

**RESOLUTION 22-41 – AUTHORIZES THE MODIFICATION OF INVESTMENT GUIDELINES FOR DELAWARE RIVER AND BAY AUTHORITY OTHER POST EMPLOYMENT BENEFITS (“OPEB”) TRUST**

WHEREAS, The Delaware River and Bay Authority (the “Authority”) is a bi-state Authority of the State of Delaware and the State of New Jersey, created by compact, that operates and maintains the Delaware Memorial Bridge, Cape May-Lewes Ferry, Forts Ferry Operation and five regional airports; and

WHEREAS, the Authority has established and maintains certain employee benefit plans that provide post-employment benefits to OPEB participants who are eligible for coverage thereunder; and

WHEREAS, the Authority appoints an Investment Manager for the purposes of recommending Investment Guidelines to the OPEB Trust; and

WHEREAS, Brown Advisory, as Investment Manager, has recommended modifications to the current Investment Guidelines with the intention of maintaining portfolio diversification and risk management while balancing the goal of achieving the targeted investment return rate associated with the OPEB Trust; and

WHEREAS, the Chief Financial Officer and the Budget and Finance Committee, as the Investment Committee, have reviewed and concur with the recommended changes to the Investment Guidelines; and

WHEREAS, the Authority hereby repeals previously adopted Resolution 12-35 and all prior resolutions concerning investment guidelines related to the OPEB Trust.

NOW, THEREFORE, BE IT RESOLVED, that the attached guidelines shall replace and function as the stated Investment Guidelines for the OPEB Trust.

## **Resolution 22-41 Executive Summary Sheet**

**Resolution:** Authorizes the Modification of Investment Guidelines for the Delaware River and Bay Authority Other Post Employment Benefit Trust

**Committee:** Budget & Finance Committee

**Committee/  
Board Date:** September 20, 2022

### **Purpose of Resolution:**

To modify the current investment guidelines as to enhance the possibility of achieving the revised target interest rate investment assumption of 6.5% while maintaining the diversification and risk management of assets within the OPEB Trust.

### **Background for Resolution:**

The Investment Committee, with the assistance of the services of the Investment Manager, is responsible for reviewing and making recommendations regarding the Investment Guidelines of the OPEB Trust. The Committee's goal is to target potential returns in the fund by broadening the asset allocation to include growth opportunities with consideration to diversification and risk management of the investments.

# THE DELAWARE RIVER AND BAY AUTHORITY

## RETIREES' HEALTH BENEFITS PLAN

### STATEMENT OF INVESTMENT POLICY

These investment guidelines were approved on 09/20/2022. The adjustments made in this update include alignment of the OPEB and Pension Plan, documenting adjustments made to the asset allocation allowable guidelines and sub-asset class categories.

# THE DELAWARE RIVER AND BAY AUTHORITY

## RETIREES HEALTH BENEFITS PLAN

### STATEMENT OF INVESTMENT POLICY

#### Section I Investment Philosophy and Strategy

##### 1. Investment Philosophy

The fiduciary responsibilities for the Delaware River and Bay Authority Retirees' Health Benefits Plan (the "Plan") rest with Plan Trustees who are appointed by the Delaware River and Bay Authority to oversee the management of the Health Benefits Plan's assets. As fiduciaries, the Trustees are to establish an investment policy for the Plan, based on care and diligence, and designed exclusively for the purpose of providing benefits to the Plan members and beneficiaries.

The Trustees have adopted these investment objectives and operating policies and procedures in furtherance of their responsibilities.

##### 2. Investment Strategy

The investment policy of the Health Benefit Plan has been developed from a comprehensive evaluation of alternatives considered by the Trustees. This policy represents a consensus of input from trustees, financial and actuarial consultants, investment advisors and legal counsel.

Among the factors considered in the development of this investment policy are:

- Primary Investment Goal
- Rate of Return Objective
- Investment Risk
- Investment Time Horizon
- Asset Allocation
- Investment Requirements and Prohibitions

The Trustees will periodically review this Statement of Investment Policy to assure that it accurately reflects the needs and objectives of the Plan and its beneficiaries. The Trustee may also revise the investment policy of the Health Benefit Plan as required by changing legal, economic, actuarial or investment conditions in order to meet its fiduciary responsibilities.

a. Primary Investment Goal

The goal of the Health Benefit Plan is to provide, protect and enhance the economic well being of employees, retirees and beneficiaries through effective management of the Plan based on sound actuarial principles and available resources consistent with applicable laws. Consistent with this objective, the goal of the investment policy is to preserve the capital of the Plan and maximize investment earnings in excess of inflation with acceptable levels of volatility. This objective will be achieved through an investment strategy which combines the need to maintain a long-term horizon in making investment decisions with acceptable levels of volatility.

b. Rate of Return Objective

The Trustees have adopted an investment strategy which has as its target a real rate of return objective (i.e. a return in excess of inflation measured by the Consumer Price Index) of approximately 3% over long (i.e. 10 to 15 year) periods of time.

Furthermore, the Trustees will review actuarial assumptions to ensure consistency with capital market expectations.

c. Investment Risk and Diversification

Risk is often defined in terms of portfolio volatility; however, for the Health Benefit Plan, risk is also defined in terms of the probabilities of not meeting the primary investment goal. These probabilities will be evaluated from time to time by the Trustees, based on these evaluations, the Trustees may adjust the asset allocation strategy to maintain an acceptable level of risk for the Health Benefit Plan's portfolio. Additional risk control will be implemented through diversification of assets among different asset classes, and where practical and efficient, managers with different investment styles will be utilized to further diversify systematic market risk.

d. Investment Time Horizon

In making investment decisions and evaluating investment performance, the Plan's focus will reflect the long-term investment time horizon of at least a complete market cycle (generally occurring over three to five years).

e. Asset Allocation

One of the more important components of an investment strategy is the portfolio asset mix, or the allocation between the various classes of securities available to the Health Benefit Plan for investment purposes. The Trustees will establish the long-term asset allocation policy. In addition, the Trustees may implement changes in the asset allocation policy when they deem it suitable.

