

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF FEBRUARY 27, 2004**

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 McArdle Building.

Trustees Present

Phillip Reese  
Jan M. King  
Robert W. Allen  
Lisa Blunt-Bradley  
David W. Singleton  
Nancy J. Shevock  
Helen Foster Parson

Trustees Absent

Others Present

Jim Testerman, Pension Advisory Council  
Charlotte Lister, Pension Advisory Council  
David C. Craik, Pension Office  
Marsha Kramarck, DAG  
Christy L. Ulmer, Pension Office  
Alice Simon, Pension Office  
Kathy Kunkle, Pension Office  
Lisa DiDonato, Pension Office

## 1. OPENING COMMENTS

The meeting of the Board of Pension Trustees was called to order at 9:00 a.m. by P. Reese in the Delaware Conference Room of the McArdle Building.

A Resolution on behalf of Ralph J. Adkins was presented and reviewed.

MOTION was made by J. King and seconded by D. Singleton to approve the Resolution of Ralph J. Adkins.

MOTION ADOPTED UNANIMOUSLY

D. Craik introduced Lisa DiDonato who was selected by her peers to be this year's Pension Administrator Award recipient. This is the eighth consecutive year that this award has been presented. Mrs. DiDonato was chosen to receive the award because of her "positive attitude and work ethic." Over the last year she completed duties for several vacant positions within the Disability Section of the Pension Office. Mrs. DiDonato provided an overview of her duties and accomplishments during her tenure at the Office.

## 2. APPROVAL OF THE MINUTES

The Trustees reviewed the minutes of the January 30, 2004 meeting.

MOTION was made by D. Singleton and seconded by R. Allen to approve the minutes of the Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

## 3. INVESTMENT COMMITTEE REPORT

### INVESTMENT PERFORMANCE – MONTH ENDING JANUARY 31, 2004

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	1.6%	13.9%	25.9%
S & P 500 Index	1.8%	17.2%	34.5%
60/35/5*	1.4%	10.3%	22.1%
Delaware Benchmark**	1.4%	11.4%	22.6%

\*Benchmark mix of 60% S&P500 Index, 35% Solomon Long Government and Corporate Bond Index and 5% T-bills.

\*\*Benchmark mix of 45% Russell 3000, 10% EAFE (international), 43% Lehman Bond aggregate and 2% T-bills.

#### **4. PENSION ADVISORY COUNCIL**

J. Testerman reported that he testified at Joint Finance Committee on behalf of PAC and DSEA. He testified regarding the Council's goals concerning post retirement increases and protection of medical benefits.

Pension Workshops are scheduled for March and April. An attachment listing the workshop dates was distributed. Pension estimates are being completed for the DSEA workshop to be held on March 16, 2004.

#### **5. PENSION ADMINISTRATOR'S REPORT**

##### Medical Report

Comprehensive monthly reports were distributed and discussed covering disability applications and pensions reviewed by the Medical Committee for the month January 2004. There were 15 new cases processed in February. One person is over 90 days category will be denied if medical information is not received.

The Disability project is on schedule. The next meeting is scheduled to be held with Palmer & Cay.

##### Communications

The Joint Finance Committee Hearing for the Office of State Personnel/Pensions was held on February 11, 2004. D. Craik was asked to review the legislation regarding a one-time bonus for State employees and how it would affect the processing of pensions.

The February pension checkwrite was processed utilizing the new bank file for direct deposit.

K. Vincent & D. Craik met with Family Court judges to provide information on their plan benefits.

The Pension Office has met with DTI to reprioritize the three large pending projects:

- 1) Disaster Recovery - completion 6/30/04,
- 2) Change Control Management – completion 6/30/04
- 3) Implementation of E-pay - Pending

The Pension Office has filled two vacant Human Resource Technician positions. These are the first new employees hired since the hiring freeze was lifted. The next position request is to fill the vacant Paralegal position.

#### **6. AUDIT COMMITTEE REPORT**

No report provided.

## **7. DEPUTY ATTORNEY GENERAL REPORT**

M. Kramarck facilitated a discussion on fiduciary responsibilities of the Pension Board trustees. Each trustee has the duty under the prudent person/investor rule to use the same judgement, skill and care, when taking action on behalf of the Fund, as used in their individual affairs. Discussed items such as avoiding potential conflicts of interest. Trustees have the duty to diversify and deliberate on decisions made on the Board's behalf. The Investment Committee is an agent of the Board and holds the same responsibilities. It is the responsibility of the Board to oversee the Investment Committee's management and diversification of funds even though delegated.

Discussion took place regarding poll votes. Conducting a poll vote is normally not allowed under Freedom of Information Act; however, in order for the Board to act in a timely manner regarding financial investments, poll votes have been conducted since the decision is discussed and ratified at the next Board meeting. Trustees have the right to defer a vote until additional information is received.

Issues to considered when making decision for the Fund include: inflation, deflation, income, and liquidity. Trustees have independent duty to verify the facts that decisions are based on by meeting with actuaries and the investment consultants, as well as reviewing data to make informed decisions. DPERS has been diligent with its review processes, which is why we are the lead investor in many of our investments. Trustees have the duty of impartiality and loyalty of the Fund, and are to act only on the interest of the Fund when actions are taken. Diligence, care and skill should be taken in selection of managers. There is also a duty to create processes and systems that participants can understand.

Discussion took place regarding the pros and cons of an internal controls audit. A recommendation was made to document the delegation of authority that has been given to each of the committees of the Board. M. Kramarck and P. Reese will be meet to discuss governance issues. There is statutory protection and immunity for trustees but the filing of a lawsuit against board members would require costs for counsel fees. Some boards purchase directors and officers insurance coverage for these circumstances.. Documentation is requested regarding the fiduciary responsibilities and liabilities as well as personal liabilities for trustees.

D. Singleton requested information regarding proxy voting. Proxy votes are housed at Ashford Capital Management and are reviewed on an annual basis. The Board requested that a proxy vote be reviewed at an upcoming Investment Committee meeting.

## **8. PENDING ITEMS**

An Executive Summary indicating the delegation of authority to the committees of the Board of Pension Trustees outlining the policies and procedures thereof. Documentation will also be provided to each of the trustees outlining fiduciary responsibilities and liabilities. Further discussion will be taken regarding proxy voting at an upcoming Investment Committee meeting. Anticipated completion of these new pending items is expected within three to six months.

**9. ADJOURNMENT**

The next Pension Board meeting will be held on April 30, 2004 in the McArdle Building Delaware Conference Room in Dover, Delaware.

At 10:40 a.m. there being no further business,  
MOTION was made by R. Allen and  
seconded by D. Singleton to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

Phillip S. Reese  
Board of Pension Trustees Chairman