

STATE OF DELAWARE
STATE BOARD OF PENSION TRUSTEES
AND
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BOARD OF PENSION TRUSTEES
AUDIT COMMITTEE
PUBLIC MINUTES OF NOVEMBER 13, 2020

The meeting of the Audit Committee was called to order by Mark Finfrock, Chair, at 9:02 a.m., via-video and tele-conferencing.

Committee Members Present

Mark Finfrock
Kathy White
Stephen Ritchie
Araya Debessay
Jim Burke
Robert Paretta
Harold Stafford

Committee Members Absent

Others Present

Joann Adams, Pension Office
Jodie Wedel, Pension Office
Terri Timmons, Pension Office
Stephenie Tatman, Pension Office
Ann Marie Johnson, Deputy Attorney General
Ryan Connell, Deputy Attorney General
Khairat Makanjuola, Pension Office
Sophia Smith, Windmark
Keith Hammond, BDO
James Doyle, BDO
Benjamin Chen, BDO
Bert Scoglietti, OMB
Jason Freund, KPMG
Mike DeVitas, KPMG

Dawn Haw-Young, Auditors Office
Fiona Liston, Cheiron
Josh Hitchens, Pension Office

1. OPENING COMMENTS

Mark Finrock welcoming everyone to the meeting and asked that introductions be made.

2. APPROVAL OF THE MINUTES

The Audit Committee reviewed the Public Minutes of the July 17, 2020 meeting.

MOTION made by R. Paretta and seconded by J. Burke to approve the Public Minutes of the July 17, 2020 meeting.

MOTION ADOPTED UNANIMOUSLY

The Audit Committee reviewed the Executive Minutes of the July 17, 2020 meeting.

MOTION made by J. Burke and seconded by H. Stafford to approve the Executive Minutes of the July 17, 2020 meeting with noted changes.

MOTION ADOPTED UNANIMOUSLY

MOTION made by H. Stafford and seconded by R. Paretta to move into Executive Session for the purpose of discussing preliminary audit reports, confidential financial information, sensitive commercial information, and proprietary business information.

MOTION ADOPTED UNANIMOUSLY

The Audit Committee then moved into Executive Session to discuss preliminary audit reports, confidential financial information, sensitive commercial information, and proprietary business information.

3. EXTERNAL AUDIT UPDATE

Nothing to report.

4. INTERNAL AUDIT REPORT

Nothing to report.

5. PENSION ADMINISTRATOR UPDATE

J. Adams presented a desk clock as a token of appreciation to Araya Debessay and Robert Paretta for their service to the Audit Committee as they are stepping down at the end of the year. M. Finfrock thanked both for their years of service. Mr. Finfrock stated that S. Gant has asked him to interview several candidates to replace Bob and Araya. He reported that he has interviewed a few candidates and will continue through the end of the year.

2020 Actuarial Valuations Report

J. Adams introduced Fiona Liston, of Cherion, who will present the 2020 Actuarial Valuation report.

Topics for discussion were as follows:

Pension

- Historical Review/Risk Metrics – State Employees’ Plan
- Changes since 2019 Valuation
 - SE Group receiving Correctional Officers type benefits enlarged, \$0.2 million experience increase in liability
 - No new PRI granted through June 30, 2020
 - Projected benefits for actives, terminated vested, and those on LTD are based on highest three-year average compensation versus using projections of current salary, but only where the field produces a higher result
- Principal 6/30/2020 Valuation Reports
 - State Employees’ FY22 Rate – 12.45%
 - Judiciary FY22 Rate – 18.41%
 - New State Police FY22 Rate – 25.28%
 - C&M Other FY22 Rate – 6.78%
 - C&M Police & Fire FY22 Rate – 16.03%
 - Volunteer Fire - \$447.47
 - Diamond State Port - \$207,200
- Stress Testing
- GASB 67/68

OPEB

- Principal 6/30/2020 Valuation Results - OPEB Changes Since 2019 Valuation
 - 2020 participant data
 - Active counts increased by 2.1%

- Inactive counts increased by 1.5%
- 2020 claim curves - Based on actual claims for months (April 2019 to March 2020), trended to 2020
 - Medical at 5.0%
 - Drug at 8.0%
 - Claim curves lowered liability compared to the liability calculated under GASB 74/75
 - Mostly due to larger Pharmacy rebates and repeal of the ACA taxes
- Discount rate for determining actuarial liability
 - Down from 3.5% to 2.21%
- GASB 74/75
 - Liabilities are based on the prior year's valuation census and assumptions with exception for the discount rate. The discount rate for the GASB 74/75 is based on the Bond Buyer 20 GO rate as of the measurement date. As of 6/30/2020, that rate was 2.21%

M. Finrock asked Ms. Liston how the quality of the information you are getting from the Pension Office was. Ms. Liston reported that the quality of the information keeps improving and is very happy with the data they are receiving.

At this point, F. Liston of Cheiron left the meeting.

Risk Management

Ms. Adams reported they are diving deeper into risk management and creating a risk management policy.

Employer Joined Plan

Ms. Adams noted that Hockessin Fire Company joined the County/Municipal Plan.

Leadership Changes OMB

Director of OMB, Mike Jackson, has announced his departure at the end of the year. He has taken the position of Vice President for Finance at Delaware Technical and Community College.

The Governor has nominated OMB Deputy Director, Amy Bonner, to be the next Secretary of the Department of Human Resources, pending confirmation by the Delaware State Senate in January.

The Governor has nominated Secretary of Labor, Cerron Cade, to be the next Director of OMB, pending confirmation by the Delaware State Senate.

MOTION made by R. Paretta and seconded by J. Burke to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. Burke and seconded by A. Debessay to recommend to the Board to accept the external Audit results.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. Burke and seconded by A. Debessay to accept the FY 21 Internal Audit Plan Review.

MOTION ADOPTED UNANIMOUSLY

MOTION made by J. Burke and seconded by A. Debessay to accept the Internal Audit plan subject to changes discussed in Executive Session.

MOTION ADOPTED UNANIMOUSLY

6. DEPUTY ATTORNEY GENERAL REPORT

Nothing to Report

7. MEETING DATES FOR 2021

M. Finfrock announced the 2021 Audit Committee meeting dates:

- February 19, 2021
- May 7, 2021
- July 23, 2021
- November 6, 2021

8. ADJOURNMENT

At 12:05 p.m., there being no further business,
MOTION was made by H. Stafford and seconded
by J. Burke to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

Joanna M. Adams
Pensions Administrator

Mark Finfrock, Chair
Audit Committee