



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
OFFICE OF PENSIONS
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BOARD OF PENSION TRUSTEES
PUBLIC MEETING MINUTES OF OCTOBER 28, 2022

The special meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:03 a.m., via videoconferencing.

Trustees Present

Suzanne Grant
Art Agra
Cerron Cade
Rick Geisenberger
Ken Simplr
Harold Stafford
Nancy Shevock

Others Present

Joanna Adams, Pension Administrator
Stephenie Tatman, Deputy Pension Administrator
Ryan Connell, Deputy Attorney General
Kristal Diaz, Pension Office
Josh Hitchens, Pension Office
Khairat Makanjuola, Pension Office
Joseph Malloy, Pension Advisory Council
William O'Brien, Deputy Attorney General
Vicki Schultes, Pension Office
Cindy Starr, Pension Office
Amy Cole, Pension Office
Mary Wood, Pension Office
Fiona Liston, Cheiron, Inc.

Margaret Tempkin, Cheiron, Inc.
Elizabeth Wiley, Cheiron, Inc.
Bert Scoglietti, Controller General's Office
Jeanette Hammon, Office of Management and Budget
Carla Cassell-Carter, Office of Management and Budget
Kylie Taylor, Office of Management and Budget
Cyril Español, journalist, *With Intelligence*
Drew Dinger, Windmark Investment Partners
Rob Gooderham, Windmark Investment Partners
Garry Musto, Windmark Investment Partners
Pat Paoli, Windmark Investment Partners

1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting virtually.

2. APPROVAL OF THE MINUTES OF THE BOARD OF PENSION TRUSTEES MEETING OF SEPTEMBER 30, 2022

The Public Minutes of the September 30, 2022 meeting were reviewed.

MOTION was made by N. Shevock and seconded by A. Agra to approve the Public Minutes of the September 30, 2022 Board of Pension Trustees meeting as presented.

MOTION ADOPTED UNANIMOUSLY.

The Executive Minutes of the September 30, 2022 meeting were reviewed in Executive Session.

MOTION was made by K. Simpler and seconded by H. Stafford to approve the Executive Minutes of the September 30, 2022 Board of Pension Trustees meeting with technical changes as noted.

MOTION ADOPTED UNANIMOUSLY.

3. APPROVAL OF THE MINUTES OF THE BOARD OF PENSION TRUSTEES MEETING OF OCTOBER 14, 2022

The Public Minutes of the October 14, 2022 meeting were reviewed.

MOTION was made by H. Stafford and seconded by R. Geisenberger to approve the Public Minutes of the October 14, 2022 Board of Pension Trustees meeting as presented.

MOTION ADOPTED UNANIMOUSLY.

The Executive Minutes of the October 14, 2022 meeting were reviewed in Executive Session.

MOTION was made by H. Stafford and seconded by K. Simpler to approve the Executive Minutes of the October 14, 2022 Board of Pension Trustees meeting as presented.

MOTION ADOPTED UNANIMOUSLY.

4. AUDIT COMMITTEE REPORT

H. Stafford stated that the Audit Committee had not met since the July 2022 Audit Committee meeting. The next Audit Committee meeting is scheduled for November 4, 2022.

5. GOVERNANCE COMMITTEE REPORT

S. Tatman reported that the Governance Committee has not met since the September Board of Pension Trustees meeting.

The next Governance Committee meeting is scheduled for November 9, 2022.

6. PENSION ADVISORY COUNCIL REPORT

J. Malloy reported that the upcoming meeting agenda will include the election of officers starting in December. The Pension Advisory Council will continue to fight for health benefits for those who have served Delaware.

The next Pension Advisory Council meeting is scheduled for November 15, 2022.

7. STATE PENSION ADMINISTRATOR'S REPORT

S. Tatman reported that DPERS received the Public Pension Coordinating Council award for Fiscal Year 22. The Public Pension Standards Award for Funding and Administration is presented to Delaware Public Employees' Retirement System in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards. The Public Pension Standards are intended to reflect minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured.

