



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES

MEETING OF JUNE 22, 2001

The meeting of the Board of Pension Trustees was called to order by D. Stratton at 9:00 a.m. in 2nd Floor Conference Room, Thomas Collins Building, Dover.

Trustees Present

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

Trustees Absent

Keith Dorman

Others Present

James B. Testerman, Pension Advisory Council
Charlotte Lister, Pension Advisory Council
David C. Craik, Pension Office
Calvin L. Scott, Jr., DAG
Christy L. Ulmer, Pension Office
Alice L. Simon, Pension Office

1. OPENING COMMENTS

D. Stratton welcomed everyone to the final meeting for this fiscal year stating our next meeting will be held in Fiscal Year 2002.

The new web site, DelawarePensions.com rolled out on June 1st. D. Stratton reported that it received over 1000 hits during the first weekend it was unveiled. A press event is scheduled for Wednesday, June 27, 2001 to be held at the Tatnall Building in Dover. Trustees were given formal invitations to the event. L. Blunt-Bradley shared her excitement for this event and hopes that the media will show interest in order to inform the public and pensioners about the benefits of the newly improved web site. D. Craik shared that John McCartney and Joanna Adams have been instrumental in its development. D. Stratton complimented Joanna Adams for her part in designing the new site.

Due to the Pension Office relocation, the July meeting will be held on July 20, 2001.

2. APPROVAL OF THE MINUTES

The Trustees reviewed minutes of the May 25, 2001 meeting.

MOTION was made by R. Allen and seconded by N. Shevock to approve the minutes of the May 25, 2001 meeting.

MOTION ADOPTED UNANIMOUSLY

3. DEPUTY ATTORNEY GENERAL REPORT

No report was given. An Executive Session will be held to discuss possible pending litigation. No appeal hearings are scheduled for July or August.

4. INVESTMENT COMMITTEE REPORT

J. King provided the Investment Committee Report. Total assets in the Fund at the end of May totaled in excess of \$5.3 billion.

- Total Fund return for the month May was zero, which was slightly worse than the Delaware benchmark of .3%, but was also off from a 60/35/5 benchmark of .6%.
- The month of May saw another month of positive returns in the US stock market with the exception of the growth sector. The broad market of Russell 3000 stocks returned 8%, value stocks and small cap stocks returned in excess of 2%, but the large growth market was off 1.5%, EAFE lost 3.5% and with slightly increasing interest rates the Lehman LT Govt/Corp returned a positive .6%.
- 12-month returns reported in May show a positive fund return of 1.3% and a DE benchmark of -.6%. Fiscal YTD, the Fund returned -3.6 compared to a -3.9% and -3.1% for the two benchmarks.
- The Investment Committee will be updating our private investment valuations at the end of the quarter, in light of a constricting and increasingly conservative view of the markets in private equity. This means that returns in this area, reflecting some downward valuations will most likely be negative in the report 4th fiscal quarter. They expect the Fund will have a negative return for the fiscal year of approximately 4.5% (worst case scenario.)
- The Mellon TAA currently has an asset mix of 60% equity and 40% bonds. This means they view the stock and bond mix to be in their neutral position, that is stocks are not under priced compared to bonds at this time.
- The Investment Committee has no recommendations for approval at this time.

5. PENSION ADVISORY COUNCIL REPORT

J. Testerman reported that SB 136 was discussed at length at their last meeting. Other pending bills from the 141st General Assembly that the Council is tracking include: SB 7, SB 20, SB 44, SB 102, and HB 7. Mr. Testerman commented that most teachers are against HB 7. The Council was glad that HB 17 regarding substitute teachers has passed and also that the proper funding amount for the Post Retirement Health Insurance Premium Fund has been included in the Governor's Budget.

DASA is considering sending two representatives to serve on the Pension Advisory Council. C. Lister added that a new member from Delaware Association of School Administrators (DASA) attended the last meeting and reported that DASA is holding "active discussions" regarding who will be providing representation for their organization at future meetings.

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 June 2001. There were 24 new disability cases processed in the month of June.

Discussion took place about including possible language in future legislation supported by the Employee Benefits Committee to mandate statewide accident and injury reporting. This would be similar to private industries providing safety reporting and ratings to the Department of Labor. L. Blunt-Bradley commented that the focus should be on prevention and implementing statewide industrial and wellness programs; however, in the past lack of resources has been an issue. D. Singleton requested D. Craik research the estimated cost savings of implementing statewide injury prevention training. J. King added that employee lost time savings should be a considered factor.

Communications

D. Craik recommended that the Board renew the actuarial contract with Milliman & Robertson, Inc. for a one-year period and plan an RFP for next year. (This item will be added to the Pending Items List.) Milliman's contract price for a one year extension will be \$105,000, plus the cost of additional services, which has risen approximately 3% over last year's contract price.

MOTION was made by D. Singleton and seconded by R. Allen, that the Board extend the contract for Milliman & Robertson for an additional one-year period.

MOTION ADOPTED UNANIMOUSLY

D. Craik reviewed with the Board a meeting that he held with representatives of AFSCME and a subsequent letter that was sent to his attention. AFSCME has requested that a dues deductions program be implemented for State retirees and a mailing be sent to retirees containing information on AFSCME. D. Craik will work with AFSCME to implement the dues deduction program. In lieu of a mailing, an advertisement for AFSCME will be included in the July DPERS newsletters. D. Stratton reiterated the Board's policy of maintaining the confidentiality of pensioner information.

Legislation

D. Craik and D. Singleton have been working with Senators Cook and DeLuca on preparing a legislative pension package, which is scheduled to be introduced on June 26, 2001. A handout was distributed providing the details of the proposed legislation that includes the following items:

- a) 2% multiplier for service prior to 1/1/97 (increased from 1.8%)
- b) 1.85% multiplier for service after 12/31/96 (increased from 1.8%)
- c) 2% increase for current pensioners (1.5% from PRI Fund; 0.5% from plan assets.)
- d) Death benefit from \$6,000 to \$7,000.
- e) Effective 7/1/01

The new rate is rising by 1.51% to 2.86%. The cost for FY03 will be approximately \$18 million (\$13 million from General Funds). Total cost will be 1.51% of payroll, which is a .28% increase in normal cost and 1.23% in unfunded liability.

Information regarding the legislative changes will be included in the July DPERS newsletters. D. Stratton asked that a report be given showing how this legislation impacts the surplus and overfunding status.

D. Stratton reported that Pennsylvania recently passed legislation that entitles PA teachers to receive an automatic COLA.

David Craik provided an update on the following pending legislation:

- SB 120 – Passed House
- SB 160 – Passed Senate

Annual Member Statements

Comprehensive Members' Annual Statements (CAS) will be distributed on June 25, 2001 to members of the State Employees' Pension Plan. Totals are cumulative through December 31, 2000. The distribution of these statements had been delayed due to printing problems the vendor, Moore Business Systems, was experiencing.

Relocation

C. Williams reported that the Pension Office relocation date 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.

7. AUDIT COMMITTEE

The Information Systems Audit is scheduled to begin Monday, June 20th. The fieldwork for the annual audit is scheduled to begin on August 7th and is expected to be completed by August 20th.

8. EXECUTIVE SESSION

MOTION was made by R. Allen and seconded by N. Shevock, that the Board go into Executive Session to discuss potential pending litigation.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to discuss potential pending litigation.

MOTION was made by R. Allen and seconded by J. King to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

10. ADJOURNMENT

At 10:03 a.m., there being no further business,

MOTION was made by R. Allen and
seconded by J. King to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

A. Dale Stratton, Chair
Board of Pension Trustees