

PENSION FUND COMMITTEE
Minutes of Meeting

November 20, 2025

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

Mrs. Jennings called the meeting to order.

1. Approval of Minutes

The minutes of the August 21, 2025, meeting were approved by consent.

2. Public Comment

There was no public comment.

3. Performance Reports of the Pension and OPEB Funds

Mr. Wing distributed copies of a report entitled, "Sussex County Quarterly Performance Report as of September 30, 2025. The Investment Performance Report includes information regarding the market environment for the third quarter of 2025, as well as quarterly and annual performance of the Pension and OPEB Plans. The report should be referenced for a detailed analysis. Mr. Wing began with an overview of the market environment, noting that despite a slight deceleration, the U.S. economy continued to grow at a solid pace in Q3. AI infrastructure spending was highlighted as a major contributor to GDP growth. Mr. Wing also discussed inflation trends, suggesting that inflation may remain persistent or even increase slightly in the coming months. He explained that although the Federal Reserve began cutting rates in September and October, uncertainty remains about future actions, particularly at the December meeting.

Observations as of September 30, 2025, included:

- The Pension Plan market value was \$190.2 million. Q3-25 net investment change of \$8.9 million, returning 4.9% (net), vs. policy index of 5.3%
- Positive attribution for the quarter resulted from emerging markets overweight within Non-U.S. Equity and outperformance by Clarion, JP Morgan, and Aristotle
- Negative attribution for the quarter resulted from equity structure and underperformance by most active equity managers.
- Looking ahead – Real Estate is winding down.

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

The market value as of September 30, 2025, was \$76.8 million. Q3-25 net investment change of \$3.6 million, returning 4.9% (net), vs. policy index of 5.3%. Positive attribution for the quarter resulted from emerging markets overweight within Non-U.S. Equity and outperformance by Clarion, JP Morgan, and Aristotle. Negative attribution for the quarter resulted from equity structure and underperformance by most active equity managers.

Mr. Wing confirmed that all asset allocations were within their permissible ranges. He noted that the Marquette OCIO Committee had rebalanced the portfolio by trimming equities and reinvesting in fixed income. Additionally, the Clarion real estate investment continued to wind down, with further capital returned in early October.

Mr. Wing also provided an October update, reporting a fiscal year-to-date return of nearly 6%. He reiterated that the Fund's underperformance was due to outperformance by speculative equity segments, which the Fund is underweight to generate downside protection. So, relative performance was consistent with its investment philosophy and long-term approach.

During the discussion, Mr. Rogers asked whether there was potential for market rotation into other sectors such as healthcare or industrials. Mr. Wing responded that while such a rotation is possible—especially given the depressed valuations in healthcare—it remains uncertain. He noted that if expectations for AI-related companies are not met, capital could shift toward other sectors, particularly those with more favorable valuation metrics.

Another question was asked about the Fund's exposure to Bitcoin and other cryptocurrencies. Mr. Wing stated that Bitcoin is considered highly speculative and volatile. Public plans rarely adopt it due to fiduciary risk and lack of understanding. Gold plays a different role historically.

4. Annual Actuarial Report

At the request of the County, Cheiron, the County's actuary, performed their annual actuarial valuation of the Sussex County Employee Pension Plan, as well as the Sussex County Postemployment Benefit Plan.

For the Pension Plan, the valuation included a historical review, identification and assessment of risk, valuation results, and projections.

In fiscal year 2025, the Pension Plan saw investment earnings of \$18.6 million, employer and employee contributions of \$4.7 million and \$0.7 million, respectively, with benefits of \$7.0 million and expenses of \$0.2 million. Participation rates (the ratio of active members to inactive members) over the last several years have remained relatively level, though Retirees, along with Terminated Vested Participants, have been increasing at the margin. The County's Pension Plan is currently 96.2 percent funded on a market value basis, and it was noted that the County is one of Cheiron's best funded pension plans, primarily due to

the County making significantly high pension contributions. The County's discount rate is 6.75 percent.

The actuarially determined contribution (ADC) increased from \$4.1 million to \$4.7 million; the unfunded actuarial liability (UAL) increased from \$3.5 million to \$6.8 million; the actuarial experience asset gain was \$4.2 million; the actuarial experience liability loss was \$2.5 million; and there was a decrease in the funded ratio from 97.9 percent to 96.2 percent. Ms. Cranna explained that recent experience studies led to updates in assumptions, including mortality rates and salary growth, and that a new amortization method was adopted to enhance ACD stability.

The OPEB Plan is currently 100.3 percent funded on a market value basis. Total number of participants increased from 777 to 807. Ms. Cranna highlighted key trends and risks, including the impact of salary growth and cost-of-living adjustments on liabilities. She commended the committee for its conservative assumptions and consistent overfunding, while also noting inflation and market concentration in the AI sector as ongoing concerns.

5. 2026 Meeting Dates

The meeting dates for 2026 are as follows:

February 12, 2026
May 14, 2026
August 20, 2026
November 19, 2026

All meetings begin at 10:00 a.m. and will be held virtually, except for the November meeting, which will be held in the Sussex County Council Chambers, Administrative Office Building, Georgetown, Delaware. Calendar invitation will be sent to each member.

6. Additional Business

No Additional Business

7. Adjourn

At 11:19 a.m., a Motion was made by Ms. Roth, seconded by Ms. Brewington to adjourn. Motion Adopted by Voice Vote.

Respectfully submitted,

Bobbi L. Albright
Executive Administrative Assistant