



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
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BOARD OF PENSION TRUSTEES

MEETING OF APRIL 27, 2001

The meeting of the Board of Pension Trustees was called to order by D. Stratton at 9:01 a.m. in 3rd floor conference room, Thomas Collins Building, Dover.

Trustees Present

A. Dale Stratton
Robert W. Allen
Lisa Blunt-Bradley
David W. Singleton
Nancy J. Shevock

Trustees Absent

Keith Dorman
Jan M. King

Others Present

Steve Kubico, Controller General's Office
James B. Testerman, Pension Advisory Council
David C. Craik, Pension Office
Calvin L. Scott, Jr., DAG
Christy L. Ulmer, Pension Office
Alice L. Simon, Pension Office
Linda Hinkle, Pension Office

1. OPENING COMMENTS

D. Stratton opened the meeting by congratulating Linda Hinkle for receiving the 2001 Pension Administrator's Award. Ms. Hinkle was nominated by her peers for her positive attitude and dedication. L. Blunt-Bradley announced that Linda was the SPO nominee for the Delaware Award for Excellence and Commitment in State Service. D. Stratton was delighted that a member of the Pension Office staff was nominated for this award.

The Twenty-Ninth Annual report received the GFOA certificate of achievement award for the fifth consecutive year. D. Stratton complimented Dave, Carolyn, Alice and the Pension Office staff on this accomplishment. She challenged the Pension Office to take a fresh look at next year's 30th annual report.

In honor of National Administrative Professionals week, D. Stratton thanked Christy Ulmer for her assistance on behalf of the Board and presented her with a token of appreciation.

Trustees reviewed the State Pension Systems – Benefit and Funding Comparisons document distributed by D. Stratton. The information provided was as of October 2000 when the database was last updated. She noted the following points:

- In other consolidated states, as Delaware, the largest employee group information is used as most representative. Certain states have their plans broken down with the teachers' plans being separate.
- Higher multipliers tend to correlate with systems whose employees do not receive Social Security benefits, or those with high employee contributions; some employee contribution rates are 6-9% of pay.
- Approximately 60% of the states provide an automatic COLA, some are tied to investment performance.
- Delaware is the only state with a separate Post Retirement Increase (PRI) fund.
- Delaware's employer rate with the PRI is 4%, which is a more comparable basis to other systems.
- Delaware's investment return assumption is above average.
- Delaware does not have the highest amount of overfunding.
- Post retirement medical information can be misleading; some states offer eligibility to stay in the state's plan, or a managed care system but at the retiree's expense. Few offer the same level of coverage as Delaware. This comparison does not include survivor benefit information.
- Long term care is primarily at employee expense with the state providing a group rate.

2. APPROVAL OF THE MINUTES

The Trustees reviewed minutes of the March 30, 2001 meeting.

MOTION was made by D. Singleton and seconded by L. Blunt-Bradley to approve the minutes of the April 27, 2001 meeting.

MOTION ADOPTED UNANIMOUSLY

3. DEPUTY ATTORNEY GENERAL REPORT

One appeal hearing decision will be discussed in Executive Session.

4. INVESTMENT COMMITTEE REPORT

D. Stratton reported that Nancy Shevock and Lisa Blunt-Bradley were in attendance at the last Investment Committee meeting. Milliman & Robertson provided an actuarial evaluation presentation and an excerpt of the healthcare presentation that were both previously presented before the Board. The Investment Committee discussed possibilities of negative investment returns and their possible effect on the State's contribution rate through Milliman & Robertson's test demonstrations. The impact of legislation for introduced benefit improvements was also reviewed. Negative investment returns along with benefit improvements takes away the surplus and adds to normal costs. The surplus is currently offsetting normal costs, which affects the employer contribution rate.

D. Stratton provided the Investment Committee Report in J. King's absence. The past quarter was not a good one across most of the market.

- 12-month period performance of the Fund is -5.7% vs -9.4% for a 60/35/5 benchmark and -8.3% for the Delaware benchmark.
- Fiscal year to date performance is -7.4% vs -8.5% for the 60/35/5 benchmark and -7.2% for the Delaware benchmark
- April has been a slightly more positive month, but we could be looking at a negative return this year. By June, we will be picking up the January - March quarter of private equity, which will offset gains that we might realize in May and June.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman thanked D. Stratton for attending the last PAC meeting. PAC workshop attendance was high with approximately 632 attendees. Mr. Testerman thanked Carolyn Williams for her assistance with coordinating the workshops.

6. PENSION ADMINISTRATORS' REPORT

Medical Report

A comprehensive annual report was distributed and discussed covering disability applications and pensions reviewed by the Medical Committee for the month of April 2001. There were 16 new disability cases processed in the month of April.

Communications

D. Craik reviewed and discussed Milliman & Robertson, Inc. proposal for a contract extension. The current three-year contract will expire in June. D. Craik recommended the three-year extension offered by Milliman, which includes a reduction in the current retainer fee. Milliman & Robertson's excellent customer service record along with their commitment to technology was noted. Discussion took place regarding whether an RFP is required at this time. C. Scott will review bid laws regarding professional services.

The Pension Office will soon unveil its updated web site. Trustees were invited to stay for a brief web site presentation following the meeting. A contest was held by Pension Office employees to create a domain name. Joanna Adams created the new name of Delawarepensions.com. Ms. Adams has been working with Accuent on creating the new web site. D. Stratton congratulated the Pension Office for their commitment toward improvement.

