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PENSION FUND COMMITTEE

Minutes of Meeting

February 15, 2024

The Sussex County Pension Fund Committee met on February 15, 2024, at 10:00 a.m. by teleconference. Those in attendance included members: Gina Jennings, Todd Lawson, Mitch 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 November 16, 2023, 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 December 31, 2023," 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 2023, as well as quarterly performances of the Pension and OPEB Plans. The report should be referenced for a detailed analysis.

Mr. Wing referred members to the Market Environment. From an economic growth perspective, the narrative that was prevalent all last year continued in Q4 and that was the economic data continued to come in better than expectations. U.S. economic growth decelerated slightly in Q4 with a real GDP increasing at an annual rate of 3.3%. The slowdown was largely driven by softer consumer spending and lower growth in private inventories compared to Q3. Despite a Q4 deceleration, 2023 defied economist expectations of a recession, with data coming in better-than-expected throughout the year. Inflation data also came in better than expected. Expectations now are more optimistic than they were a year ago. From a market perspective, gains were quite strong particularly for traditional asset classes.



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

Observations as of December 31, 2023, included:

- The market value was \$155.5 million. The portfolio had a Q4-23 net investment change of \$11.1 million, returning 7.7% (net) vs. policy index of 8.0%. Fiscal year to date, the net investment change was \$8.3 million, returning 5.6% (net), vs. policy index of 5.7%.
- Positive attribution for the quarter resulted from asset allocation and outperformance by most Clarion LPF and JP Morgan IIF.
- Negative attribution for the quarter resulted from more defensive allocations within equities and underperformance by Wilmington Trust.
- Looking Ahead/Recommendations: Additional IIF (JP Morgan Infrastructure fund) contribution.

Mr. Wing directed members to the OPEB Fund Portfolio Overview

Observations as of December 31, 2023, included:

- The market value was \$63.1 million. The portfolio had a Q4-23 net investment change of \$4.5 million, returning 7.7% (net), vs. policy index of 8.0%. Fiscal year to date, the net investment change was \$3.4 million, returning 5.6% (net), vs. policy index of 5.7%
- Positive attribution for the quarter resulted from asset allocation and outperformance by most Clarion LPF and JP Morgan IIF
- Negative attribution for the quarter resulted from more defensive allocations within equities and underperformance by Wilmington Trust.
- Looking Ahead: Additional IIF contribution

Mrs. Jennings questioned the reasoning behind the over allocation to cash. Mr. Wing stated the reason for the over allocation is 1) interest rates appear lower than they should be for intermediate debts and 2) both equities and credit markets are generally overvalued.

Mr. Wing directed members to the Sussex County 2024 Considerations

- Economic growth in 2023 was much better-than-expected as inflation came down.
- Recession expectations have come way down, and the markets expect the Fed to cut rates rather notably.
- An economic “soft landing” appears to be the base-case scenario and largely reflected in market pricing.
- If equity markets continue to move higher, a disciplined rebalancing approach seems prudent given valuations.
- Given the high correlation between equities and fixed income, overweight to non-traditional asset classes and/or holding excess cash makes sense to us.

Mr. Rogers asked Mr. Wing to re-summarize where we are headed with infrastructure and real estate. Mr. Wing stated we were at 50-50 and then it was approved to go to 30-70 meaning 3% real estate and 7% infrastructure. Currently we are slightly below 4% real estate and 5.5% infrastructure. We are in line to get infrastructure up to 6% at the end of this quarter. As we continue to get money back from real estate, we will make an additional commitment to the infrastructure manager to then move to the final destination of 3% and 7%. The hope is to be there before the end of the calendar year. Mr. Rogers asked how long we have been in real estate and Mr. Wing stated it has been since the beginning of 2020 – four calendar years and during that time it has returned at annual rate of 3.1%.

4. **Additional Business**

Mrs. Jennings stated that this is Mr. Rogers last meeting, his term is up, and he is not seeking reappointment. She is recommending that his son be appointed. She also thanked Mr. Rogers for his insight and contributions to the Pension Committee.

5. **Adjourn**

At 10:53 a.m., a Motion was made by Mrs. Brewington, seconded by Mrs. Griffith, to adjourn. Motion Adopted by Voice Vote.

Respectfully submitted,

Bobbi L. Albright
Executive Administrative Assistant