FY22 ACTUARIAL VALUATION: Ms. Adams welcomed Fiona Liston, Elizabeth Wiley, and Margaret Tempkin, consultants with Cheiron, Inc., who presented the Fiscal Year 2022 Actuarial Valuation to the Board of Pension Trustees. The following topics were discussed:

- Historical review/risk metrics – State Employees' Plan
- Changes since the 2021 valuation
- Principal 6/30/2022 valuation results
 - State Employees' details
 - Contribution results for all Plans
- Stress testing
- GASB 67/68

The following employer contribution rates for FY24 were presented to the Board by Cheiron, Inc.:

- | | |
|----------------------------|---------------------|
| • State Employees' | 11.71% |
| • State Judicial | 11.13% |
| • State Police | 27.86% |
| • County/Municipal General | 5.59% |
| • County/Municipal P & F | 12.74% |
| • Volunteer Fire | \$603.08 per member |
| • Diamond State Port | \$0.00 |

M. Tempkin provided an overview of Other Post-Employment Benefits (OPEB):

- Principal 6/30/2022 valuation results
- GASB 74/75
- Funding Policy

S. Grant requested a motion to approve Cheiron's recommendation of the employer's actuarially-determined contribution rates for FY24 for all plans.

MOTION made by A. Agra and seconded by R. Geisenberger to approve Cheiron's recommendation of the employer's actuarially-

determined contribution rates for FY24 for all plans.

MOTION ADOPTED UNANIMOUSLY

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

MOTION ADOPTED UNANIMOUSLY

MOTION made by A. Agra and seconded by H. Stafford to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

EMPLOYEE RECOGNITION:

Arielle Hyler, a member of the Pension Calculation team, was selected as Employee of the Quarter. Arielle's supervisor, Kari Overington, nominated Arielle "because she is amazing and takes care of things without being asked. Arielle acts as a supervisor although she is not in that role and is very conscientious. She mentors other staff, and continually works above and beyond, handling a tremendous workload." We congratulate Arielle and thank her for her dedication.

POSITIONS UPDATE:

The Office of Pensions has conducted interviews for three limited-term positions, with second-round interviews scheduled for next week. The Office of Pensions has also posted three Human Resource Analyst positions for the Pension Calculations team; the second interviews were conducted on October 25. The Office of Pensions forwarded their request to hire to the Department of Human Resources (DHR).

The HRIS Specialist position is on hold while it is being reclassified with DHR. The Human Resources Supervisor position is also on hold, waiting for a second Human Resource Supervisor position that was awarded to the Office of Pensions through the Fiscal Year 23 Budget.

OFFICE ACTIVITIES:

S. Tatman reported that 819 pension applications were processed by the Office of Pensions staff in the last quarter. This is 20% higher than the same quarter from last year, with a record number of applications being processed. Office of Pensions staff noted there were more pension applications for teachers than in the previous year. Additional Office of Pensions metrics were presented, which include statistics on 488 individual counseling sessions held in the recent quarter. In addition, these statistics will be used in benchmarking with our peers.

The Office of Pensions conducted three virtual educational activities in October.

In addition, Office of Pensions staff participated in six open enrollment sessions to provide information and answer questions relating to the Medicare Advantage Plan implementation. Ms. Adams and S. Tatman attended at least six evening town hall meetings collectively that were hosted by legislators to address their constituents' concerns.

Over 27,000 documents were imaged by Office of Pensions staff last quarter; many of which attributed to our record August payroll as well as the Medicare Advantage transition – a 40% increase over what we

typically see for the same time in previous quarters. Support Services' staff was recognized for managing the increased workload.

S. Grant thanked the whole team for their hard work in these challenging times with increased workloads. C. Cade also shared in the sentiment of appreciation, stating that receiving positive feedback while taking a lot of heat from folks is not an easy task, yet the Office of Pensions staff continues to offer professionalism while representing the System with grace.

SS 1 FOR SB 14 W/ SA 1, SA 3, AND HA 1 - This bill mandates that PRIs for retirees who have been retired at least 20 years from the date of the increase receive more than those retirees who have been retired less than 20 years. It also prevents substantively automatic PRIs which refers to PRIs paid on a regular basis or pattern such as biannually or every 3 years. This was signed by the Governor on October 26, 2022.