The asset allocation guidelines are shown in Attachment A. They represent minimums and maximums allocations as well as specific targets for asset subsectors.

## Section II Investment Guidelines and Evaluation Criteria

The assets of the Health Benefits Plan will be broadly diversified across multiple asset classes in order to minimize the overall portfolio volatility. Permissible investments include:

- Equities (Domestic and International)
- Cash and Fixed Income Securities
- Alternative Assets

### 1. Equity Investment Policy Guidelines

The equity portion of the Plan will be diversified among the market's various subsectors to diversify risk. The invested assets may include mutual funds, ETFs, separately managed accounts, limited partnerships or specific stocks where appropriate. The subsectors to be used include, but are not limited to:

Large Capitalization U.S. Stocks  
Small & Mid Sized Capitalization U.S. Stocks  
International (Developed and Emerging Market)

### 2. Fixed Income Investment Policy Guidelines

Fixed income assets may include fixed rate and floating rate debt and loans from governmental, sovereign, supranational and corporate issuers. Convertible bonds and preferred stock are considered equity instruments and not fixed income. The Fixed Income portion of the Plan will be diversified among various sectors and managers to moderate risk.

### 3. Alternative Investments

Alternative investments will be in asset classes and strategies that have low correlation to traditional bonds and equities in order to broaden the long-term diversification of the overall portfolio.

Alternative investment assets may include real estate, commodities, alternative investment funds, venture capital and private equity.

## Section III Investment Policy Implementation

### 1. Regular Meetings

On a regular basis, the Trustees shall meet and review the investment and funding status of the Plan. Such reviews will include (but not be limited to) such items as investment strategy and compliance with policy, investment performance, manager performance evaluation, and other such topics.

In addition to providing reporting on performance, holdings and transactions, the Investment Manager will communicate to the Trustees on a timely basis any extraordinary events such as periods of unusual market volatility and material changes in the organizational structure and senior personnel working on behalf of the Plan.

### 2. Performance Evaluation

The Trustees will regularly review and analyze the performance of the Plan and its managers. Investment performance will be evaluated on a time weighted total rate of return basis (capital appreciation plus interest/dividends).

Further, individual portfolio segments will be evaluated relative to other similar investment styles, as well as appropriate benchmarks (such as the Standard and Poor's 500). Performance will be analyzed on a rolling quarterly, one year, three year and five-year basis.

The Health Benefit Plan's overall performance is evaluated on the basis of meeting or exceeding the stated investment objectives outlined earlier in this policy as well as a blend of fixed income and equity indices that may reflect the long-term asset allocation such as 35% Barclays Aggregate Bond Index and 65% of the MSCI All Country World Index.

## THE DELAWARE RIVER AND BAY AUTHORITY

## RETIREES' HEALTH BENEFIT PLAN

## ASSET ALLOCATION POLICY AND TARGETS

	Allowable Range
Cash & Fixed Income	25 - 35%
Equities	40 - 60%
Alternative Investments	0 - 30%

	Target	Allowable Range
Cash	2%	0 - 10%
US Domestic Fixed Income	25%	20 - 35%
High Yield	-	0 - 5%
Non-US Fixed Income	-	0 - 5%
<b>Total Cash &amp; Fixed Income</b>	<b>27%</b>	<b>25 - 35%</b>
Domestic Equities	32%	25 - 40%
Non-US Equities	16%	5 - 20%
<b>Total Equities</b>	<b>48%</b>	<b>40 - 60%</b>
Liquid Real Assets	5%	0 - 7%
Private Equity	10%	0 - 15%
Private Real Assets	5%	0 - 10%
Private Credit	5%	0 - 10%
Hedge Funds	n/a	
<b>Alternative Investments</b>	<b>25%</b>	<b>0 - 30%</b>

THE DELAWARE RIVER AND BAY AUTHORITY

RETIREES' HEALTH BENEFIT PLAN

FIXED INCOME SEPERATELY MANAGED ACCOUNT GUIDELINES

I. Permissible Investments

1. All types of U.S. dollar denominated fixed income securities may be used, including but not limited to, Governments (Treasuries, Agencies, International Agencies), Corporate, Mortgage-Backed, Asset Backed Securities and issues of U.S. state and local governments.
2. Issues of corporations and state and local governments are limited to 5% of the fixed income portfolio.
3. Industry concentration limited to 25% of portfolio.
4. Up to 5% of the fixed income portfolio may be invested in non-U.S. dollar denominated securities

II. Quality

95% of all holdings must be investment grade (minimum Baa3/BBB-). Commercial paper must be rated top quality (A1 or P1) by at least one rating service (i.e. split rated issues allowed).

III. Maturity

No maturity limit shall apply per individual issue. The portfolio's overall sensitivity to interest rate changes will be measured by its relative duration. Expected average maturity/duration will be utilized in the case of amortizing structures (i.e. mortgage backed, asset backed, etc.) and cash pro rata sinking fund issues.

IV. Duration

The portfolio's average duration will be in a range of 3.5 to 7.0

V. Performance Measurement and Comparison

Total return performance for the portfolio will be calculated by using a time weighted measure. Monthly returns will be calculated and then linked to provide return data for longer time periods. The results for the portfolio will be compared to that of the Barclays Capital Aggregate Bond Index for comparable periods. The performance objective is to exceed the return of the index, net of fees, over a market cycle of 3 to 5 years. Volatility of returns will be used as a measure of relative risk over long time periods.