

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF OCTOBER 30, 2020

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:02 a.m. via-video and tele-conferencing.

Trustees Present

Suzanne Grant
Art Agra
Harold Stafford
Tom Shaw
Nancy Shevock
Rick Geisenberger
Mike Jackson

Trustees Absent

Others Present

Joanna Adams, Pension Administrator
Terri Timmons, Pension Office
Jodie Wedel, Deputy Pension Administrator
Ann Marie Johnson, Deputy Attorney General
Ryan Connell, Deputy Attorney General
Cindy Starr, Pension Office
Mary Wood, Pension Office
Khairat Makanjuola, Pension Office
Josh Hitchens, Pension Office
Stephenie Tatman, Pension Office
Rob Gooderham, Windmark
Sara Williams, Windmark
Emily Molinaro, OMB
Sean McNeeley, Department of Finance
Jamie Johnstone, Department of Finance

Joe Malloy, PAC
Kylie Taylor, OMB
Fiona Liston, Cheiron
Margaret Tempkin, Cheiron
Elizabeth Wiley, Cheiron
Mya Ben, Journalist

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the September 25, 2020 meeting.

MOTION made by H. Stafford and seconded by N. Shevock to approve the Public Minutes of the September 25, 2020 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the September 25, 2020 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Executive Minutes of the September 25, 2020 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT UPDATE**

H. Stafford stated the next meeting will be held on November 13th.

4. **GOVERNANCE COMMITTEE UPDATE**

T. Shaw reported that the Committee met earlier this week to discuss future work to be done.

5. **PENSION ADVISORY COUNCIL UPDATE**

J. Adams reported that the next Pensions Advisory Council meeting is scheduled for November 10, 2020, via video conferencing.

6. PENSION ADMINISTRATOR UPDATE

FY20 Actuarial Valuation Results

J. Adams welcomed Fiona Liston, Elizabeth Wiley, and Margaret Tempkin consultants with Cheiron, Inc. who presented the Fiscal Year 2020 Actuarial Valuation to the Board of Pension Trustees. The following topics were discussed:

- Historical Review
 - Growth in Participation
 - Growth in Assets and Liabilities
 - Risk Metrics
 - Contributions
- Principal 6/30/20 Valuation Reports
 - Key Statistics for the State Employees' Pension Plan
 - Number of active employees increased by 2.1%
 - Average salary increased by 4.2%
 - Number of retirees increased by 2.4%
 - Average benefit increased by 1%
 - Principal 6/30/20 Valuation Results
 - Actuarial Accrued Liability is \$11,138 million
 - Actuarial Value of assets is \$9,528 million
 - Unfunded Actuarial Liability is \$1,610 million
 - AVA Funded ratio of 86%
 - MVA Funded ratio of 87%

The following employer contribution rates for FY22 were presented to the Board by Cheiron Inc.:

State Employees'	12.45%
State Judicial	18.21%
State Police	25.28%
County/Municipal General	6.78%
County/Municipal P & F	16.03%
Volunteer Fire	\$447.47 per member
Diamond State Port (closed in FY19)	FY21 \$207,200

Margaret Tempkin, consultant with Cheiron, Inc., presented the Fiscal Year 2020 Actuarial Valuation for Other Post-Employment Benefits. The following topics were discussed:

- OPEB changes since 2019 valuation
- Actuarial Liability vs Market Value of Assets
- GASB overview
- Funding policy
- Prior OPEB Considerations

MOTION made by T. Shaw and seconded by H. Stafford to adopt the FY22 Employer Contribution rates presented to the Board by Cheiron, Inc.

MOTION ADOPTED UNANIMOUSLY

At this point the members of Cheiron left the meeting.

Employee Recognition

J. Adams reported that the IT Group received the Office of Pensions Employee of the Quarter for their hard work during COVID-19, helping employees as they transition to a remote work environment and troubleshooting all technological issues. Their assistance during the carpet installation was also a tremendous help. This group includes Robin Hartnett-Sterner, Eddie Sparpalione, J.R. Passon, and Dan Pope.

Duana Sauls and Dena Fry were awarded Honorable Mention for the quarter. Ms. Sauls stepped up to help her section during the vacancy of our Medicare Specialist position. Ms. Fry, who supervises the Manual Loads Section, worked very closely with entities to ensure their data was submitted by July 10th for the actuarial valuation. Because of her hard work there were minimal issues.

S. Grant stated that on behalf of the Board she thanks these employees for their dedication and hard work.

Positions

Ms. Adams reported that since the last Board meeting we have filled 2 of the 4 H.R. Specialist I positions. We had two other candidates that declined the positions. We currently have 5 vacant H.R. Specialist I positions.

