

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

**MEETING OF JULY 20, 2001**

The meeting of the Board of Pension Trustees was called to order by D. Stratton at 9:05 a.m. in the Delaware Conference Room of the McArdle Building.

Trustees Present

A. Dale Stratton  
Robert W. Allen  
Jam M. King  
Lisa Blunt-Bradley  
Nancy J. Shevock

Trustees Absent

Keith Dorman  
David W. Singleton

Others Present

James Testerman, Pension Advisory Council  
Charlotte Lister, Pension Advisory Council  
David C. Craik, Pension Office  
Calvin L. Scott, Jr., DAG  
Steve Kubico, Controller General's Office

## **1. OPENING COMMENTS**

D. Stratton opened the meeting by announcing that the September meeting will be held in conjunction with a dedication ceremony for the McArdle Building honoring the Late Donald F. McArdle. The Pension Office will move to this new location at the end of July. The Audit Committee along with the auditors will be invited to attend the September meeting.

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

The Trustees reviewed minutes of the June 22, 2001 meeting.

MOTION was made by R. Allen and seconded by N. Shevock to approve the minutes of the June 22, 2001 meeting as modified.

MOTION ADOPTED UNANIMOUSLY

## **3. DEPUTY ATTORNEY GENERAL REPORT**

No report was given. An Executive Session will be held to discuss two appeal hearing reports. No appeal hearings are scheduled for the month of August.

## **4. INVESTMENT COMMITTEE REPORT**

J. King provided the Investment Committee Report. Total assets in the Fund at the end of June totaled in excess of \$5.2 billion.

FY01 performance is -5.1% vs -5.1 for a 60/35/5 benchmark and -4.1% for the Delaware benchmark.

The total Fund return for the month was a -1.6% and was slightly worse than the Delaware benchmark of -1.1% and was also off of a 60/35/5 benchmark of -1.3%.

The month of June was, for the most part, in negative territory across all equity markets with the exception of a strong 3.5% positive return in US small caps. The Broad Market of Russell 3000 stocks lost 1.8%, Large Growth and Value both lost 2.3% and 2.2% respectively. EAFE lost 4.1% and with slightly decreasing interest rates the Lehman LT Govt/Corp returned a positive .8%.

**4. INVESTMENT COMMITTEE REPORT (Continued)**

June Fiscal year returns will be reported at a 5.1% loss, compared to a negative 4.1% benchmark. We had estimated at the last meeting that we might report a fiscal 4.5% loss. This higher than anticipated loss was due to both the downturn in June in the overall equity markets and the loss taken on the revaluation of the private equity that was discussed at the last several meetings. While they are disappointed in the loss for the year, everyone was reminded of the high overall returns received from the previous five years. During these years, the Fund's average return was 16.7%. This fiscal year, the S&P 500 was down 14.8, Large growth down 36.2% and EAFE down 23.6%.

The Investment Committee made a recommendation during the month of June, which was approved by poll vote taken on June 26, 2001. The Investment Committee recommended that the Lincoln Capital Equity Account be reduced to \$5 million and the approximately \$106 million generated be moved to a fund at Barclays indexed to the Russell 1000 growth. Discussion took place regarding the rationale of the recommendation. Lincoln's performance has deteriorated over the past year; coupled with recent loss of a major client there is, at least temporarily, organizational turmoil. The Committee recommends maintaining relationship with minimal funds until current situation is resolved. Money will be indexed until Committee has appropriate time to evaluate alternate managers.

MOTION was made by J. King and seconded by R. Allen, to ratify the June 26, 2001 poll vote conducted by C. Ulmer.

MOTION ADOPTED UNANIMOUSLY

Discussion took place on Mellon, who manages a large portion of assets, who is closing their retail business and concentrating on being a financial manager. The Investment Committee continues to review the relationship with Mellon.

## **5. PENSION ADVISORY COUNCIL REPORT**

Discussion took place on the Joint Sunset Committee's comment in its report regarding the Pension Advisory Council establishing appeal hearing procedures. J. Testerman stated, to his knowledge, that the Council has never established hearing procedures. C. Scott verified that the wording is included in the Code and will need to be addressed.

J. Testerman expressed that he was "delighted" that Senate Bill 256 passed. The Council is happy that their top legislative goals are being met.

## **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 July 2001. There were 16 new disability cases processed in the month of June.

### Communications

The DPERS newsletter, retiree edition, will be distributed with the July pension checks and advices. An article for AFSCME was included in the newsletter. The Pension Office is working toward dues deductions.

D. Craik discussed the County & Municipal Police/Firefighter COLA Fund. The City of Wilmington has passed an ordinance to provide an increase to their police/firefighter retirees effective July 1, 2001. Under the COLA Fund, the State pays 75% of the cost and the City pays 25%. The annual cost has been determined to be \$600,000 over a 13-year period. The costs estimates are to be verified by Fiona Liston at Milliman & Robertson.

MOTION was made by R. Allen and seconded by L. Blunt-Bradley, to approve the pension increase and amortization period and authorize the Pension Administrator to provide the necessary funds.

MOTION ADOPTED UNANIMOUSLY

Legislation

David Craik informed that the following legislation was passed:

- HB 17
- SB 120
- SB 160
- SB 253
- SB 254
- SB256

Relocation

C. Williams reported that the Pension Office relocation to the McArdle Building is on schedule for July 27, 2001. The Pension Office is coordinating three moving vendors in an effort to complete the relocation in one day to prevent minimal disturbance in customer service. Senior staff will be available to answering incoming calls and assist visitors on the day of the move.

**7. AUDIT COMMITTEE**

The Information Systems Audit is being conducted. The fieldwork for the annual financial audit is scheduled to begin on August 6<sup>th</sup> and is expected to be completed by August 20<sup>th</sup>. The Thirtieth Annual CAFR is scheduled to be released at the September 28<sup>th</sup> Pension Board meeting.

**8. EXECUTIVE SESSION**

MOTION was made by J. King and seconded by R. Allen, that the Board go into Executive Session to discuss 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 J. King and seconded by L. Blunt-Bradley to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

**9. APPEAL CASES**

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

MOTION was made by J. King and seconded by L. Blunt-Bradley to approve the Hearing Officer's decision that the application for Raymond H. Malenfant, P.E. for pension benefits during his employment with WILMAPCO between 1975 and 1981 be denied.

MOTION ADOPTED UNANIMOUSLY

MOTION was made by J. King and seconded by L. Blunt-Bradley to approve the Hearing Officer's decision that the application for Jamie V. Johnson for retroactive pension benefits be denied.

MOTION ADOPTED UNANIMOUSLY

**10. ADJOURNMENT**

At 10:00 a.m., there being no further business,

MOTION was made by J. King and seconded by L. Blunt-Bradley to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

A. Dale Stratton, Chair  
Board of Pension Trustees