

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MARCH 28, 2003

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

Trustees Present

Ralph J. Adkins
Jan M. King
Robert W. Allen
Nancy J. Shevock
Lisa Blunt-Bradley
Helen Foster Parson

Trustees Absent

David W. Singleton

Others Present

Jim Testerman, Pension Advisory Council
Charlotte Lister, Pension Advisory Council
David C. Craik, Pension Office
Christy L. Ulmer, Pension Office
Alice L. Simon, Pension Office
Marsha Kramarck, DAG
Amy Cole, Pension Office

1. OPENING COMMENTS

The meeting of the Board of Pension Trustees was called to order at 9:03 a.m. by R. Adkins in the Delaware Conference Room of the McArdle Building.

R. Adkins welcomed new trustee Helen Foster Parson to the meeting. Introductions were presented. The Board also welcomed Marsha Kramarck who will again serve as the Board's attorney. J. Testerman presented an overview of the Pension Advisory Council for Ms. Parson.

Ms. Parson's introduced herself and provided a brief overview of her qualifications. She recently relocated to Delaware three years ago and stated that she is "...inspired to be a resident and employee of Delaware." Ms. Parson stated she is looking forward to this opportunity and being a member of this group.

D. Craik introduced Amy Cole who was this year's Pension Administrator's Award recipient. Ms. Cole was nominated for being "a knowledgeable asset to the Pension Office" and for her "willingness to share this knowledge with others." Trustees congratulated Ms. Cole. D. Craik also read a note regarding Ray Johnson, who is a previous Pension Award recipient, thanking him for his assistance during March payroll. Ray is a perfect example of the type of employee who is deserving of this award.

The Board is saddened at the loss of a member of the Audit Committee. Mr. Donald J. Hofmann, Sr. unexpectedly passed away this month. A Resolution on Mr. Hofmann's behalf was presented and reviewed. The Resolution will be forwarded to Mrs. Hofmann.

MOTION was made by R. Allen and seconded by L. Blunt-Bradley to approve the Resolution for Donald J. Hofmann, Sr.

MOTION ADOPTED UNANIMOUSLY

2. APPROVAL OF THE MINUTES

The Trustees reviewed the minutes of the January 31, 2003 meeting.

MOTION was made by N. Shevock and seconded by J. King to approve the minutes of the January 31, 2003 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. DEPUTY ATTORNEY GENERAL REPORT

One appeal hearing decision was deferred to Executive Session for discussion.

4. INVESTMENT COMMITTEE REPORT

INVESTMENT PERFORMANCE – MONTH ENDING FEBRUARY 28, 2003

| <u>Fund</u> | <u>Previous Month</u> | <u>Fiscal Year To Date</u> | <u>12-Month</u> |
|----------------------|-----------------------|----------------------------|-----------------|
| Total Fund | (.5%) | (7.1%) | (9.7%) |
| S & P 500 Index | (1.5%) | (14.0%) | (22.7%) |
| 60/35/5* | (.3%) | (5.1%) | (10.3%) |
| Delaware Benchmark** | (.4%) | (5.2%) | (8.0%) |

*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.

The month of February was not as dismal as several of the past months, but all equity markets were in loss positions.

The investment team from Mellon was in attendance at the last Investment Committee meeting to talk about their GTAA Fund. Much discussion was centered on use of currency options to enhance returns for the Fund. Further discussion and analysis must be done before there is a recommendation to allow the enhancement of the strategy. A fixed income manager, Lomis Sayles, attended the mid-month meeting.

In addition to investment manager reviews, the Committee reviewed fees paid to managers out of the Fund. Fees paid in Fiscal Year 2003, excluding private partnership were in excess of \$4 million and were .3% of assets. This is slightly higher than FY 2002 of .25% of assets. This was caused by structure changes within the portfolio that moved funds from lower fee strategies into higher fee strategies with the potential of higher returns. This included moving \$225M from index funds to active management, elimination of a low fee US equity manager for performance, and in fixed income movement from short term bonds into high yield, and the addition of Mount Lucas in managed futures. Existing managers with continuing strategies have not increased fees to the Fund.

5. PENSION ADVISORY COUNCIL

Five pension workshops are scheduled to be held during the months of April and May 2003.

