

**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
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**BOARD OF PENSION TRUSTEES**  
**MEETING MINUTES OF MARCH 18, 2005**

The meeting of the Board of Pension Trustees was called to order by R. Allen at 9:25 a.m. in the Delaware Conference Room of the Office of Pensions in Dover.

Trustees Present

Robert W. Allen  
Helen Foster  
Dana Jefferson  
Nancy J. Shevock

Trustees Absent

Philip S. Reese  
Jan King  
Richard Cordrey

Others Present

David Craik, Pension Office  
Kim Vincent, Pension Office  
Kathy Kunkle, Pension Office  
Teresa Timmons, Pension Office  
James Testerman, Pension Advisory Committee  
Charlotte Lister, Pension Advisory Committee

**1. OPENING COMMENTS**

The meeting of the Board of Pensions Trustees was called to order by R. Allen in P. Reese's absence.

**2. APPROVAL OF THE MINUTES**

The Trustees reviewed the minutes of the February 25, 2004 meeting.

MOTION made by H. Foster and seconded by N. Shevock to approve the minutes of the Board of Pension Trustees' February 25, 2005, meeting.

MOTION ADOPTED UNANIMOUSLY

**3. INVESTMENT COMMITTEE REPORT**

In J. King's absence, D. Craik reported that the Mercantile-Safe Deposit & Trust conversion to a new banking system had not gone as smoothly as hoped. The January account statements were not produced until early March. The February production was better, and the account summaries were released on March 18. Mercantile is hoping to be back on its previous production schedule for March.

**4. AUDIT COMMITTEE REPORT**

R. Allen reported that the Audit Entrance meeting with KPMG has been scheduled for April 26. The final contract for the FY 2005 audit has not yet been received from the State Auditor's Office.

**5. PENSION ADVISORY COUNCIL**

J. Testerman praised D. Craik for his presentation at the DSEA pension workshop. There were more than 70 participants, many of whom provided positive feedback for the session.

**6. PENSION ADMINISTRATOR'S REPORT**

D. Craik shared a draft letter with Board members that would be sent to members of the Joint Finance Committee and J. J. Davis, the designated Secretary for the proposed Office of Management and Budget (OMB). H. Foster recommended that the final version clarify that there should be high-level representation from both representation the State human resource area as well as the OMB. D. Craik will share the revised letter with P. Reese.

**5. PENSION ADMINISTRATOR'S REPORT (continued)**

D. Craik gave the Board an update on the Actuarial contract. The original contract was issued for a three-year period, and allowed for a one or two year extension. The initial three-year contract has expired, and Milliman sent a letter dated March 11, 2005, offering the stipulated contract renewals. As the initial contract was signed before Milliman instituted a policy limiting their professional liability to no more than the annual contract fee amount, the System is still covered by the unlimited liability clause in the original contract. D. Craik also reported that the actuary assigned to this account has left Milliman, and new staff personal has been assigned. D. Craik recommended that the Board approve a one-year contract extension, and begin the RFP process for actuarial services later in the calendar year.

MOTION made by N. Shevock, seconded by D. Jefferson to approve a one-year extension of the consulting agreement with Milliman pursuant to their March 11, 2005, letter and with the terms of the original contract.

MOTION ADOPTED UNANIMOUSLY

D. Craik reviewed the proposed Office of Pensions budget changes for FY 2006. He indicated that he will provide the Board with ongoing updates throughout the coming budget cycle. FY2007 budget preparation begins in late summer; the Budget Office reviews and compiles all agency budgets in the fall; the Governor presents a recommended budget in January which the Joint Finance Committee reviews in March. The legislature then passes a budget by June 30.

After completing site reviews of potential vendors, the disability project team has a recommendation for the proposed State disability program. Once the Employee Benefits Committee adopts the recommendation, work can begin with the vendor to draft legislation for consideration before the legislative session ends on June 30.

D. Craik reviewed the disability pensions tracking list. In order to provide more consistent information, he will have the tracking begin as of the date of application receipt (not the effective date). In addition, when a new disability insurance program begins in January, fewer cases will come through this tracking.

Two bills have been introduced in the Legislature recently that would affect Pensions. One bill would allow employees age 55 with 15 years of service to retire without a pension benefit reduction. The other bill would implement the recommendation of the Joint Sunset Committee to organizationally move the Board from the Department of Finance to the State Personnel Office.

**7. DEPUTY ATTORNEY GENERAL REPORT**

A lengthy discussion took place that addressed many overlapping concerns involving recently retired SEPP pensioners returning to work as casual/seasonal employees without affecting their pensions. M. Kramarck reviewed statutory construction of applicable sections of the Delaware Code and advised the Board that ultimately they should define casual/seasonal for purposes of pension eligibility. At the conclusion of the discussion, R. Allen asked D. Craik to put together a meeting in the next 60 days of interested parties to review relevant parts of the Delaware Code in order to make recommendations to the Board that are consistent with other State rules and processes. R. Allen indicated he would be willing to serve on that work group.

**8. PENDING ITEMS**

Three meetings have been scheduled in April for the Best Practices Review.

**9. ADJOURNMENT**

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

At 10:30 a.m., there being no further business, MOTION was made by N. Shevock and seconded by H. Foster to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

David C. Craik  
Pension Administrator

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Philip S. Reese  
Board of Pension Trustees Chairman