Legislation

David Craik provided a summary of SB 136, which is the legislation recently introduced by Senator Nancy Cook. Below is an explanation of the different components of SB 136.

- A mechanism will be established that defines "extraordinary gains" and when those gains can be paid to active employees and retirees. If the funding ratio in the Plan exceeds 120% the Board will determine the amount of gains above 120% and report that amount to the Governor and General Assembly. The gains will be paid out in the form of a post retirement increase to retirees and an improved "multiplier" at the time of retirement for active employees.
- Based on the investment return through June 30, 2000 the bill authorizes a payment of extraordinary gains. Retirees will receive a 1% increase to their monthly pension benefit. Active employees, who retire **effective July 1, 2001**, will have their multiplier increased from 1.8% to 2.0% for credited service through 6/30/2000. Credited service after June 30, 2000 would continue to be calculated using the 1.8% multiplier. If an employee were to terminate service in June 2001 with 30 years of service, the calculation would be 29 years at 2.0% and 1 year at 1.8%.
- The bill increases the Death Benefit for retirees from \$6,000 to \$7,000. This improvement would also apply to retirees covered by the Closed and New State Police pension plans.
- Another post retirement increase (separate from above) will be granted for retirees and funded from the Post Retirement Increase Fund. The increase would be 1% or if retired prior to 1/1/80 the greater of 1% or \$15 per month. Even though an increase is granted the financial status of the Post Retirement Increase Fund will improve as the first increase will be funded as a payment of extraordinary gain.

Legislation (Continued)

The following is a summary of recent pending legislation.

- SB 49 – Act would change the multiplier used in calculating pension benefits in the SEPP from 1.8% to 2.0%. (A hearing is scheduled on SB 49 for May 2, 2001)
- SB 54 – Would increase pensioners' death benefit from \$6,000 to \$7,000 for the SEPP, Closed State Police and New State Police Plans.
- SB 86 - This Act requires the State to pay premium and subscription charges associated with health care insurance coverage for the survivors of any regular officer or employee of the State who was killed in the line of duty.
- SB 102 - This Act requires the State to pay premium and subscription charges associated with health care insurance coverage for the survivors of any regular officer or employee of the State who was killed in the line of duty, less any portion thereof that the officer or employee paid for himself or herself.
- SB120 – Would permit the appointment of retired justices of the peace to serve on a temporary basis while continuing to receive their pension benefit.
- HB 17 w HA1 – Would increase the pool of substitute teachers by permitting retired teachers to be substitutes without adversely affecting their state pension. PASSED
- HB108 – Would allow Jobs for DE Graduates employees to purchase credited service.
- HB161- This Act permits an employee to receive credited service for accumulated sick leave in excess of 90 days for up to one year of credited service for pension purposes if the employee is otherwise eligible for a pension. The purpose of this Act is to provide an incentive for employees to avoid using sick days thereby providing for more efficient operations and minimizing the cost of substitute or temporary replacements in the workforce.
- HB183- This Act will give prior service credit to those individuals who were employed with the Kent County Prothonotary's Office prior to the State taking over the Office in 1987. These employees terminated service with the County and later became State employees. The cost of this service will be paid by the State.
- HB189- Currently retired State Police Officers who have become employed in a new State job are not receiving any additional pension benefits. However, if the person employed in that position is not a retired State Police Officer they are eligible to accumulate an additional pension when they become employed in a new State position after retirement. This Act is designed to encourage retired State Police Officers to obtain employment with the State in order to utilize their special knowledge and training.

Discussion took place regarding the Board's position to stand against legislation that grants retroactive benefits or special legislation. The Board reaffirmed that new benefit legislation should include funding starting in the year in which the legislation is implemented.

Relocation

The Pension Office relocation date to the former MBNA Building is scheduled to take place on July 27, 2001.

7. AUDIT COMMITTEE

The annual Entrance Audit is scheduled for May 11, 2001.

8. PENDING ITEMS

The Pending Items List was reviewed.

Trustees reviewed the draft Pension Board attendance policy. D. Craik will revise with recommended changes for approval.

Trustees also reviewed the current Gift and Entertainment policy. L. Blunt-Bradley asked if the policy has been superseded by Public Integrity Commission guidelines. Concerns regarding the current policy were raised regarding Ex-Officio Trustees. D. Craik will research and report at the next meeting.

9. EXECUTIVE SESSION

MOTION was made by R. Allen and seconded by L. Blunt-Bradley, that the Board go into Executive Session to consider legal advice and to consider pending personnel matters and confidential medical records.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss pending personnel matters and confidential medical records.

MOTION was made by D. Singleton and seconded by R. Allen to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

10. APPEAL CASES

Following a discussion in Executive Session, the following motions were made:

MOTION was made by D. Singleton and seconded by N. Shevock, to approve the Hearing Officer's Report and Recommendation, whereby the application of Eldora. C. Tillery for credited service for the period between March 1975 to February of 1976 be denied and the Pension Office instructed to repay contributions paid during that period with interest.

MOTION ADOPTED UNANIMOUSLY

11. ADJOURNMENT

At 10:59 a.m., there being no further business,

MOTION was made by R. Allen and
seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

A. Dale Stratton, Chair
Board of Pension Trustees