The Pension Advisory Council is interested in meeting with the Employee Benefits Committee. Sen. Nancy Cook has stated that a meeting will be held after legislative session resumes. The Pension Advisory Council's agenda is to ensure that funds are allocated for the prefunding of healthcare benefits. J. Testerman stated that they would at least like discussions to begin. Education is the key for both current employees and retirees. C. Lister stated that in discussions that she has had with State employees indicated that they would rather be affected now than when they retire.

6. PENSION ADMINISTRATOR'S REPORT

Communications

The disability project report was distributed and discussed. The Employee Benefits Committee is reviewing the report and working toward obtaining continuity within State government. A labor management committee is now working with the Committee in attempt to establish better relationships among the employee groups. The Committee would like to pass disability legislation in a coordinated effort. L. Blunt-Bradley added that a team is working with a firm on Workers' Compensation issues that tie in with the "return to work" policy. A team has been selected to review and prepare a report of its findings. Upon completion the report will be shared with the Board and Medical Committee.

The Town of Wyoming and Ocean View has asked to join the County/Municipal Plan.

MOTION was made by J. King and seconded by N. Shevock to approve the Towns of Wyoming and Ocean View to join the County/Municipal Plan effective May 1, 2003.

Retiree groups gave presentations at the Office of State Personnel's JFC Hearing. The groups' message was regarding asking for protection of healthcare benefits and post retirement increases.

Today is a milestone for the E-CRIS project. The old version will now be closed and the office is going live on the new system on Monday, March 31, 2003. The Office has been working parallel in dual systems for the past two months of testing. The project met the timeline and is under budget. The next upgrade will be to PS 8.8. N. Shevock stated that "it is a very organized group" who directed and implemented the project. N. Shevock congratulated the team and Dave on this accomplishment.

Carolyn Williams, Deputy Pension Administrator is retiring as of August 1, 2003. Board members congratulated Ms. Williams. D. Craik stated that she is a "major part of the team" and will be greatly missed. The Board will need to form a committee to oversee the hiring process of filling this vacancy.

Legislation

- HB 87 – legislation introduced this week to increase the earning limits for disability pensions for Capitol Policeman.
- Correctional officers union has spoken with D. Craik requesting a cost estimate to create a separate plan, which would be a 25-year plan. They are willing to pay a higher contribution. Their rate would probably triple. There has been a task force created to look at the issues of the correctional officers.
- Legislation is being drafted to reinstate survivor benefits for those 49 people collecting a survivor's pension that lost their benefits once they remarried. Due to the current funding status, this legislation will mostly likely not be acted upon.
- D. Craik has met with Sen. Cook regarding discussion of the PRI Fund and future increases.

Medical Report

Comprehensive annual reports were distributed and discussed covering disability applications and pensions reviewed by the Medical Committee for the month of February and March 2003. There were 17 new disability cases reviewed for the month of February and 9 for the month of March.

7. AUDIT COMMITTEE REPORT

R. Allen requested the Board prepare recommendations to appoint a new member to serve on the Audit Committee.

The Audit Committee will meet on April 7, 2003 at 11:00 at Ashford Capital Management. A presentation on commodities is scheduled. The annual Entrance Audit is scheduled for May 8, 2003.

8. PENDING ITEMS

None added or revised.

9. EXECUTIVE SESSION

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

MOTION ADOPTED UNANIMOUSLY

9. EXECUTIVE SESSION CONT.

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

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

MOTION ADOPTED UNANIMOUSLY

10. APPEAL CASES

Following a discussion in Executive Session, the following motion was made:

MOTION was made by J. King and seconded by R. Allen, to approve the Hearing Officer's Report and Recommendation, whereby the appeal request from Margaret C. West, concerning the Group Life payment for her deceased husband Louis West, be dismissed.

MOTION ADOPTED UNANIMOUSLY

10. ADJOURNMENT

The next Pension Board meeting will be held on April 25, 2003 in the McArdle Building Delaware Conference Room in Dover, Delaware.

At 10: 45 a.m. there being no further business,
MOTION was made by N. Shevock and
seconded by R. Allen to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Ralph J. Adkins, Chair
Board of Pension Trustee