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PENSION FUND COMMITTEE

Minutes of Meeting

AUGUST 15, 2024

The Sussex County Pension Fund Committee met on August 15, 2024, at 10:00 a.m. by teleconference. Those in attendance included members: Gina Jennings, Todd Lawson, Kathleen Ryan, Lance Rogers, Karen Brewington, Kathy Roth, and Robin Griffith as well as Pat Wing of Marquette Associates, the County's Pension Investment Consultant.

Ms. Jennings called the meeting to order.

1. Approval of Minutes

The minutes of the May 16, 2024, meeting were approved by consent.

2. Public Comment

There was no public comment.

3. Performance Reports of the Pension and OPEB Funds

Prior to today's meeting, Committee members were emailed copies of Marquette Associates' report entitled, "Sussex County Quarterly Performance Report as of June 30, 2024," as well as portfolio updates. All reports were posted to the website prior to the meeting.

The Quarterly Performance Report includes information regarding the market environment for 2024, as well as quarterly performances of the Pension and OPEB Plans. The report should be referenced for a detailed analysis.

Mr. Wing directed members to the Pension Fund Performance Report.

Observations as of June 30, 2024, included:

- The market value was \$164.4 million. The portfolio had a Q2-24 net investment change of \$2.6 million, returning 1.6% (net) vs. policy index of 1.9%. Fiscal



year to date, the next investment change was \$19.0 million, returning 12.9% (net) vs. policy index of 13.3%.

- Positive attribution for the quarter resulted from asset allocation and outperformance by most active equity managers as well as outperformance by JP Morgan IIF.
- Negative attribution for the quarter resulted from U.S. and Global equity structure and underperformance by Clarion LPF.
- Looking Ahead: Real Estate Discussion.

Mr. Wing directed members to the OPEB Fund Portfolio Overview

Observations as of June 30, 2024, included:

- The market value was \$67.1 million. The portfolio had a Q2-24 investment change of \$1.0 million, returning 1.6% (net) vs. policy index of 1.9%. Fiscal year to date, the net investment change was \$7.7 million, returning 12.9% (net), vs. policy index of 13.3%.
- Positive attribution for the quarter resulted from asset allocation and outperformance by most active equity managers as well as outperformance by JP Morgan IIF.
- Negative attribution for the quarter resulted from U.S. and Global equity structure and underperformance by Clarion LPF.
- Looking ahead: Real Estate Discussion.

Mr. Rogers stated that it was mentioned that the big names were doing well this year; and questioned whether Marquette had an outlook as far as whether that may rotate into some other sectors that haven't done so well. Mr. Wing stated that it comes down to the economic outlook. If the market grinds higher and the Fed lowers rates at the same time; that will alleviate some of the pressure on those smaller companies that have a lot of interest rate exposure; in that environment, there will be a rotation. If economic weakness continues to play out a little bit here and there is a bigger drawdown in the markets than expected, then one would expect those type of companies to do better than their larger counterparts because of their much cheaper valuation but would expect them to drop in unison with the larger ones.

4. Discussion and Possible Action on Real Estate Investment Portfolio

Mr. Wing gave a quick review of how real estate was approved and implemented several years ago as well as a review of the current real estate environment. Mr. Wing then reviewed two potential asset allocation policy options for the committee to consider. The first option would take real estate down three percentage points and move that all into fixed income; and the second option would also take real estate down three percentage points and move a couple percentage points into fixed income and an additional percentage point into bank loans. Ms. Ryan asked if Mr. Wing had recommendations on which avenue he preferred, and Mr. Wing stated exiting real estate at this point makes sense; that Option A is a little more conservative than Option B but it still gets you where you need to be from a return perspective and it is the cleanest and simplest option to move forward with. Ms. Ryan expressed concern about bank loans should the Fed cut rates aggressively and then questioned how quickly Marquette could

move if the committee considered Option B to get our allocation lower on bank loans should they be affected negatively by the Feds cutting rates. Mr. Wing noted the options under consideration reflect targets only and Marquette would likely continue to run a slight underweight to bank loans as is the case currently. Ms. Ryan then noted choosing option B would give more flexibility down the road in case it is needed. Mr. Rogers agreed with Ms. Ryan, favoring Option B. If the real estate can be lowered, and the same result could be achieved with a little bit less risk than that would be the thing to do. Mrs. Jennings stated that she likes the conservative approach and was leaning towards Option A but did agree that 1% does give some flexibility.

A motion was made by Ms. Ryan, seconded by Mr. Rogers be it moved that the pension committee makes a recommendation to the Sussex County Council to adjust the investment policy statements for both the pension and OPEB funds to increase fixed income by 2% and increase bank loans by 1% and decrease real estate by 3%.

Motion Adopted: 6 Yeas.

Vote by Roll Call: Ms. Brewington, Yea; Ms. Griffith, Yea; Mr. Rogers, Yea; Ms. Roth, Yea; Ms. Ryan; Mr. Lawson, Yea; Ms. Jennings, Yea

5. Additional Business

Ms. Jennings stated that the next meeting will be an in-person meeting on November 21, 2024, at 10:00 in Council Chambers.

6. Adjourn

At 10:58 a.m., a Motion was made by Mrs. Roth, seconded by Mr. Lawson to adjourn. Motion Adopted by Voice Vote.

Respectfully submitted,

Bobbi L. Albright
Executive Administrative Assistant