

Minutes of the DERP Retirement Board

January 16, 2026 - Meeting #872

Meeting #872 of the DERP Retirement Board was held at the Grant-Humphreys Mansion and via video and audio conferencing. DERP Retirement Board members present were Chair George Delaney, Vice-Chair John Dominguez, Carole Buyers, and Danielle Sexton. DERP Advisory Committee members present were Heather Britton (v), Chris Miller, and Roberta Monaco. DERP staff present were Heather Darlington, Executive Director; Randall Baum, Chief Investment Officer; Veronica Kirchhevel, Deputy Executive Director/Membership Services Director; James E. Thompson III, General Counsel; Julie Vlier, Marketing and Communications Director; Pamela Watson, Deputy Chief Investment Officer; and Terri Campbell, Office Administrator. Guests in attendance were Rose Dean (v) and Will DuPree (v) with NEPC. (v) Denotes attended virtually.

Call to Order and Roll Call

The meeting was called to order by George Delaney at 9:00 a.m. Diane Barrett and Maro Casparian were unable to attend.

Approval of Minutes

Minutes of meeting #871 were approved by a unanimous vote of the Retirement Board members.

Election of Retirement Board Officers

Carole Buyers nominated Mr. Delaney to continue as Chair, and John Dominguez to continue as Vice-Chair of the Retirement Board. The nominations were unanimously approved.

Executive Director's Report

Heather Darlington encouraged the Retirement Board and Advisory Committee members to pursue continuing education opportunities. She will follow up with an email highlighting 2026 conferences, and invited members to share other offerings that come to their attention. Mr. Delaney reminded that attendance needs to be reviewed and approved by the Retirement Board in advance and in order to secure the best travel and conference rates.

Ms. Darlington provided background on the DROP interest rate and recommended the Retirement Board keep the rate at 1% for 2026. Mr. Delaney remarked that, prior to a DRMC amendment in 2021, the DROP interest rate was equal to the plan's assumed rate of return,

which created substantial liabilities for DERP. After discussion, the Retirement Board voted unanimously to keep the DROP interest rate at 1% for 2026.

Ms. Darlington provided an update on the OCIO RFP. She indicated that the RFP was posted and letters of intent to respond to the RFP are due by end of the day. As of the meeting, eighteen letters of intent had been received. Proposals will be due on February 9th. Ms. Darlington will provide an update at the February meeting. Mr. Delaney thanked Ms. Darlington, Mr. Dominguez, and Ms. Buyers for their engagement on the RFP.

Finally, Ms. Darlington asked that Retirement Board members submit their annual financial disclosure forms to James Thompson.

Annual Strategic Plan

Ms. Darlington revisited the 5-year framework for DERP's strategic plan and provided year-end updates for 2025. She also detailed actions planned for 2026 to address the continuing goals of ensuring DERP's long-term financial health, evolving education and service, and upholding DERP's leadership position.

Chris Miller asked for clarification on collective bargaining for DERP members. Ms. Darlington replied that participation in DERP is non-negotiable, but details such as contribution rates, multipliers, and vesting can be considered for bargaining.

Mr. Thompson explained staff's role in collective bargaining discussions regarding DERP benefits. Primarily, staff's role is to educate both sides.

Ms. Buyers asked how collective bargaining might affect the current membership tiers. Mr. Thompson replied that, conceivably, a collective bargaining group could be comprised of members across tiers. Ms. Darlington indicated that prior discussions to improve parity across tiers, whether connected to collective bargaining or not, are most productive when there is an understanding of the associated costs.

Heather Britton explained that collective bargaining discussions are generally net zero. Meaning that if a group wants to increase pension benefits, they would need to cover the costs through salary reductions, etc. As a result, Ms. Britton does not feel that pension benefits will be a focus area in any future collective bargaining discussions.

Annual Expenditure and Demographic Review

Ms. Darlington reviewed 2025 budget to actual expenditures, noting that some fourth quarter expenses are outstanding. Nonetheless, she reported that DERP ended 2025 under budget.

Ms. Darlington shared that retirements increased in 2025 by 44%. Non-retirement separations increased in by 32% and new hires decreased by 17%. As a result of these workforce



dynamics, the difference between monthly contributions and benefits paid for 2025 was roughly \$35M, which was up \$5M from 2024. These trends highlight the importance of investment performance and the need to plan for reduced monthly contributions.

Finally, Ms. Darlington reviewed communication and payment method metrics.

Asset Class Review: Hedge Funds

Randall Baum introduced a review of the hedge fund asset class, noting the target allocation of 7%. He described the characteristics and goals of DERP's hedge fund program, including diversification, liquidity, and active management. He identified the relevant benchmark as the HRFI FoF Conservative Index and discussed the four major strategy allocations for the DERP program: global macro, fixed income and relative value, event driven, and long-short equity.

Mr. Baum reviewed manager performance, commenting that DERP's hedge fund portfolio has had a higher return and lower risk than its fixed income investments. Mr. Dominguez asked for insights on select managers. Ms. Buyers expressed curiosity about a future OCIO's approach to the hedge fund strategy.

Pamela Watson provided history, performance details, features, and benefits for each hedge fund manager in DERP's portfolio. She reported that, in general, hedge fund investments have delivered positive results year-over-year since inception in 2010.

Annual ESG Review

Mr. Baum presented the annual assessment of the ESG profile of the holdings in DERP's investment portfolio. He described the assessment process and identified the frameworks used to generate ESG scores. The assessment covers publicly traded securities, or approximately 42% of DERP's portfolio. He reported that, based on the assessment, it is difficult to gauge how an ESG score correlates to returns, but he stressed the importance of continuing to gather data.

Mr. Baum reviewed ESG scores from a selection of managers. Mr. Dominguez asked how ESG is considered in the manager selection process. Mr. Baum indicated that it is a consideration and that the ESG scores of DERP's current managers have remained stable. Mr. Miller asked how ESG impacts investment decisions. Mr. Baum indicated that it is measured annually but it is not necessarily tied to point-in-time decisions.

Ms. Buyers remarked that the focus on ESG has changed over time and that it now seems to be more voluntary than mandatory. She is pleased that DERP is committed to tracking ESG assessments and ratings. Mr. Dominguez agreed.

Advisory Committee Comments

Mr. Delaney invited Advisory Committee members to comment.

Member and/or Guest Comments

Mr. Delaney noted no guests were present for comment.

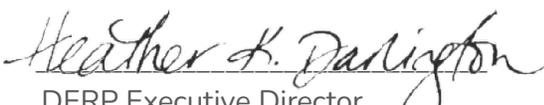
Review of Next Meeting and Call for Topics

The next regularly scheduled Retirement Board meeting will be Friday, February 20, at 9:00 a.m.

Adjournment

The meeting was adjourned at 10:26 a.m.


DERP Retirement Board Chair


DERP Executive Director