

James B. Testerman, Chairman
Delaware State Education Association

Lawrence Talley, 1st Vice Chairman
Delaware State Troopers' Association

Charlotte T. Lister, 2nd Vice Chairman
At-Large

Delaware Retired School Personnel Association
Delaware Association of School Administrators
Delaware School Food Service Association
Delaware National Guard
University of Delaware Salaried Staff Association
Delaware Fraternal Order of Police
(13) International Association of Firefighters
Local 1590 City of Wilmington Firefighters

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
PENSION ADVISORY COUNCIL
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MEETING SUMMARY OF THE STATE PENSION ADVISORY COUNCIL 11/13/07

1. The meeting was called to order at approximately 1:35 p.m. in the Board room on the 2nd floor of the McArdle Building, 860 Silver Lake Blvd., Suite 1, Dover, DE.

2. Members present:

Joseph Malloy	IAF
Nancy Patterson	DNG
Joe Vrudny	DRSPA
Charlotte Lister	At Large
Jim Testerman	DSEA

3. Members absent:

Larry Tally	DSTA
Brian Douty	FOP, State Lodge
Louise Cloutier	UDSSA
Edward Seibert	DSFSA

4. Additions to the agenda. Discussion of giving up the \$6,000 pension contribution exemption for elimination of the early retirement penalty.

5. Approval of the Minutes of 6/12/07. The minutes were not approved due to the lack of a quorum.

6. Announcements and correspondence. None

7. From the Board of Pension Trustees meetings.

- a. At the May Board meeting, a 20-year rolling amortization period was adopted for plan changes to include surpluses and deficits. The Fund contained \$7.326 billion with 2.5% earnings for April and the FY 11.4%, CY 5.9%. The Board received a briefing on derivatives.
- b. In June, the Trust Fund contained \$7.440 billion with a 1.9% gain the previous month, 16% for the FY and 7.0% for the CY. The OPEB legislation was discussed. The Pension Board was given responsibility for investing OPEB funds and the fund could not be co-mingled with the Pension Trust Fund. \$30.4 million that was surplus in the state medical benefit account was moved into the OPEB Fund. With the \$10 million in the Governors Budget, the OPEB Fund increased by about \$40.4 million.
- c. In September, the Trust Fund contained \$7.346 billion down .6% from the previous month. The CY was reported at 5.9%. The KPMG Auditors reported a clean audit, which was accepted by the Board.
- d. In October, the Trust Fund contained \$7.525 billion with earnings in September of 3.1%, FY 2.6% and 12 months 14.4%. Fiona Liston of Cheiron, the Board's actuarial firm, presented the Fund Valuation for the next fiscal year. The rate for the state employees plan is 5.67%. A surplus of \$230 million from the last FY will be applied over the next 20 years to reduce normal costs.

8. Legislative Goals for 2008. Charlotte Lister feels that with the great emphasis we have on pre-funding medical benefits, at this time, this should be a high priority but maybe not the top priority for next year. Joseph Malloy feels we should place more emphasis on removing the penalty for early retirement. Joe Vrudny is pessimistic about the revenue picture, which might greatly affect our legislative goals. Jim Testerman feels we will have the early retirement penalty removed within the next 4 or 5 years.

9. Discussion of giving up the \$6,000.00 pension exemption for removal of the early retirement penalty.

Chairman Testerman explained that he was responsible, in the 1976 Pension Compromise, for the \$6,000 contribution exemption. The rate paid by state employees, at that time, was 5% instead of the 2% paid today. He sought the exemption for school cafeteria workers who were making about \$2,000 per year and for custodians and instructional aides. The need is still there as much today as it was in 1976 because relative salaries have not increased especially for cafeteria workers. It is not possible to exempt only those people because of court decisions that require any benefit to be given to all members covered by state employee pensions. There was no other discussion of this matter and not action.

Respectfully submitted,

Jim Testerman, Chairman