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STATE BOARD OF PENSION TRUSTEES
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BOARD OF PENSION TRUSTEES GOVERNANCE COMMITTEE
PUBLIC MEETING MINUTES OF AUGUST 17, 2023

The Governance Committee meeting was called to order by P. Tikellis, Chair, at 10:06 a.m. via video and teleconferencing.

Members Present

Pam Tikellis
Jim Burke
Harold Stafford
Dale Stratton
George Saxon

Others Present

Joanna Adams, Pension Office
Vicki Schultes, Pension Office
Ryan Connell, Deputy Attorney General

1. OPENING COMMENTS

P. Tikellis welcomed everyone to the meeting.

2. PUBLIC COMMENTS

No public comments were presented.

3. APPROVAL OF THE MINUTES

The Public Minutes of the May 18, 2023, Governance Committee meeting were reviewed.

MOTION made by D. Stratton and seconded by H. Stafford to approve the Public Minutes of the May 18, 2023, meeting as submitted.

MOTION ADOPTED UNANIMOUSLY

The Executive Minutes of the May 18, 2023, Governance Committee meeting were reviewed in Executive Session.

MOTION made by D. Stratton and seconded by H. Stafford to approve the Executive Minutes of the May 18, 2023, meeting with technical changes as noted.

MOTION ADOPTED UNANIMOUSLY

4. PENSION ADMINISTRATOR UPDATE

LEGISLATION:

J. Adams reported on the following active legislation:

HOUSE BILL 63:

This Act allows pensioners to earn \$50,000 (instead of \$40,000) before incurring a \$1.00 deduction to their state pension for every \$2.00 earned over that amount. This was reported out of the Senate Elections and Government Affairs Committee on March 28, 2023. There is no direct cost to the State. This Act was signed by the Governor on June 27, 2023.

SENATE BILL 174:

This Act, which was introduced on June 13, 2023, and adds Justices of the Peace, Commissioners, and Masters in Chancery to the State Judicial Pension Plan. Those who currently serve in these positions are enrolled in the State Employees' Pension Plan. This legislation initiates a transition from the State Employees' Pension Plan into the State Judicial Pension Plan. This impacts approximately 80 members at a cost of more than \$3 million annually.

SENATE BILL 175:

This Act requires that every year, at least 1% of the total of all General Fund operating budget appropriations for the prior fiscal year is appropriated to the OPEB Fund and was signed into law on July 17, 2023.

POSITIONS UPDATE:

Ms. Adams reported on vacant positions. Three vacant positions have been posted and are moving through the hiring process:

- Cash and Debt Manager II - First interviews were conducted August 16, 2023.
- HR Supervisor - Vacant due to internal promotion. This position will be reposted.
- Limited Term Human Resource Analyst I - Vacant due to internal promotion.

The Administrative Specialist II position is on hold for reclassification, awaiting action from the Department of Human Resources (DHR).

OTHER ITEMS:

RETIREE HEALTHCARE BENEFITS ADVISORY SUBCOMMITTEE (RHBAS):

J. Adams shared that RHBAS is an advisory board, not a decision-making entity. The work of the subcommittee is ongoing, continuing with the preparation of a draft report to be released to the General Assembly and the Governor by October 1, 2023. A motion was made at the last RHBAS meeting to grandfather current retirees and those who will be retiring on or before January 1, 2025, for eligibility for Medicare Supplement Plan.

ERP MODERNIZATION PROJECT:

J. Adams reported that the Office has completed the documentation of the current business requirements. Theoretically, DPERS' RFP could be completed by the end of 2023. The end solution will combine several systems into one - pension administration, imaging, general ledger, etc. - which will require less maintenance.

5. BOARD OF PENSION TRUSTEES REPORT

J. Adams provided a summary of the May, June, and July 2023 Board of Pension Trustees meetings:

MAY:

Strategic Systems Project Lead for the Office of Pensions (Office) E. Sparpaglione provided a brief demonstration of the DPERS mobile app. The primary objective for the app is to enhance communicating with DPERS' members. Upon opening the app, users can access FAQ's, a message from the Pension Administrator, and a retirement countdown feature to calculate the time remaining until the user's retirement. Notifications are an opt-in feature that will pop up. This app is available in the Apple App Store and the Google Play store, and will work on tablets, smartphones, and other typical devices.

A volunteer fire company submitted a resolution requesting to participate in the County and Municipal Police/Firefighter Pension Plan on or after July 1, 2023. The entity intends to transfer some members from the County and Municipal General Pension Plan to the County and Municipal Police/Firefighter Pension Plan, due to decreased employer contribution rates.

J. Adams acknowledged the Office is concerned about the ongoing vacancy of the Cash and Debt Manager position during the financial reporting season. There is going to be a certain degree of limitation of K. Makanjuola's ability to completely fulfill her independent obligations as Internal Audit Director.

