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STATE BOARD OF PENSION TRUSTEES
AND
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BOARD OF PENSION TRUSTEES GOVERNANCE COMMITTEE
PUBLIC MEETING MINUTES OF NOVEMBER 9, 2022

The Governance Committee meeting was called to order by P. Tikellis, Chair, at 10:04 a.m. via video and teleconferencing.

Members Present

Pam Tikellis
Dale Stratton
Jim Burke
George Saxon

Others Present

Joanna Adams, Pension Office
Stephenie Tatman, Pension Office
Vicki Schultes, Pension Office
Ryan Connell, Deputy Attorney General
William O'Brien, Deputy Attorney General

1. OPENING COMMENTS

P. Tikellis welcomed everyone to the meeting virtually. Ms. Adams introduced Deputy Attorney General William O'Brien, who is now serving in the position vacated by Ann Marie Johnson. Mr. O'Brien shared an overview of his background. He moved to Delaware from the Washington D.C. area in 1994. Since then, he has worked periodically for the Public Service Commission, Conectiv Energy, and for seven years with Chesapeake Utilities as the in-house counsel.

2. APPROVAL OF THE MINUTES

The Public Minutes of the August 23, 2022 Governance Committee meeting were reviewed.

MOTION made by D. Stratton and seconded by G. Saxon to approve the Public Minutes of the August 23, 2022 meeting as submitted.

MOTION ADOPTED BY THE MAJORITY, with J. Burke abstaining.

The Executive Minutes of the August 23, 2022 Governance Committee meeting were reviewed in Executive Session.

MOTION made by D. Stratton and seconded by G. Saxon to approve the Executive Minutes of the August 23, 2022 meeting with changes as noted.

MOTION ADOPTED BY THE MAJORITY, with J. Burke abstaining.

3. PENSION ADMINISTRATOR UPDATES

OFFICE ACTIVITIES:

S. Tatman reported on the Office of Pensions activities. Payroll, Pension Calculation, and Benefits Office staff worked very hard to complete August payroll. Office staff also conducted 488 individual counseling sessions in the recent quarter.

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.

POSITIONS UPDATE:

Ms. Adams reported that the Office of Pensions has an increased number of vacant positions partially due to the dual incumbencies being implemented by the ERP modernization project. The limited-term positions will take over the work of the existing staff who are being temporarily reassigned to work on the ERP modernization. Three HR Analyst I positions were filled by internal promotion, which results in additional vacant positions. The Office staff are preparing the paperwork required to post two Human Resource (HR) Supervisor positions. The entry-level HR Associate will be reclassified to HR Analyst in the future. Three new positions were also granted to the Office in the FY 23 Budget.

K. Mankanjuola's promotion from Cash and Debt Manager to Internal Audit Director has also resulted in a vacant position. An HR Analyst from the DHR is also being transferred to assist in providing our Medicare-eligible retirees with additional support to manage their healthcare.

ACTUARIAL VALUATION RESULTS:

Ms. Adams presented the Fiscal Year 2022 Actuarial Valuation. 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

* *Note:* Annual billing is done in January and February each year. This rate will go up significantly in 2023 because their benefit doubled.

Ms. Adams provided an overview of Other Post-Employment Benefits (OPEB):

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

Actuarial liability dropped; inactive liability dropped a bit on claims as well. Unfortunately, the market value of the Pension Fund's assets also dropped by almost \$2 billion from last year, primarily due to interest rate calculations. Cheiron uses the 20-year bond-buyer rate, which increased from 2.16% - 3.54%. While Fund assets didn't increase, the funded status did.

Additional funding will be granted through the budget process to the OPEB Fund. Plan changes for active retirees need to be made.

GOVERNANCE UPDATE:

Ms. Adams reminded the Governance Committee members that the annual cyber security training needs to be completed by November 18, 2022.

Ms. Adams reported that a resolution was presented at the September 30, 2022 Board of Pension Trustees meeting recommending James L. Hinkley be appointed to serve as a member of the Investment Committee, effective September 30, 2022. Mr. Hinkley has a diverse background and the Office of Pensions is confident he will be a great asset to the Investment Committee.

LEGISLATION:

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.

ERP MODERNIZATION PROJECT:

Ms. Adams reported that the first milestone – documenting the business requirements for the new system - is to be completed in February 2023. We are in Phase 1 of a two-year plan. One resource and an on-site consultant are currently dedicated to the project, with two more resources to be added by the end of the calendar year.

OTHER NEWS:

For the last five months, the Office of Pensions' Benefits team has been working feverishly with the Statewide Benefits Office (SBO). In the spring of 2022, the State Employees Benefits Committee (SEBC) voted to approve the transition of the Special Medicfill option to a Medicare Advantage Plan, beginning January 1, 2023. The Office was moving forward with great strides in preparation for this changeover and had conducted multiple education sessions throughout the state to help educate our retirees and explain the coverage changes. Several retirees filed a lawsuit to stop this transition, and a stay was granted on October 19th. In the interim, the Office has begun the process of undoing the system changes that were made in preparation for the transition. This situation has been challenging at best for the staff, while Office

employees take the brunt of the concerns, phone calls, and questions from the retirees because Office of Pensions staff are the retirees' primary "go-to" option.

A trial has been scheduled for November 28, 2022. We will know more about the future vision of implementing the Medicare Advantage Plan after the conclusion of the trial.

4. COMMITTEE UPDATES

INVESTMENT COMMITTEE:

G. Saxon stated there was nothing to report in Public Session.

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

AUDIT COMMITTEE:

S. Tatman reported that the Audit Committee voted during the November 4, 2022 meeting to approve the FY 22 Annual Audit Report. The report will be reviewed by the Board of Pension Trustees for their approval at the November 18, 2022 Board of Pension Trustees meeting.

The next Audit Committee meeting is scheduled for February 10, 2023.

5. DEPUTY ATTORNEY GENERAL UPDATE

R. Connell stated there was nothing to report in Public Session.

MOTION made by D. Stratton and seconded by J. Burke to enter into Executive Session to consider pension personnel matters, and confidential medical records, legal matters, sensitive commercial information, proprietary business information, trade secrets and confidential financial information.

MOTION ADOPTED UNANIMOUSLY

MOTION made by D. Stratton and seconded by G. Saxon to exit Executive Session.

MOTION ADOPTED UNANIMOUSLY

6. NEW BUSINESS

Ms. Adams reminded everyone of the 2023 meeting dates for all committees on the last page of the meeting packet.

P. Tikellis suggested a member of the Audit Committee become a member of the Governance Committee so that Ms. Adams and S. Tatman don't need to report on the Audit Committee as a third party. J. Burke expressed his support for this initiative; P. Tikellis stated she would discuss this with S. Grant, Board of Pension Trustees Chair.

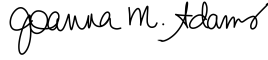
The next meeting of the Governance Committee is scheduled for February 28, 2023.

7. ADJOURNMENT

At 11:18 a.m., there being no further business, **MOTION** was made by D. Stratton and seconded by J. Burke to adjourn the meeting.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,



Joanna M. Adams
Pension Administrator



[Pamela Tikellis \(Mar 3, 2023 14:52 EST\)](#)

Pamela Tikellis, Chair
Governance Committee