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PENSION FUND COMMITTEE

Minutes of Meeting

February 20, 2025

The Sussex County Pension Fund Committee met on February 20, 2025, at 10:00 a.m. by teleconference. Those in attendance included members: Gina Jennings, Todd Lawson, Karen Brewington, Kathy Roth, Lance Rogers, Robin Griffith, and Kathleen Ryan. Also in attendance were Pat Wing of Marquette Associates, the County's Pension Investment Consultant; Janet Cranna, Brett Warren, and Ryan Benitez of Cheiron, the County's Actuary.

Ms. Jennings called the meeting to order.

1. **Approval of Minutes**

The minutes of the November 21, 2024, meeting were approved by consent.

2. **Public Comment**

There was no public comment.

3. **Performance Reports of the Pension and OPEB Funds**

Mr. Wing reviewed copies of a report entitled, "Sussex County Quarterly Performance Report as of December 31, 2024". The Investment Performance Report includes information regarding the market environment for the fourth quarter of 2024, as well as quarterly and annual performance of the Pension and OPEB Plans. The report should be referenced for a detailed analysis.

Mr. Wing referred members to the U.S. Economy and gave an overview of the economic and market environment. U.S. economic remained strong in Q4 with real GDP increasing at an annual rate of 2.3%.

Mr. Wing reviewed the Global Asset Class Performance in Q4 and the U.S. Equity Markets.



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

Observations as of December 31, 2024, included:

- The Pension Plan market value was \$172.3 million. Q4-24 net investment change of -\$1.4 million, returning -0.8% (net), vs. policy index of -0.2%.
- Positive attribution for the quarter resulted from asset allocation and outperformance by JP Morgan IIF and Clarion LPF
- Negative attribution for the quarter resulted from equity structure and underperformance by most active energy managers.

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

The market value as of December 31, 2024, was \$70.1 million. Q4-24 net investment change of -\$0.6 million, returning -0.8% (net), vs policy index of -0.2%. Positive attribution for the quarter resulted from asset allocation and outperformance by JP Morgan IIF and Clarion LPF and negative attribution for the quarter resulted from equity structure and underperformance by most active equity managers.

Mr. Rogers mentioned that fixed income is off to a better start so far this year and inquired about Marquette's outlook for the remainder of the year. Mr. Wing responded that the outlook depends on the Federal Reserve's policy decisions. They expect a possible rate cut from the Fed, despite current conditions suggesting otherwise. He also noted that from a policy perspective the environment is highly volatile, making it difficult to predict its impact. While the path may be uncertain, there's a possibility that the year may end with fixed income levels similar to where they are now, though it could be a volatile journey.

4. Experience Study

Ms. Jennings explained that an Experience Study is conducted approximately every five years to review the assumptions in the annual actuarial report. Ms. Cranna, Mr. Warren, and Mr. Benitz were present to present the assumptions and offer recommendations. Ms. Cranna and Mr. Warren addressed the Pension Plan, while Mr. Benitz discussed the OPEB Plan. The last Experience Study was completed in 2019. A report titled *Experience Study July 1, 2018 through June 30, 2024* was distributed to members. The discussion covered an overview of the study, demographic assumptions (including mortality, retirement, termination, and marriage assumptions), economic assumptions (such as salary increases, inflation rate, cost-of-living adjustments, and investment return), and the cost impact of the recommended changes to both the Pension and OPEB Plans.

Cheiron recommended the following changes: 1) Demographic assumptions – for other employees – decrease rates under age 60 and increase rates thereafter; for paramedics and dispatchers decrease rates prior to age 65 for < 30 years of service; 2) Termination rates – increase rates prior to 10 years and decrease rates thereafter; 3) Economic assumptions – increase salary rates across the board by 0.5%. Cheiron also recommended that the County consider changing the amortization method to layers: 10-years, 15-years, or 20 years where each year's gain or loss is amortized over a separate closed layer.

Ms. Ryan stated that the assumption changes make sense, however she questioned whether the County could afford to do that on the contribution side. Mrs. Jennings explained that she worked with Ms. Cranna on the 20-year amortization. Mrs. Jennings stated that the study shows the facts and if it is not funded the way the facts show, then we would not be supporting our pensioners like we stated we would. Mrs. Jennings stated she felt we needed to follow the recommendations as presented by Cheiron.

A Motion was made by Ms. Roth, seconded by Ms. Brewington, that the Sussex County Pension Committee recommend to the Sussex County Council that based on the experience study performed by Cheiron that County Council change the following assumptions to both the Pension and OPEB Plans: change the mortality table to Pub-2010 General published by the Society of Actuaries in 2019, change the mortality improvement scale to the Scale MP – 2021; retirement rates, termination rates and salary rates as recommended and presented by Cheiron.

Motion Adopted: 7 Yeas.

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

A Motion was made by Ms. Ryan, seconded by Ms. Roth that the Sussex County Pension Committee recommend to County Council to change the amortization method to a 20-year layered method as also supported by Cheiron, the county's actuary. This will apply to both funds.

Motion Adopted: 7 Yeas

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

5. **Additional Business**

Mrs. Jennings announced that this is Ms. Ryan's last meeting, as her term has ended, and she is not seeking reappointment. Mrs. Jennings expressed gratitude to Ms. Ryan for her valuable insights and contributions to the Pension Committee.

6. **Adjourn**

At 11:37 a.m., a Motion was made by Ms. Brewington, seconded by Mr. Lawson, to adjourn. Motion Adopted by Voice Vote.

Respectfully submitted,

Bobbi L. Albright
Executive Administrative Assistant