JUNE:

D. Taylor provided an overview of J. Testerman's retirement dinner, which included proclamations from Governor Carney, Lieutenant Governor Hall-Long, and members of the General Assembly. J. Testerman was the Pension Advisory Council's (the Council) first Chairman. J. Testerman's future attendance and involvement with the Council is uncertain.

The Harrington Fire Company switched from the County and Municipal General Plan to the County and Municipal Police/Firefighters Pension Plan effective July 1, 2023.

The Board of Pension Trustees accepted the recommendations of the Technical Review Committee to select Cheiron for the actuarial services contract, and Buck Global, LLP for the actuarial audit.

The Board of Pension Trustees voted to maintain the expected annual return of 7%.

JULY:

H. Stafford reported that the Audit Committee met on July 14, 2023. All previous members and two new members of BDO will continue with their external audit services.

H. Stafford also shared that BDO (USA, LLP) changed from a partnership structure to a professional services corporation on July 1, 2023. There should not be any impact DPERS aside from BDO's signature link on their organizational documents and materials reflecting their new name: BDO USA, PA.

The Audit Committee voted to accept and approve the Internal Audit Report and Fiscal Year 2024 Internal Audit Plan as presented during the July 14, 2023, Audit Committee meeting.

Two additional entities submitted a resolution requesting to participate in the County and Municipal Police/Firefighter Pension Plan on or after July 1, 2023.

6. COMMITTEE UPDATES

INVESTMENT COMMITTEE:

G. Saxon reported that no material shifts in asset allocation have occurred since the May 18, 2023, Governance Committee meeting. Two significant presentations from growth managers T. Rowe Price and Baillie Gifford Health Innovations B Acc Fund were provided; both reviews were favorable.

The next Investment Committee meeting is scheduled for September 19, 2023.

AUDIT COMMITTEE:

H. Stafford reported that BDO presented the Fiscal Year 2024 Internal Audit Plan during the July 14, 2023, Audit Committee meeting.

Planning is expected to continue to occur through delivery of the year end Trust reports in late July and early August 2023. Year-end fieldwork will occur in August through October 2023 with significant test work scheduled for September.

H. Stafford also shared that BDO USA, LLP changed from a partnership structure to a professional services corporation on July 1, 2023. There should not be any impact to the Delaware Public Employees' Retirement System (DPERS) aside from BDO's signature link on their organizational documents and materials reflecting their new name: BDO USA, PA.

The next Audit Committee meeting is scheduled for November 8, 2023.

7. DEPUTY ATTORNEY GENERAL UPDATE

R. Connell provided an overview of the Delaware Public Employees' Retirement System (DPERS) Board Education Policy and the Code of Conduct, respectively:

BOARD EDUCATION POLICY:

The Board Education Policy was discussed. Technical changes were suggested for Section 1 (General Provisions). Comments regarding the enforcement of minimal attendance requirements followed. Meeting attendance should be encouraged rather than required, with at least one meeting attended per year.

Clarification is needed to determine tracking and measuring conference and training hours. Education for technology, including cybersecurity, Environmental, Social, and Governance (ESG), and artificial intelligence should be prioritized.

Non-substantive changes were also suggested for Section 2 (Trustee Orientation). Suggested revisions for Section 3 (Trustee Reference Manual) included striking subsections 3.8 and 3.9.

CODE OF CONDUCT:

The Code of Conduct was reviewed. Technical changes to Section 6 were suggested.

J. Adams commented that the updates to these policies are made by DPERS' legal team and the Executive Assistant. Significant formatting revisions need to be made to these documents.

The suggested changes to these policies will be made in the coming months. The revised policies will be electronically sent to the Governance Committee members for review - along with the next policy to be reviewed (Securities Litigation Policy) before the next Governance Committee meeting.

Governance Committee members are encouraged to review these policies and bring suggestions and/or comments to the November 9, 2023, Governance Committee meeting.

MOTION made by G. Saxon and seconded by H. Stafford to enter into Executive Session to consider pension personnel matters, and confidential

medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION ADOPTED UNANIMOUSLY

8. NEW BUSINESS

The next Governance Committee is scheduled for November 9th. Tentative meeting dates for 2024 are as follows:

- February 22, 2024
- May 16, 2024
- August 15, 2024
- November 14, 2024

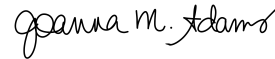
9. ADJOURNMENT

There being no further business:

MOTION was made at 11:50 a.m. by H. Stafford and seconded by J. Burke to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,



Joanna M. Adams
Pension Administrator



Pamela Tikellis (Nov 30, 2023 14:14 EST)

Pamela Tikellis, Chair
Governance Committee