



STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
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BOARD OF PENSION TRUSTEES
MEETING MINUTES OF MARCH 25, 2022

The meeting of the Board of Pension Trustees was called to order by Suzanne Grant, Chair, at 9:04 a.m., via videoconferencing.

Trustees Present

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

Trustees Absent

Garry Musto, Windmark
Rob Gooderham, Windmark

Kevin Balaod, journalist (*Intelligence*)

Others Present

Joanna Adams, Pension Administrator
Stephenie Tatman, Deputy Pension Administrator
Ryan Connell, Deputy Attorney General
Josh Hitchens, Pension Office
Khairat Makanjuola, Pension Office
Vicki Schultes, Pension Office
Cindy Starr, Pension Office
Mary Wood, Pension Office

1. OPENING COMMENTS

S. Grant welcomed everyone to the meeting and shared that she and her family have welcomed their first grandchild. Rick also shared the same exciting news for his family. Everyone congratulated them both on their joyous occasions.

Ms. Adams welcomed journalist K. Balaod to the meeting.

2. APPROVAL OF THE MINUTES

S. Grant requested a review of the minutes from the February 25, 2022 Board meeting.

MOTION made by R. Geisenberger and seconded by H. Stafford to approve the Public Minutes of the February 25, 2022, Board of Pension Trustees' meeting with changes as noted.

MOTION ADOPTED UNANIMOUSLY

The Trustees reviewed the Executive Minutes of the February 25, 2022 Board meeting during Executive Session.

MOTION made by A. Agra and seconded by H. Stafford to approve the Executive Minutes of the February 25, 2022, Board of Pension Trustees' meeting.

MOTION ADOPTED UNANIMOUSLY

3. AUDIT COMMITTEE REPORT

H. Stafford stated there was nothing to report. The next meeting is scheduled for May 6, 2022.

4. GOVERNANCE COMMITTEE REPORT

S. Grant announced the exciting transition, via resolution, to vote on and approve making P. Tikellis Chair of the Governance Committee, filling the vacancy created by the resignation of former Chair Thomas Shaw, effective January 31, 2022. P. Tikellis has significant expertise on the subject of Board governance and has demonstrated the requisite continuity of committee membership, diversified experience, and requisite expertise required to serve in this role. P. Tikellis will be a tremendous asset to the Committee, and this transition will benefit the Board and DPERS.

MOTION made by N. Shevock and seconded by A. Agra to approve P. Tikellis stepping down from the Investment Committee and serving as Chair of the Governance Committee.

MOTION ADOPTED UNANIMOUSLY

S. Grant shared in the sentiment that P. Tikellis' service is appreciated.

The next meeting is scheduled for May 11, 2022.

5. PENSION ADVISORY COUNCIL REPORT

There was nothing to report. The next meeting is scheduled for April 12, 2022.

6. PENSION ADMINISTRATOR'S REPORT

Ms. Adams stated she will be out of the office on vacation from noon today (March 25th) until next Friday, April 1st. Ms. Adams reviewed the March 2022 Newsletter and recognized V. Schultes for her efforts in working with Publishing and Printing to ensure a prompt publication within less than 48 hours. We hope to be more on schedule with the publication of the Newsletters moving forward.

Hardcopies of the Annual Comprehensive Financial Report (ACFR) were mailed to Board and Committee members last week.

EMPLOYEE RECOGNITION

Ms. Adams recognized and congratulated Eddie Sparpaglione, Strategic Systems Project Lead, and his daughter Abby. Eddie will be traveling with the Halifax 2022 Youth and Masters Pan American Championships delegation from the United States Archery Team as a coach, and Abby will be competing at the event. Recently, Abby competed in the 53rd USA Archery Indoor Nationals and the 2022 USA JOAD Indoor Nationals, placing 3rd in both categories for her age and discipline. Eddie and Abby will be traveling to Halifax at the end of May, where she will be competing against 175 archers. This is an exciting time for Abby, her family, and the OPen staff.

POSITIONS

Ms. Adams stated that DHR did a maintenance review of all classes within the Human Resources (H.R.) classification. The result of the review impacts the Member Services staff, with our H.R. positions transitioning into the new classifications within the next few weeks (with an average increase of one pay grade). In addition, this change adds the fourth rung to the existing three-rung career ladder classification. Once the new classifications have been completed, additional new postings will be forthcoming.

