutes of the December 16, 2011 Board of Pension Trustees' meeting with noted changes.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the December 16, 2011 meeting.

MOTION made by T. Shaw and seconded by T. Cook to approve the Executive Minutes of the December 16, 2011 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

Investment Committee Performance Report as of 12/31/11

<u>Fund</u>	<u>Dec 2011</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	0.1%	(4.4)%	2.8%
S & P 500 Index	1.0%	(3.7)%	2.1%
60/35/5*	1.1%	0.1%	4.6%
Delaware	0.5%	(3.5)%	0.8%
Benchmark**			

*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 at the end of December totaled \$7,172MM. The Fund's December return of 0.1% underperformed the Delaware Benchmark return; the calendar year return of 2.8% for the Total Fund is 2.0 percentage points ahead of the Delaware Benchmark. For the fiscal year-to-date, the total Fund is down 4.4%, 0.9 percentage points below the Delaware Benchmark.

Domestic equity markets were positive in the month of December. The S&P 500 was up 1.0%, while small cap stocks, as measured by the Russell 2000, gained 0.7%. International stocks reflected continued concerns with European markets as the MSCI EAFE international stock index fell 0.9%. The broader MSCI All-Country World ex-U.S. stock index (which includes emerging markets) declined 1.1% in December. Fixed income market returns were positive in December. The Barclays LT Govt/Credit Index was up 3.4%, while the JP Morgan Global High Yield index gained 2.5% for the month. The Barclays TIPS index was flat in December, returning 0.0%

The Investment Committee has met twice since December.

At the Investment Committee meeting on January 10th, the Investment Committee reviewed the Fund's asset allocation. Under its authority to execute documents relating to manager schedules and contracts over which it exercises authority, the Investment Committee approved an assignment of the Daruma investment management agreement to Daruma Asset Management LLC.

At the Investment Committee meeting on January 24th, the Investment Committee received presentations from existing managers Riverstone LLC and Oaktree Capital Management's Emerging Market Absolute Return Fund.

Following the Riverstone presentation, the Investment committee voted to recommend to the Board a commitment of up to \$200 million to Riverstone V.

The next meeting of the Investment Committee will be held on February 14, 2012.

MOTION made by N. Shevock 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.

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

MOTION made by N. Shevock to commit up to \$200 million to Riverstone Global Energy and Power Fund V., L.P.

MOTION ADOPTED UNANIMOUSLY

4. AUDIT COMMITTEE REPORT

S. Grant announced that James Burke, a current member of the Audit Committee, is now the new Chair of the Audit Committee.

5. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that the Council was elated in reference to the 2% Post Retirement Increase.

6. STATE PENSION ADMINISTRATOR'S REPORT

Pension Office Activities

Terri Timmons, Office Manager of the Pension Office, reported on the Quarterly Pension Office Activities. She noted that the Healthcare stats for the 2nd quarter of FY12 were lower than the 1st quarter due to open healthcare enrollment changes. She also reported that the incoming/outgoing mail was lower as was the imaged items.

The quarterly Disability Report reflects 4 new cases with a total of 39 for the year. The low numbers are due mainly to the disability insurance program.

7. DEPUTY ATTORNEY GENERAL REPORT

C. Collins shared a copy of the letter signed by many other Pension Systems to the Chairman of the Securities and Exchange Commission in reference to the Supreme Court's decision in *Morrison v. National Australia Bank Ltd.*, 130 S. Ct. 2869 (2010). Specifically, the letter requests the Commission to recommend to Congress to extend the extraterritorial scope of the anti-fraud private right of action under the Exchange Act to all investors who sufficiently state transnational securities fraud claims and satisfy the conduct and effects requirement codified by Section 929(b) of the Dodd-Frank Act.

QEBA Trust

C. Collins has filed the QEBA trust document with the Delaware Secretary of State and received a Certificate of Trust for the QEBA Trust. She is coordinating the establishment of the account for the Trust and it is hoped that the QEBA Trust will be in place for the January or February 2012 pension benefit payment.

Rules & Regulations

Because of recent legislative changes and IRS requirements the Pension Office will be updating the Rules and Regulations for the qualified Plans. C. Collins stated that she is still in the process of updating and drafting the Rules and Regulations for the various Pension Plans.

Custodian RFP

C. Collins reported that the Custodian RFP had been posted on the Governor's Website along with a link on the Pension Office Website. The RFP Committee will report to the Board during the process and anticipates a recommendation for Custodian at the Board's March meeting.

Actuary RFP

The Actuary RFP is also due this year.

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.

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 H. Foster and seconded by T. Cook to accept the decision of the Hearing Officers to deny the appeal of Dr. Richard R. Spencer for retroactive benefits beyond the two month statutory period which he 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 February 24, 2012, at 9:00 a.m., in the Delaware Conference Room of the Office of Pensions.

At 11:05 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

Suzanne B. Grant
Chair for the Board of Pension Trustees