



**STATE OF DELAWARE**  
**STATE BOARD OF PENSION TRUSTEES**  
**AND**  
**OFFICE OF PENSIONS**  
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**BOARD OF PENSION TRUSTEES**  
**PUBLIC MEETING MINUTES OF SEPTEMBER 27, 2023**

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

**Trustees Present**

Suzanne Grant  
Nancy Shevock  
Ken Simplr  
Harold Stafford  
Rick Geisenberger

**Trustees Absent**

Art Agra  
Cerron Cade

**Others Present**

Joanna Adams, Pension Administrator  
Stephenie Tatman, Deputy Pension Administrator  
Ryan Connell, Deputy Attorney General  
Bill O'Brien, Deputy Attorney General  
Vicki Schultes, Pension Office  
Cindy Starr, Pension Office  
Kari Overington, Pension Office  
Mary Wood, Pension Office  
Amy Cole, Pension Office  
Josh Hitchens, Pension Office

Khairat Makanjuola, Pension Office  
Rob Gooderham, Windmark Investment Partners  
Garry Musto, Windmark Investment Partners  
Drew Dinger, Windmark Investment Partners  
David Taylor, Pension Advisory Council  
Bert Scoglietti, Office of the Controller General  
Quinn Johnson, Former State Representative  
Chris Doll, CEM Benchmarking Inc.  
Bryon Short, Delaware Contractors Association  
Cyril Español, journalist, *with.Intelligence*

**1. OPENING COMMENTS**

S. Grant welcomed everyone to the meeting and proceeded with the meeting agenda.

**2. PUBLIC COMMENTS**

No public comments were presented.

**3. APPROVAL OF THE MINUTES OF THE BOARD OF PENSION TRUSTEES MEETING OF JULY 28, 2023**

The Public Minutes of the July 28, 2023, meeting were reviewed, with technical changes suggested.

**MOTION** was made by N. Shevock and seconded by H. Stafford to approve the Public Minutes of the July 28, 2023, Board of Pension Trustees meeting with technical changes.

**MOTION ADOPTED UNANIMOUSLY**

The Executive Minutes of the July 28, 2023, meeting were reviewed in Executive Session, with technical changes suggested.

**MOTION** was made by N. Shevock and seconded by H. Stafford to approve the Executive Minutes of the July 28, 2023, Board of Pension Trustees meeting with technical changes.

**MOTION ADOPTED UNANIMOUSLY**

#### **4. AUDIT COMMITTEE REPORT**

K. Makanjuola reported that the current fiscal year audits are going well with BDO USA.

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

#### **5. GOVERNANCE COMMITTEE REPORT**

J. Adams reported that the following updates were provided during the Governance Committee meeting of August 17, 2023:

- Legislation
- Vacant positions
- Retiree Healthcare Benefits Advisory Subcommittee (RHBAS)
- ERP Modernization Project
- Summary of the May, June, and July Board of Pension Trustees meetings
- Investment Committee
- Audit Committee
- The Board Education Policy and Code of Conduct Policy

S. Grant added that K. Simpler has agreed to serve on the Governance Committee. K. Simpler will be a tremendous addition to the committee. A resolution was presented to officially nominate K. Simpler to serve in this capacity.

**MOTION** made by N. Shevock and seconded by H. Stafford to approve K. Simpler to serve as a member of the Governance Committee.

**MOTION ADOPTED UNANIMOUSLY**

The next Governance Committee meeting is scheduled for November 9, 2023.

#### **6. PENSION ADVISORY COUNCIL REPORT**

D. Taylor reported that a copy of the Pension Advisory Council (PAC) bylaws has been located and distributed to PAC membership for review. Revisions to the bylaws will be presented and discussed at the next meeting.

The next Pension Advisory Council meeting is scheduled for November 8, 2023.

## 7. STATE PENSION ADMINISTRATOR’S REPORT

### CEM PENSION ADMINISTRATION BENCHMARKING PRESENTATION

S. Tatman introduced C. Doll, Director of Client Coverage for CEM Benchmarking Inc. C. Doll presented an overview of the 2022 CEM Pension Administration Report, an annual criterion performed for the Office of Pensions (Office) for over two decades. Key takeaways of the presentation included:

#### CUSTOM PEER GROUP:

The custom peer group for DPERS consisted of 9 entities.

Custom Peer Group for Delaware PERS			
Peers (sorted by size)	Membership (in 000's)		
	Active Members	Annuitants	Total
Kansas PERS	152	111	263
PSRS PEERS of Missouri	129	104	233
NYC TRS	126	91	216
Utah RS	98	76	174
LACERA	97	74	170
Idaho PERS	74	53	128
Minnesota State RS	57	53	110
<b>Delaware PERS</b>	<b>46</b>	<b>35</b>	<b>81</b>
South Dakota RS	41	31	73
Peer Median	97	74	170
Peer Average	91	70	161

Inactive members are not considered when selecting peers because they are excluded when determining cost per member. They are excluded because they are less costly to administer than either active members or annuitants.