Ms. Adams reviewed the Current Vacant Positions chart. It was noted that the Senior Human Resources Technician position has been reclassified to Human Resources Specialist I and is on hold. The Human Resources Specialist V position is on hold. The Internal Auditor position has posted, resulting in no qualified applicants. This posting was extended for an additional three weeks. The Human Resources Specialist V Limited Term position has been filled. Lastly, the Deputy Attorney General position has posted, but no recent applications received.

OFFICE ACTIVITIES:

Ms. Adams reviewed the office activities for April. These include County and Municipal General and Police/Firefighters' Pen App training, Monthly Payroll and HR training, and the Pre-retirement Presentation. The upcoming meeting schedule (found on page 16 of the Board packet) was also reviewed.

REPORTING SCHEDULE

Ms. Adams reviewed the Reporting Schedule.

RETIREMENT BENEFITS STUDY COMMITTEE UPDATE

R. Geisenberger discussed OPEB, stating that he, Ms. Adams, and C. Cade are members of the Retirement Benefits Study Committee ("RBSC"). Ms. Adams stated that the SEBC voted to transition from a Medicare Supplement Plan to a Medicare Advantage Plan beginning January 1, 2023. The Benefits section is working closely with the Statewide Benefits Office in preparation for this transition. Town hall meetings, as well as additional communication enhancements, will be implemented for pensioners. This will have a direct impact on OPEB to reduce the liability.

R. Geisenberger stated that in terms of direct impact on retirees, there is no change in doctors or networks. Premiums will decrease among those retirees who are Medicare-eligible and responsible for paying 5% of the overall premium costs. The OPEB liability is currently \$10.8 billion. Without any changes, we could expect the post-retirement healthcare liability for current and future retirees and their dependents to grow to \$37 billion. Addressing such a large liability cannot be achieved through any single change. The three-part plan to address this increase is as follows:

- Improve how we fund the liability.
- Change how we deliver benefits to Medicare-eligible retirees.
- Change retiree healthcare eligibility and/or cost-sharing thresholds for active employees

People who retire in their 40s have a large impact on the cost. Currently, 0.36% of payroll goes into the OPEB Trust Fund (roughly \$8 million annually). Governor Carney's recommended FY2023 Budget proposes setting aside 1% of the prior year's budget for the OPEB Trust Fund as required under Executive Order 52. Last year's Budget was \$4.77 billion, so this would be a \$47.7 million appropriation to the OPEB Trust Fund if approved by the Delaware General Assembly. While this one-year contribution doesn't solve the problem, the amount would grow each year with the budget and if we consistently maintain this, Cheiron's calculations show that this makes a big dent in our OPEB liability.

S. Grant asked if R. Geisenberger is following any of the leaders of other state funds. R. Geisenberger stated that some states don't fund retiree healthcare (therefore, they have no OPEB liability). Many states have transitioned to fully insured Medicare Advantage Plans for Medicare-eligible retirees and a few states have migrated to Health Reimbursement Arrangements (HRAs). R. Geisenberger stated that the SEBC discovered we could achieve significant savings by doing this incrementally, which would lock in our savings for the next three years by migrating to a Medicare Advantage Plan. In four or five years, we will need to ask if we are still able to maintain this level of savings. If not, we will take a look at HRAs as a possibility. Our big challenge is to hold ourselves accountable as a AAA state.

H. Stafford asked how long has it taken to reach the \$10 billion shortfall? R. Geisenberger stated that the 2005 report of the predecessor committee to the RBSC estimated at that time that the State had a \$3 billion OPEB liability. However, they were using an inflated 8% discount rate so presumably, the liability was materially larger even then.

N. Shevock asked if collective bargaining entities have been involved in RBSC meetings. R. Geisenberger confirmed that DSEA and AFSCME have members on the Committee and other representatives have attended meetings. K. Makanjuola questions who the Plan Administrator was for the Medicare Advantage Plan. J. Adams confirmed it was Highmark.

The RBSC will conduct an active employee survey this summer, which will be used to make recommendations this fall for next year's Budget.

7. DEPUTY ATTORNEY GENERAL REPORT

There was nothing to report.