Second interviews for our vacant Investment/Financial Manager have been completed. A candidate was chosen, and we will be extending an offer soon.

Our vacant H.R. Manager and Sr. H.R. Technician positions have been approved to post.

Office Activities

J. Adams reported that the number of walk-in customers was down in the 1st quarter. Employee attendance at our pre-retirement workshops has seen a huge increase. Ms. Adams stated that we have been able to reach a larger group having this as a virtual class. During the quarter our incoming mail dropped while our outgoing mail increased.

Monthly Activities

J. Adams reported on the upcoming classes. On November 7th we will be participating Delaware State Education Association (DSEA) virtual presentation.

Disability Report

J. Adams reported that we had 3 new disability cases for the last quarter.

2021 Meeting Dates

J. Adams reported that the 2021 Board and Committee meeting dates have been scheduled.

2021 Appeal Hearing Dates

J. Adams requested that the Trustees pick two dates for appeal hearings and send them to T. Timmons and C. Starr.

Reporting Schedule

J. Adams stated that there were no changes with the Reporting Schedule except the upcoming meeting dates.

Other

Ms. Adams also reported that we are in the final steps of carpet installation. Painting will continue through the end of the year.

7. DEPUTY ATTORNEY GENERAL UPDATE

Nothing to report.

8. INVESTMENT COMMITTEE UPDATE

Mr. Gooderham reported that Global equity markets fell in September to record their first monthly loss since March. Concerns related to stalled fiscal stimulus negotiations in Washington and rising coronavirus cases in some areas weighed on stocks during the month. In contrast to recent periods, growth underperformed value and US equities underperformed international equities. The Russell 3000 index fell 3.6%, while the MSCI EAFE index declined 2.6% and the MSCI Emerging Markets index was down 1.6%. In fixed income markets, yields moved slightly lower (prices higher) and credit spreads widened, resulting in a 0.2% loss for the Bloomberg Barclays Universal bond index, while the riskier Bloomberg Barclay's High Yield index declined 1.0%.

Mr. Gooderham reported that DPERS Fund assets are estimated to be \$11,785.2 million at September 30, 2020. Representing a net decrease of \$189.9 million during September. Estimated returns for periods ended September 30, 2020 are as follows:

<u>Fund</u>	<u>Sept-20</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	-1.3%	8.9%	14.1%
S & P 500 Index	-3.8%	8.9%	15.1%
Delaware Benchmark**	-2.0%	5.1%	9.4%

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

**Benchmark mix of 38% Russell 3000 Index, 20% MSCI ACWI exUS, 38.5% Barclays Universal Bond Index, 1.5% Barclays TIPS Index, 2% T-bills

Mr. Gooderham reported that the Investment Committee had met twice since the September Board meeting, on September 29th and October 27th.

At its September 29th Investment Committee meeting the Committee reviewed and discussed the following:

- A presentation from T. Rowe Price on their Floating Rate and High Yield Strategies
- Asset Allocation:
 - Review of High Yield & Bank Loan Asset Classes
- Other Business Items:
 - Marcus Capital Partners Update
 - Flagship Fund VII Amendment
- Scheduled Annual Review Items:
 - CAFR Investment Section Review

Mr. Gooderham reported that the Investment Committee had approved under its authority to amend documents relating to manager schedules and contracts over which it exercises authority:

- An amendment to the Limited Partnership Agreement for Flagship Pioneering Origination Fund VII, L.P.
- An amendment to the Limited Partnership for Marcus Capital Partners Funds II & III, L.P., subject to legal review

At its October 27th meeting, Mr. Gooderham reported that the Investment Committee reviewed and discussed:

- Private Investments
 - Special Report on the Exit Environment
 - 2020 Fiscal Year End Private Investment Review
 - Accel Leaders III Recommendation
- The Fund's Money Market Investments
- Windmark's Annual Service Review

At the October 27th meeting, Mr. Gooderham reported that the Investment Committee had approved under its authority:

- A Schedule change to the investment management agreement for the T. Rowe Price High Yield account
- A commitment of up to \$50 million to Accel Leaders Fund III, L.P., subject to legal review of the documents

The next meeting of the Investment Committee is scheduled for Tuesday, November 17, 2020.

MOTION made by A. Agra and seconded by H. Stafford to enter into Executive Session to consider pension personnel matters, and confidential medical records, legal matters, sensitive commercial trade secrets and confidential financial information.

The Board then moved into Executive Session to discuss pending personnel matters, and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Stafford and seconded by T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

10. **NEW BUSINESS**

There was no new business.

11. **ADJOURNMENT**

At 11:18 a.m., there being no further business, **MOTION** was made by S. Grant and seconded by N. Shevock to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Joanna M. Adams
Pension Administrator

Suzanne Grant, Chair
Board of Pension Trustees