

## Minutes of the DERP Retirement Board

February 17, 2023 - Meeting #848

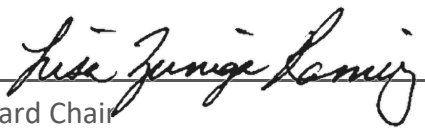
Meeting #848 of the DERP Retirement Board was held at the Grant-Humphreys Mansion and via video/audio. The meeting began at 9:00 a.m. DERP Retirement Board Members present: Diane Barrett, John Dominguez, and Lisa Ramirez. Advisory Committee Members present: Heather Britton, Roberta Monaco, and Danielle Sexton. Staff present: Heather Darlington, Executive Director; Jake Huolihan, Finance and Technology Director; Roni Kirchhevel, Benefits and Membership Services Director; Julie Vlier, Marketing and Communications Director; Randall Baum, Chief Investment Officer; Nali Kande, Operations Assistant; and James E. Thompson III, General Counsel. Others present: Leandro Festino from Meketa.


1. The Minutes of Meeting #847 were approved by a unanimous vote of the Board members.
2. Heather Darlington presented the Executive Director's Report. She introduced John Dominguez as the newest Board member. Mr. Dominguez introduced himself and was welcomed to the Board. Ms. Darlington provided an update on the DHHA UAL agreement. She reported that a final agreement had been signed and thanked staff for working together on finalizing the agreement.
4. Roni Kirchhevel presented the Annual Retiree Survey Results. She reminded the Board that the retiree survey results are presented at the Board meetings twice a year. She explained that the survey is used as a tool for Membership Services to understand members' experiences during the retirement process and to measure the level of customer service retirees received. The results have continued to be positive, as they have been in previous surveys. Ms. Kirchhevel reported the participation rate for the third and fourth quarter 2022 was 18%. She also highlighted that the results have historically had low response rates of between 18-20%. She noted an incentive that was suggested in the previous Board meeting was being considered by DERP staff as a vehicle for increasing survey response rates. For the Strategic Plan and Action Items, Roni will work with Julie Vlier to determine if the survey questions are effective and how to increase survey engagement.
5. Leandro Festino of Meketa presented the Investment Performance Review for the fourth quarter 2022. He provided a market update and reported that 2022 was a poor year across almost all asset classes and predicted that challenges would continue to persist into 2023. He noted that the fund was valued at approximately \$2.3 billion, a



\$24.6 million increase from the start of the fourth quarter 2022. He highlighted the performance and holdings of individual domestic managers. Mr. Festino and Mr. Baum fielded questions from Board members regarding strategy, holdings and performance of various domestic equity managers. Mr. Festino then highlighted the performance of individual managers in the other asset classes.

6. Randall Baum presented a review of the domestic equity allocation and DERP's investment managers in that asset class. He began by noting that equities are the largest asset class in DERP's portfolio, with domestic equities representing about half of total public equities. He noted that domestic equity has a target allocation of 22%, and at 12/31/22 had a market value of \$435.5M or 18.6% of DERP's portfolio. He explained that the role of the domestic equity allocation is to be a return driver in the portfolio. He highlighted the performance of the individual managers, described the differences between active and passive, and provided examples and discussion of current domestic equity investments. He reported that DERP staff is disappointed with the domestic equity returns in 2022 and noted that lack of energy exposure contributed to lower returns. He provided historical perspective and noted that DERP staff is pleased overall with the long-term performance of the domestic equity allocation. John Dominguez asked if ESG constraints had any impact on manager results or sector allocation. Mr. Baum replied that DERP staff does not dictate investments or impose ESG constraints on investments by individual managers, but that investment decisions and results are scrutinized within an ESG framework. Mr. Dominguez then requested a summary of the process of determining the overall asset allocation and manager selection. Mr. Baum outlined the collaborative process among the Board, consultant, and staff in guiding and recommending an asset allocation for Board approval. Mr. Baum also described the authority delegated to staff and consultant with respect to manager hiring decisions.
7. The next regularly scheduled board meeting is Friday, April, 21 at 9:00 a.m.
8. The meeting was adjourned at 10:09 a.m.

  
Board Chair

  
Executive Director