8. INVESTMENT COMMITTEE REPORT

Mr. Gooderham reported that global equity markets broadly fell in February as investors reacted to Russia's invasion of Ukraine. The invasion and associated sanctions drove up prices in energy and commodity markets and added to existing pressures on supply chains and inflation. The rise in inflationary pressures and potential negative impact on economic growth from the war created additional uncertainty on the future path of monetary policies. The broad US equity market, as measured by the Russell 3000 index, declined by 2.5%. Within US equities, value outpaced growth stocks, and small-cap stocks outperformed with a modest positive return. International equities fell as the MSCI EAFE Index was down 1.8% and the MSCI Emerging Markets index declined 3.0%. Fixed income market performance was negative as yields moved higher (prices lower) and credit spreads widened. For the month, the broad Bloomberg Universal index declined 1.4% and the Bloomberg High Yield index fell 1.0%.

Mr. Gooderham reported that DPERS Fund assets at Northern Trust were estimated to be \$14,647.1 million on February 28, 2022, representing a net decrease of \$447.1 million during the month. Estimated returns through February 28, 2022, are as follows:

	Month Ended 02-28-22	Fiscal YTD 02-28-2022	Calendar YTD 02-28-22	1 Year Ended 02-28-22
Total Fund	-2.7	1.5	-5.7	12.4
DPERS Policy Benchmark**	-2.0	-2.4	-6.2	4.8
S&P 500 Index	-3.0	2.7	-8.0	16.4

** 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 the Committee had met twice since the February Board meeting, on March 1st and March 22nd.

At the March 1st meeting, he advised that the Committee received a presentation from Durable Capital Partners and after review and discussion agreed to invest \$50 million in Durable Capital Onshore Fund L.P., subject to legal review of the documents.

Mr. Gooderham reported that, at the March 22nd meeting, the Committee reviewed and discussed:

- A credit for Northern Trust Foreign Exchange
- An update on the Market Opening for India
- A T. Rowe Price Global Growth Strategy guideline modification request
- An update on What We Believe

He also reported that the Committee approved under its authority:

- Funding the approved \$50 million investment in the Durable Capital Fund and a \$100 million allocation to GQG Global Equity by the account reductions detailed below:
 - \$50 million from Baillie Gifford LTGG
 - \$50 million from TRP Global Growth Equity
 - \$50 million from Kiltearn Global Equity
- A commitment of up to \$60 million to Meritech Capital Partners VIII, subject to legal review, is allocated as follows:
 - Up to \$45 million to Meritech Capital Partners VIII, LP
 - Up to \$15 million to Meritech Capital Partners Sidecar III, LP
- Under its authority to execute documents relating to manager schedules and contracts over which it exercises authority,
 - a consent request for Riverstone Global Energy & Power Fund V, L.P.
 - an amendment to the Limited Partnership Agreement for Marcus Capital Partners Fund IV, L.P., subject to legal review.

The next meeting of the Investment Committee is on April 19, 2022.

S. Grant thanked everyone for the updates and progress and subsequently requested a motion to enter into Executive Session.

MOTION made at 9:42 a.m. by H. Stafford and seconded by N. Shevock 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

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

MOTION made at 10:15 a.m. by A. Agra and seconded by H. Stafford to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

9. PENDING ITEMS (OLD BUSINESS)

There was no old business.

10. NEW BUSINESS

There was nothing to report.

11. ADJOURNMENT

S. Grant thanked V. Schultes for her hard work and acknowledgment on the March Newsletter. S. Grant thanked Ms. Adams and the OPen team for their ongoing commitment to the success of DPERS. S. Grant also thanked R. Geisenberger and C. Cade, as well as R. Gooderham and the Windmark staff.

Lastly, N. Shevock welcomed new grandparents S. Grant and R. Geisenberger into “their world”. C. Cade stated he would take his time to join in membership.

At 10:19 a.m., there being no further business:

MOTION was made by A. Agra and seconded by H. Stafford to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,


Joanna Adams (Jun 30, 2022 15:53 EDT)

Joanna M. Adams
Pension Administrator


Suzanne B. Grant (Jul 2, 2022 00:24 GMT+1)

Suzanne B. Grant, Chair
Board of Pension Trustees