

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@delaware.gov

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

BOARD OF PENSION TRUSTEES
MEETING MINUTES OF SEPTEMBER 25, 2020

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:01 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
Mary Wood, Pension Office
Khairat Makanjuola, Pension Office
Josh Hitchens, Pension Office
Stephenie Tatman, Pension Office
Rob Gooderham, Windmark
Garry Musto, Windmark

1. **OPENING COMMENTS**

S. Grant welcomed everyone to the meeting.

2. **APPROVAL OF THE MINUTES**

The Trustees reviewed the Public Minutes of the July 31, 2020 meeting.

MOTION made by T. Shaw and seconded by N. Shevock to approve the Public Minutes of the July 31, 2020 Board of Pension Trustees' meeting, as amended.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the July 31, 2020 meeting.

MOTION made by N. Shevock and seconded by A. Agra to approve the Executive Minutes of the July 31, 2020 Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. **PENSION AUDIT UPDATE**

H. Stafford reported that the next meeting will be on November 13th.

External Audit Update

K. Makanjuola reported that the audit is two-thirds completed and BDO has finished their fieldwork. BDO's testing of asset categories are also complete. All is going well, and a draft report should be ready by the end of October.

4. **GOVERNANCE COMMITTEE UPDATE**

Nothing to report.

5. **PENSION ADVISORY COUNCIL UPDATE**

Nothing to report.

6. PENSION ADMINISTRATOR UPDATE

Employee Recognition

J. Adams commended pension staff for their consistent positive performance despite seasonal and pandemic challenges. Several factors have significantly increased workload for staff. August and September payroll require enhanced effort as August is the busiest payroll month. By way of example, there were almost 400 pension applications for August. Working conditions due to COVID have triggered some late teacher pension applications and Open is continuing to receive pension applications for future retirement dates. October payroll is nearing almost 200 pension applications which is much higher than normal. The University of Delaware early retirement program has created additional eligibility for 170 employees. Applications for the early retirement program, coupled with the predicted typical application numbers for December and January may result in a significant increase in phone calls to staff at year end. Legislative pension applications have increased for two reasons. First there has been an increase in legislative pension applications from unseated legislators due to primary election results. Secondly, there is a favorable pension calculation tier for legislators who were elected prior to 2/1/1997. The office is also planning for February payroll, which is the 2nd highest payroll month, and which historically has the highest number of pension applications by State Police officers.

Positions

Ms. Adams reported that two H.R. Specialist V positions had been filled from within the office. We also filled the Exempt H.R. Specialist III within the benefits section. For our vacant H.R. Specialist I vacancies, we extended offers to four candidates, two accepted and two declined. We also have three other H.R. Specialist I vacancies. The Investment/Financial Manager has posted. The rest of the positions will be filled in the near future.

Office Activities

On September 2nd we held an onsite training for two employers. On September 30th we will hold our 2nd virtual pre-retirement training utilizing WebEx. Changes and updates have been made since the first training and expect enhancements in the future using closed caption.

Reporting Schedule

Meeting dates have been updated.

Other Items

Ms. Adams stated we included our Summer Retiree Newsletter in the Board packet. We partner with the Social Security Administration and receive information we think would be helpful to our retirees.

Annual Budget

Ms. Adams reviewed the FY21 Office of Pensions Annual Budget. The largest area in our budget is Personnel.

S. Grant would like to see a comparison from FY20 to FY21. Ms. Adams stated nothing changed except the budget for Personnel but going forward will share the comparison on an annual basis. S. Grant thanked J. Adams and her team for all their hard work.

7. DEPUTY ATTORNEY GENERAL UPDATE

No public business to report.

8. INVESTMENT COMMITTEE UPDATE

Mr. Gooderham reported that for the first two months of the fiscal year, global equity markets advanced on better-than-expected corporate earnings and economic reports, accommodative monetary policies, and optimism around a coronavirus vaccine. US equities, as measured by the Russell 3000 index, posted a 7.2% gain for the month to a new all-time high, having rallied a long way from COVID-related losses earlier in the year. International equity performance lagged US equities as the MSCI EAE index advanced 5.1% and the MSCI Emerging Markets index was up 2.2%. In fixed income markets, yields moved higher (prices lower) and credit spreads narrowed, resulting in a 0.6% loss for the Bloomberg Barclays Universal bond index, while the riskier Bloomberg Barclays High Yield index was up 1.0%

Mr. Gooderham reported that DPERS Fund assets are estimated to be \$11,975.1 million at August 31, 2020, representing a net increase of \$1,086.3 million during July and August. Estimated returns for July and August and for periods ended August 31, 2020 are as follows:

<u>Fund</u>	<u>Aug-20</u>	<u>Fiscal Year To Date</u>	<u>12-Month</u>
Total Fund	6.2%	10.3%	16.3%
S & P 500 Index	7.2%	13.2%	21.9%
Delaware 7.3%	3.4%	13.3%	12.8%
Benchmark**			

*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 July Board meeting on August 18th and September 15th.

