

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
MCARDLE BUILDING
860 SILVER LAKE BLVD., SUITE 1
DOVER, DE 19904-2402

When Calling Long Distance
Toll Free Number 1-800-722-7300
E-mail: pensionoffice@state.de.us

Telephone (302) 739-4208
FAX # (302) 739-6129
www.delawarepensions.com

BOARD OF PENSION TRUSTEES
MEETING MINUTES OF JUNE 28, 2005

The meeting of the Board of Pension Trustees was called to order by P. Reese at 9:02 a.m. in the Delaware Conference Room of the Ashford Consulting Group office in Wilmington.

Trustees Present

Philip S. Reese
Robert W. Allen
Jan King
Nancy J. Shevock
Helen Foster

Trustees Absent

Dana Jefferson
Richard Cordrey

Others Present

David Craik, Pension Office
Kim Vincent, Pension Office
Kathy Kunkle, Pension Office
Alice Simon, Pension Office
Terri Timmons, Pension Office
James Testerman, Pension Advisory Committee
Elva Ferrari, Investment Committee
Dale Stratton, Investment Committee
Ted Ashford, Ashford Consulting Group
Rob Gooderham, Ashford Consulting Group
Linda Drew, Ashford Consulting Group

1. OPENING COMMENTS

P. Reese welcomed everyone to the joint meeting of the Board of Pension Trustees and the Investment Committee. An introduction was made of all the attendees.

2. APPROVAL OF THE MINUTES

The Trustees reviewed the minutes of the May 27, 2005 meeting.

MOTION made by Helen Foster and seconded by Nancy Shevock to approve the minutes of the Board of Pension Trustees' May 27, 2005 meeting.

MOTION ADOPTED UNANIMOUSLY

3. INVESTMENT COMMITTEE REPORT

T. Ashford and R. Gooderham spoke about the DPERS Manager and Benchmark Performance as of 5/31/05 and a discussion followed.

INVESTMENT PERFORMANCE – MONTH ENDING MAY 31, 2005

<u>Fund</u>	<u>Previous Month</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	1.8 %	8.4 %	15.2 %
S & P 500 Index	3.2 %	6.2 %	18.3 %
60/35/5*	2.4 %	6.0 %	10.3 %
Delaware Benchmark**	2.2 %	7.4 %	11.5 %

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

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

The next meeting of the Investment Committee is July 19th.

4. EXECUTIVE SESSION

MOTION was made by P. Reese and seconded by N. Shevock, that the Board go into Executive Session to hear a presentation by Legg Mason Capital Management.

MOTION ADOPTED UNANIMOUSLY

The Board then moved into Executive Session to hear a presentation by Legg Mason Capital Management.

MOTION was made by R. Allen and seconded by H. Foster to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

5. AUDIT COMMITTEE REPORT

R. Allen stated that the annual audit is on schedule but that we are still without a contract with KPMG.

6. PENSION ADVISORY COUNCIL

J. Testerman spoke about the proposed legislation in regards for the 2% raise and the pre-funding for medical benefits for retirees.

J. Testerman also voiced his concerns in reference to three issues with the proposed disability bill.

- No return to work provision
- No definition of disability
- Long term disability retirees will receive mostly a social security benefit

In response to the items raised by J. Testerman, D. Craik commented that the first two items have received quite a bit of discussion in various meetings and will be handled in the Rules and Regulations that will be adopted for this program. The last item is misleading in that the Long Term Disability benefit will be offset by any Social Security benefits that are received, but the employee will still be receiving 60% of salary during this period.

7. DEPUTY ATTORNEY GENERAL REPORT

M. Kramarck was not in attendance. The Board is current on all outstanding appeals.

8. PENSION ADMINISTRATOR'S REPORT

Disability Project Update

D. Craik stated that the Disability Project is waiting legislative action.

Legislation

D. Craik stated that there were a number of bills awaiting action.

- New State Police plan, would increase health insurance and survivor benefits for survivors of troopers that were killed in the line of duty.
- County/Municipal plans, removing the integration of Social Security benefits from the calculation of pension benefits for both the General and Police employees. This would also apply to retirees who have had their benefits reduced.
- Post Retirement Increase
- Judicial plan, allows a judge to use previous service in the State Employees Pension Plan for eligibility under the Judges Plan
- Legislation to implement the recommendations of the Sunset Commission

OPEB Task Force

D. Craik updated the Board on the activities of the task force. The next meeting is scheduled for July 21st. Over the next several months, the actuary Milliman USA, will be performing a number of calculations regarding the calculations of the liability for the retiree health insurance. D. Craik asked the Board to authorize funds to pay the expenses from the Post-Retirement Health Insurance Premium Fund.

MOTION was made by R. Allen and seconded by N. Shevock to authorize funds to pay the expenses for the OPEB task force from the Post-Retirement Health Insurance Premium Fund.

MOTION ADOPTED UNANIMOUSLY

8. PENDING ITEMS

D. Craik reported that the Pending Items list has not changed at this time.

9. RESOLUTION

In honor of Elva Ferrari stepping down as Chair of the Investment Committee, P. Reese read a Resolution that had been prepared and presented it to E. Ferrari. P. Reese thanked E. Ferrari for her dedication and service to the Board of Pension Trustees Investment Committee. A copy of the Resolution is attached.

MOTION was made by J. King and seconded by N. Shevock to approve the Resolution of Elva Ferrari.

MOTION ADOPTED UNANIMOUSLY

10. ADJOURNMENT

The next Pension Board meeting will be held on July 29, 2005, at 9:00, in the Delaware Conference Room of the Office of Pensions.

At 12:06 p.m., there being no further business,
MOTION was made by H. Foster and
Seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik
Pension Administrator

Philip S. Reese
Board of Pension Trustees Chairman