MEDICARE ADVANTAGE IMPLEMENTATION/STATUS:

Ms. Adams reported that the State Employees Benefits Committee (SEBC) and Statewide Benefits Office (SBO) have worked closely with the Office of Pensions to implement the Medicare Advantage Plan on January 1, 2023, since late spring. RISE Delaware filed a lawsuit against the State of Delaware; on October 19, 2022, a judge granted a motion to stay, which resulted in a halt of our activity.

On October 24, 2022, the SEBC voted to delay the implementation of the Medicare Advantage Plan through calendar year 2023. The Office of Pensions will continue to administer the Special Medicaid Plan, and now must undo any changes that were made in preparation for the Medicare Advantage Plan implementation. The Office of Pensions is in the process of communicating and working through any necessary elections or benefit changes with our retirees to address these changes.

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

MOTION ADOPTED UNANIMOUSLY

8. DEPUTY ATTORNEY GENERAL REPORT

R. Connell provided an overview of the markup of the Delaware Public Employees' Retirement System (DPERS) Statement of Investment Policies and Objectives.

MOTION made by H. Stafford and seconded by R. Geisenberger to approve the Investment Policy Statement as presented.

MOTION ADOPTED UNANIMOUSLY

9. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that global equity markets experienced a difficult September, adding to an already difficult year. Weighing on investor sentiment were concerns over high inflation, rising interest rates, softening economic growth, in addition to UK policy turmoil and global currency volatility. Equity market declines were substantial across regions as the Russell 3000 index declined by 9.3%, the Morgan Stanley Capital International/Europe, Australasia, and the Far East (MSCI EAFE) index fell 9.4% and the MSCI Emerging Markets index moved lower by 11.7%. The Federal Reserve Board reiterated its intention to continue raising interest rates to address inflation, even at the risk of a potential recession. For the month,

the broad Bloomberg Universal index fell 4.3% and the more credit-sensitive Bloomberg High Yield index declined by 4.0%.

Mr. Gooderham reported that DPERS Fund assets at Northern Trust were estimated to be \$12,255.4 million at September 30, 2022, representing a net decrease of \$736.0 million during the month. Estimated returns through September 30, 2022 are as follows:

	Month Ended 09-30-22	Qtr & Fiscal YTD 09-30-2022	Calendar YTD 09-30-22	1 Year Ended 09-30-22
Total Fund	-5.4	-5.7	-19.9	-15.9
DPERS Policy Benchmark**	-7.9	-5.5	-21.8	-18.2
S&P 500 Index	-9.2	-4.9	-23.9	-15.5

** Benchmark mix: 46% Russell 3000 Index, 24% MSCI ACWI ex US IMI (Net), 27.0% BB Universal Bond Index, 3% T-bills

Mr. Gooderham reported that since the September Board meeting, the Committee had met once on October 18th. At that meeting, Mr. Gooderham advised that, in addition to the approved items below, the Committee reviewed and discussed:

- Quarterly Private Investment Review
- Asset Allocation
- Real Assets Framework
- Statement of Investment Policies revision
- Update on Wellington Asian Opportunities
- Annual Custodian Review
- DPERS Annual Report Investment Section

Mr. Gooderham also advised that the following items were approved at the October 18th meeting under the Committee's authority:

- To recommend to the Board amendments to the Statement of Investment Policies and Objectives.
- To liquidate the T. Rowe Price Asia Opportunities account and invest the proceeds in the Wellington Asian Opportunities Fund, subject to legal review.
- To redeem \$150 million from the T. Rowe Price Floating Rate account, investing \$100 million in the BlackRock US Aggregate Index account and \$50 million in the Cash account

The next Investment Committee meeting is scheduled for November 15, 2022.

MOTION made by H. Stafford and seconded by K. Simpler to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

10. ADJOURNMENT

At 12:01 p.m., there being no further business:

MOTION was made by K. Simpler and seconded
by R. Geisenberger to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Joanna M. Adams

Joanna M. Adams
Pension Administrator

Suzanne B. Grant

Suzanne B. Grant (Feb 24, 2023 08:42 EST)

Suzanne B. Grant, Chair
Board of Pension Trustees