#### COST:

- Total approximate pension administration cost of \$75 per active member and annuitant was \$70 below the peer average of \$145, before adjusting for economies of scale.
  - These figures do not include the costs the Plan incurs for investment portfolio costs or administrative costs of responding to retirees regarding their healthcare costs. These figures do not reflect the cost of the actual pension benefits themselves.
- After adjusting the cost of each peer for its scale advantage/disadvantage, DPERS' cost was \$107 below the adjusted peer average of \$182, due to lower third-party costs per member in the front office, lower costs per full time employee (FTE), and lower support costs per member.
- Between 2015 and 2022, total pension administration cost per active member and annuitant decreased by 4.9% per annum. The average costs of DPERS' peers with 8 consecutive years of data increased 2.7% per annum during the same period. DPERS' cost per member increased by \$7 in 2022 compared to 2021, largely due to staffing. The Office now has 4.9 FTEs per 10,000

members compared to 3.9 FTEs in 2021. In addition, several staff reclassifications took place in 2022.

- While DPERS service score increased from 53 to 60 between 2021 and 2022, the total service score (60) was below the peer median of 78.
  - One-on-one counseling and member presentations post Covid, as well as an improvement in pension inceptions had a positive impact on the score.

CHANGES THAT HAD A POSITIVE IMPACT IN 2022:

- 100% of pension inception payments were made within 30 days. From 2016 - 2021, approximately 86% were paid within 30 days.
- Prescheduled one-on-one counseling is now offered for the first time since 2017.
- Pre-retirement workshop attendance has returned to pre-pandemic levels.

CHANGES THAT HAD A NEGATIVE IMPACT IN 2022:

- 54% of survivor pensions were paid within 30 days in 2022 compared to 87% in 2021.
- Undesirable call outcomes (e.g. abandoned calls in queues, voicemail) increased to 12% in 2022 compared to 7% in 2021.
- Active members did not receive newsletters in 2022.

GLOBAL TRENDS:

- IT is playing an increasingly greater role in pension administration.
- Digital-first has become the highest service for most members and transactions, resulting in improved cost-effectiveness.
- Customer experience has become mission critical for some plans.
- Cybersecurity remains a high priority.
- Plans are dealing with the "new normal" regarding the post-pandemic workforce.

J. Adams shared that under S. Tatman's direction, the Office has embraced the CEM survey and strategized how DPERS can improve accordingly. The Board requested next year's CEM report to include use of the peer median vs the peer average, in the cost per active member and annuitant. Additionally, the board requested correlations between cost to administer the plan and the service score.

EMPLOYEE RECOGNITION

J. Adams shared that DPERS received its 27th consecutive Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Year 2022 Annual Comprehensive Financial Report (ACFR). DPERS also received its 20th consecutive Public Pension Coordinating Council's Public Pension Standards Award for Funding and Administration.

J. Adams recognized Deputy Attorney General B. O'Brien, who is retiring effective November 1st. While only a part of the DPERS team for a short time, B. O'Brien proved himself to be an asset to our organization. B. O'Brien was wished the best and will be greatly missed.

Congratulations were also extended to Executive Assistant V. Schultes, who has accepted a promotional opportunity with the Department of Health and Social Services.

Kudos were extended to Member Services for completing August payroll with approximately 400 retirements. The monthly pension payroll is now over \$72 million.

In addition, Phase I of the ERP Modernization Project is complete. PHRST, DOA and the Office presented to the Governor and his cabinet earlier this month to provide an update on the ERP Modernization

efforts. Kudos were extended to M. Krass, E. Nelson, and B. Ensley, who are currently assigned to the project and are doing great work on documenting key performance indicators for Phase II of the project. The Office is hoping to have an RFP within 6 months.

S. Grant thanked B. O'Brien and V. Schultes for their work on behalf of the Board, and commended J. Adams and the team for the ongoing hard work which led to being awarded the Certificate of Achievement 27th time, and for the ERP modernization project. These initiatives involve a tremendous amount of great effort which will pay major dividends in the future.

#### POSITIONS UPDATE

J. Adams reported that the Office is in the process of completing interviews for the HR Supervisor position. A candidate has been selected to fill the HR Analyst I vacancy. Interviews have also been conducted for the Cash and Debt Manager position, which will be reposted in the coming weeks.

#### 2024 MEETING DATES

J. Adams provided an overview of the tentative 2024 Board of Pension Trustees and subcommittee meeting dates for 2024. No changes were suggested.

#### FISCAL YEAR 2024 BUDGET

J. Adams presented metrics capturing DPERS' budget and expenditures from Fiscal Years 2020 to 2024, which reflected a combination of permanent, casual/seasonal, and dual-encumbered positions. At the end of Fiscal Year 2023, the Office had a 6% vacancy rate, the lowest vacancy rate in several years.

