



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

**MEETING OF MAY 25, 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  
Nancy J. Shevock

Trustees Absent

Keith Dorman  
Lisa Blunt-Bradley

Others Present

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

## **1. OPENING COMMENTS**

D. Stratton welcomed everyone to the meeting and referred to the letter that she had received from Sen. DeLuca concerning the recommendations of the Joint Sunset Committee. As the Committee acknowledged the efforts of the Board and Pension Office staff during their review process, D. Stratton wanted to compliment Christy Ulmer on all of her efforts during this process. The Committee recommended that the Board be continued contingent upon the Board's compliance with the Committee's recommendations.

Trustees reviewed the recommendations with the following comments:

- The second recommendation referenced the disability pension provisions and that these provisions should remain under the authority of the Board. The Board was also directed to examine the eligibility criteria for disability pensions. D. Craik was requested to communicate with Sen. DeLuca concerning the implication of this recommendation.
- The third recommendation encouraged the Board to consider the possibility of investing in incubators in Delaware. The Board felt it was appropriate for the Investment Committee to review this recommendation.
- The Committee will complete the last two recommendations with changes to statutory language. The first would be to place §8308 under the Office of State Personnel, the second would amend §8308 to include members of the Board under the Public Integrity Act. D. Craik will track this legislation once the Committee introduces it.

The July Board meeting is scheduled for July 27, 2001. The Pension Office will be relocating to their new office starting that day and continuing through that weekend. It was agreed that the Board meeting would be moved to July 20, 2001.

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

The Trustees reviewed minutes of the April 27, 2001 meeting.

MOTION was made by R. Allen and seconded by J. King 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

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

- Total fund return for the month of April was a positive 4.2% which was slightly better than the Delaware benchmark of 4.1%, but was slightly off from a 60/35/5 benchmark of 4.4.
- The month of April saw a rebound of the stock market at a broad market of Russell 3000 stocks returning 8.0%. EAFE returned 6.9% and with dropping interest rates the Lehman LT Govt/Corp index returned a -2.0%.
- Fiscal year to date performance is -3.5% compared to a -3.4% benchmark.
- The Committee will be updating the private investment valuation in light of a constricting and increasingly conservative view of the markets in private equity. This means the returns in this area, reflecting some downward valuations will most likely be negative in the 4<sup>th</sup> quarter. The Fund is expected to have a negative return for the fiscal year.
- The Mellon Domestic TAA currently has an asset mix of 70% equity and 30% bonds, but is receiving a strong signal to move to 60/40. In mid March, their asset mix had been at 90/10.
- Coming off of that high allocation means that they view the stock and bond mix to be in the neutral position, that is stocks are not under priced compared to bonds at this time.

The Investment Committee made the following recommendations:

- Recommend liquidating \$100 million from the Mellon Domestic TAA account to a new High Yield Bond account with T. Rowe Price. This market is at historically attractive valuations. This is a tactical move to take advantage of historically high spreads over Treasuries.

MOTION was made by J. King and seconded by N. Shevock, to approve the Investment Committee's recommendation to invest \$100 million in a High Yield Bond account with T. Rowe Price. These funds would be transferred from the Mellon Domestic TAA..

MOTION ADOPTED UNANIMOUSLY

- Recommend a \$4 million further investment in Accel VI. Commitments to current investments have out paced paid in capital due to forecasting/timing issues.

MOTION was made by J. King and seconded by D. Singleton to approve the Investment Committee's recommendation to invest an additional \$4 million in Accel VI.

MOTION ADOPTED UNANIMOUSLY

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

J. Testerman thanked Christy Ulmer and Carolyn Williams for all of their support over the last year. The Delaware Association of School Administrators was notified that the organization was about to lose their membership as part of the Council due to their lack of attendance over the past year. During the last Council meeting there was a lengthy discussion concerning SB 136 and also the retiree health care liability.

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

### Communications

The Pension Office's updated web site, [www.DelawarePensions.com](http://www.DelawarePensions.com) would be available on June 1, 2001. A public rollout of the site will be planned over the next month.

### Legislation

- David Craik provided a summary of legislation that was introduced since the last Board meeting:
  - SB 160 – Allows retired legislators who are still State Employees to collect their legislative pension at age 65.
  - HB 189 – Allows retired State Police who are currently employed as a “regular” State employee to accrue retirement benefits in the State Employees' Pension Plan. The bill was tabled in the House Public Safety Committee.

### Relocation

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

## **7. AUDIT COMMITTEE**

The annual Entrance Audit was held on May 11, 2001. Ernst & Young will be completing the entire audit this year with a review by the State Auditor's office. Preliminary work will begin on June 18 with the fieldwork to begin on August 6<sup>th</sup>. The audit is expected to be completed by August 20<sup>th</sup>.

**8. EXECUTIVE SESSION**

MOTION was made by J. King and seconded by R. Allen, 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 R. Allen and seconded by D. Singleton 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 D. Singleton and seconded by J. King, to approve the Hearing Officer's Report and Recommendation, whereby the application of Janet Sergeant for credited service is granted for a portion of the credited service that she had requested and that the Pension Office is instructed to collect or refund employee contributions paid or not paid during that period with interest.

**10. ADJOURNMENT**

There being no further business,

MOTION was made by D. Singleton and  
seconded by R. Allen to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

A. Dale Stratton, Chair  
Board of Pension Trustees