At its August 18th Investment Committee meeting the Committee reviewed and discussed the following:

- Second Quarter 2020 Investment Review
- Baillie Gifford Health Innovation Recommendation
- Asset Allocation:
 - Economic Cycle Overview
 - Market Outlook
 - Allocation Recommendation
- Other Business Items:
 - Focused Schedule D change
 - GQG Schedule A change

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:

- A schedule change to the investment management agreement with Focused Investors account.
- Schedule changes to the investment management agreement governing the GQG Global & GQG U.S. Equity accounts.
- A recommendation to invest \$100 million in the Baillie Gifford Worldwide Health Innovations strategy, subject to legal review.
- A recommendation to terminate and liquidate the Fund's investment in Bridgewater Pure Alpha Major Markets 21 strategy.
- The following allocation recommendations were made:
 - Redeem \$40 million from the T. Rowe Price Floating Rate account.
 - Invest \$100 million in the Kiltarn Global Equity Fund.
 - Invest the balance of the meeting's other transaction and pending proceeds from Angelo Gordon Superfund in the Cash account (total of approximately \$45 million).

Mr. Gooderham reported that at the September 15th Investment Committee meeting the Investment Committee reviewed and discussed the following:

- A presentation from Baillie Gifford on their Worldwide Healthcare Innovation Strategy.
- Other Business Items:
 - Kiltarn Schedule D change.
 - TRP GGE Schedule E change.
 - DoubleLine Schedule A change.
 - Proposed 2021 DPERS IC Meeting Dates.
- Scheduled Annual Review Items:
 - Northern Trust Custodial Review.
 - Commission Report.
 - Proxy Voting.

Mr. Gooderham reported that during the September 15th Investment Committee meeting the Committee had approved under its authority to amend documents relating to manager schedules and contracts over which it exercises authority:

- Side letter changes to the investment management agreement with the Kiltarn Global Equity account.
- A Schedule change to the investment management agreement with T. Rowe Price Global Growth Equity account.
- A Schedule change to the investment management agreement with the DoubleLine Total Return account, subject to legal review

The next meeting of the Investment Committee is scheduled for Tuesday, September 29th.

MOTION made by H. Stafford and seconded by A. Agra 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 legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by T. Shaw to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by N. Shevock and seconded by T. Shaw to approve the Resolution to permit the Hockessin Fire Company to enter into a contract to allow the Fire Company to participate in the State of Delaware County and Municipal Pension Plan.

MOTION ADOPTED UNANIMOUSLY

10. **NEW BUSINESS**

S. Grant publicly commended Investment Chair George Saxon for his service to the Investment Committee and presented the following Resolution of the Board of Pension Trustees on behalf of the Board:

WHEREAS, George Saxon, who has served with distinction as the Investment Committee Chair since February 2009 wishes to step down as Chair, and

WHEREAS, under the leadership of Mr. Saxon, the DPERS Fund return was a cumulative 231% or 10.9% annualized and fund assets increased from \$5.19 billion to \$11.97 billion, exceeding the Fund's benchmark, and

WHEREAS, Mr. Saxon's leadership has been characterized by his diligent, insightful and collaborative guidance,

NOW, THEREFORE, BE IT RESOLVED THAT:

The Board commends Mr. Saxon for his leadership, and expresses its gratitude, on behalf of the DPERS beneficiaries, and thanks him for his service to the State of Delaware.

MOTION made by A. Agra and seconded by N. Shevock to approve the Resolution to commend Mr. Saxon for his leadership, and expresses its gratitude, on behalf of the DPERS beneficiaries, and thanks him for his service to the State of Delaware.

MOTION ADOPTED UNANIMOUSLY

S. Grant announced that Art Agra had agreed to serve as the new chair of the Investment Committee, and presented the following resolution on behalf of the Board:

WHEREAS, the Board of Pension Trustees ("Board") is established by 29 *Del. C.* Ch. 83, and

WHEREAS, pursuant to the 29 *Del. C.* § 8308(b) the Board shall administer the Delaware Public Employees' Retirement System, ("DPERS") and

WHEREAS, the Board has created the Investment Committee, consistent with its authorities as set forth in §8308(c)(15) and the Board Operating Policy, §I C.6, and

WHEREAS, the Board's Operating Handbook § I C.7 states that the Chair of the Investment Committee shall be appointed by Board resolution, upon the recommendation of the Chair, and,

WHEREAS, in making Committee appointments, the Board and the Chair will consider continuity in committee membership, opportunities for the diversified experience of trustees and requisite expertise, and

WHEREAS, George Saxon, who has served with distinction as the Investment Committee Chair since February 2009 and wishes to step down as Chair, and

WHEREAS, the Chair has recommended that Board Member Art Agra be appointed to serve as Chair of the Investment Committee, and

WHEREAS, Art Agra has served on the Board since January 2012, and as a member of the Investment Committee since June 2015, and

WHEREAS, the Board finds that Mr. Agra has demonstrated the requisite continuity of committee membership, diversified experience and requisite expertise required to chair the Investment Committee,

NOW, THEREFORE, BE IT RESOLVED THAT:

The Board appoints Mr. Art Agra to serve as Chair of the DPERS Investment Committee

MOTION made by N. Shevock and T. Shaw to approve the appointment of Art Agra to serve as the Chair of the DPERS Investment Committee.

**MOTION ADOPTED UNANIMOUSLY
WITH ART AGRA ABSTAINING.**

11. ADJOURNMENT

At 11:28 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

Joanna M. Adams (Oct 26, 2020 12:44 EDT)

Joanna M. Adams
Pension Administrator

Suzanne B. Grant
Suzanne B. Grant (Nov 2, 2020 12:43 EST)

Suzanne Grant, Chair
Board of Pension Trustees