### **8. DEPUTY ATTORNEY GENERAL REPORT**

R. Connell reminded everyone that we are at the midway point between the annual cybersecurity presentations provided by the Department of Technology and Information's (DTI's) Chief Technology Officer Solomon Adote. DTI has great educational resources on cybersecurity reporting and related information, which is paramount given this ongoing and increasing threat to DPERS' data.

### **9. INVESTMENT COMMITTEE REPORT**

Mr. Gooderham reported that global equity markets produced mixed results in the first two months of the fiscal year as investors continued to weigh the direction of monetary policy, inflation, and economic activity. As anticipated, the Federal Reserve raised rates in July, though there is uncertainty on the future path of monetary policy. While inflation has moderated from recent peaks, concerns emerged in August that some signs of reaccelerating economic activity and inflationary pressures may lead the Federal Reserve to continue raising interest rates. The broad US equity market, as measured by the Russell 3000 index, moved higher by 1.6% for July and August. International equity lagged US equities as the MSCI All-Country World ex-U.S. stock index edged lower by 0.6%. In fixed income markets, yields moved higher (prices lower) and credit spreads tightened. Over the period, the Bloomberg Universal bond index fell 0.5%, while the more credit-sensitive Bloomberg High Yield index gained 1.7%.

Mr. Gooderham reported that DPERS Fund assets at Northern Trust were estimated to be \$13,230.3.6 million on August 31, 2023, representing a net decrease of \$62.3 million since June 30<sup>th</sup>. Estimated returns for July and for periods ended August 31<sup>st</sup>, 2023, are as follows:

	Month Ended 07-31-23	Month Ended 08-31-23	Fiscal YTD 08-31-23	Calendar YTD 08-31-23	1 Year Ended 08-31-23
<b>Total Fund</b>	<b>1.6</b>	<b>-1.8</b>	<b>-0.2</b>	<b>4.7</b>	<b>3.5</b>
DPERS Policy Benchmark**	2.7	-2.1	0.6	10.9	9.7
S&P 500 Index	3.2	-1.6	1.6	18.7	15.9

\*\* 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, at its August 15<sup>th</sup> meeting, the Committee reviewed and discussed:

- A presentation by Baillie Gifford on their Worldwide Health Innovations strategy
- A Biotechnology and Health Sciences Overview
- The Benchmark Risk Tolerance Review
- The Second Quarter 2023 Investment Review
- A recommendation on Securities Lending for BlackRock Index Funds
- Other Business
  - NT Laddered Account
  - T. Rowe Price Global Follow-Ups
  - Northern Trust Annual Review
  - Private Investment Items

Mr. Gooderham also advised that at its September 19<sup>th</sup> meeting, the Committee reviewed and discussed:

- Private Investment Recommendations
- What We Believe Update
- GSTIF to STIF Recommendation
- NT Laddered Account Recommendation
- OPEB Cash Flow
- The DPERS Investment Policy Statement Review
- Scheduled Annual Review Items
  - Commission Report
  - Proxy Voting Review
  - Proposed 2024 DPERS IC Meeting Dates
- Other Business
  - Baillie Gifford Health Innovations Follow-Ups
  - BlackRock Update
  - Private Investment Items

Items approved by the Committee at the August and September meetings under its authority:

- A portfolio investment election request for Riverstone Global Energy & Power Fund V, L.P., subject to legal review.
- The re-allocation of 80% of the BlackRock Aggregate Bond and 100% of the BlackRock TIPS index funds from the Non-Securities Lending to Securities Lending Funds.
- A commitment of up to \$25 million Accel XVI (Fund XVI), subject to legal review.
- A commitment of up to \$100 million to Flagship Pioneering Fund VIII, L.P. (Flagship VIII), subject to legal review.

- The Committee voted unanimously in favor of transferring all assets in the Northern Trust Cash Account from GSTIF to STIF.
- To approve, under its authority to execute documents relating to manager schedules and contracts over which it exercises authority, a fee amendment for the Baillie Gifford Health Innovations strategy, subject to legal review.
- To move \$40 million to the BlackRock S&P 500 index fund from the Cash Account.
- To recommend to the Board amendments to the Statement of Investment Policies and Objectives, subject to Governance Committee review.

The next Investment Committee meeting is scheduled for October 17, 2023.

**MOTION** made by K. Simpler 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**

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 10:50 a.m. by N. Shevock and seconded by H. Stafford to return to Public Session.

**MOTION ADOPTED UNANIMOUSLY**

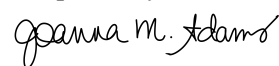
## 10. ADJOURNMENT

At 10:51 a.m., there being no further business:

**MOTION** was made by H. Stafford and seconded by N. Shevock to adjourn the meeting.

**MOTION ADOPTED UNANIMOUSLY**

Respectfully submitted,



Joanna M. Adams  
Pension Administrator

Suzanne B. Grant  
Suzanne B. Grant (Dec 7, 2023 13:05 EST)  
Suzanne B. Grant, Chair  
Board of Pension Trustees