



PENSION FUND COMMITTEE

AGENDAS & MINUTES

SUSSEX COUNTY

PENSION FUND COMMITTEE

Minutes of Meeting

November 2, 2011

The Sussex County Pension Fund Committee met on November 2, 2011, at 1:00 p.m. in the County Council Chambers, Georgetown, Delaware. Those in attendance included members: Susan Webb (Finance Director), Councilwoman Joan Deaver, Karen Brewington (Director of Human Resources) and David Baker (County Administrator). Jeffrey James, Director of Engineering Accounting, was also in attendance. On October 24, 2011, the Agenda for today's meeting was posted in the County's locked bulletin board located in the lobby of the County Administrative Office Building.

Ms. Webb called the meeting to order at 1:13 p.m.

Discussion of Sussex County Fire Service Fund Investment Policy Statement

Committee members were presented with copies of the draft Investment Policy Statement for the 'Sussex County Fire Service Fund', prepared by Peirce Park Group. At the September 30, 2011 Pension Committee meeting, it was decided that the Committee would take on the additional responsibility and oversight of this new \$10 million investment for the Sussex County Fire Service Fund, and to make recommendations to Council. The IPS includes the objectives, guidelines, policies, review, and monitoring procedures related to this fund. In Ms. Webb's review of the policy statement, lengthy discussion took place, which included the following highlights:

- (1) Recommended name change from "Sussex County Fire Service Fund" to "Sussex County Fire Service Investment Trust Fund";
- (2) Ms. Deaver expressed concern regarding the expense, or fees, of setting up this fund and any penalties that would have to be paid if the County decided to close this account. She also stated that the award of grants to the fire companies may be the better option to pursue. It was noted that per the

budget ordinance, a provision is included for the County Council to make changes to this ordinance. In the case of emergency, the money would be accessible to the General Fund with a four-fifths vote of Council;

- (3) The \$10 million would be segregated from other General Fund money with the goal that the County could earn a higher rate of return;
- (4) If the fund suffers a loss that would go below the principal amount, the balance must be restored before any additional grants are made to the County or the fire service;
- (5) If and when returns are generated, the Fire Resource Committee would make recommendation to Council as to specific allocations for the individual Sussex County fire companies;
- (6) Recommended wording change contained under Investment Objectives - Page 8, Section 4 a. to read, 'Based upon current and projected Fund and capital market conditions, the County desires the maximum net returns based upon our fixed income investment guideline', instead of ', the County desires net returns meeting or exceeding 5% per year';
- (7) The asset allocation would include 100 percent fixed income and would be reviewed quarterly;
- (8) Recommended wording change under the "Investment Policy – Diversification" on Page 10 to remove the word 'substantial' in the sentence reading, "Fund investments must be diversified broadly to minimize the risk of substantial loss";
- (9) Under the Investment Guidelines contained on Page 11, it was noted that the investment manager would be the holder of the portfolio and would have to conform to the investment guidelines;
- (10) There is a 25 percent total portfolio limit that can be invested in corporate fixed income securities, i.e. corporate bonds and commercial paper;
- (11) Clarification is needed for the intended meaning of 'designated on pg. 9' in the statement included on Page 14 – e that reads, 'the effective duration of the policy benchmark designated on page 9';
- (12) The investment manager can only buy bonds that are rated Baa or higher, and the average of all the bonds has to be Aa2;
- (13) The County has the right to terminate a relationship with an Investment Manager at any time; and

- (14) The possibility of investing the \$10 million in Sussex County bonds was raised. If this is a feasible option, ‘tax exempt’ would have to be removed from the ‘General Guidelines’ (Page 12 – section 4) as to what investments are allowed since County bonds are tax-exempt. Consequently, the phrase ‘taxable municipal securities’ would also have to be removed under the “Fixed Income Investment Guidelines” (Page 13 – section 1).

In particular, the option of loaning the \$10 million to a County sewer district was discussed. The various scenarios to accomplish this option, as well as the advantages and disadvantages, were mentioned and considered by Committee members, i.e. legal and auditing requirements and ramifications, equitable interest rate to be charged and amortization schedules, safeguards needed to protect the County and the sewer district(s), length of loan, cost savings, the overall need for an Investment Policy Statement, and whether to continue with the Request for Information.

Ms. Webb distributed copies of a ‘Request for Information’ (RFI) for Fixed Income. Ms. Webb explained that once the IPS is in place, the next step would be to send out the RFI to M & T, Citizens, and Fulton Banks. The RFI explains that the County is seeking to hire an investment firm to manage the \$10 million Fire Service Investment Trust Fund portfolio and requests each bank submit no more than 3 investment options.

Ms. Webb reminded the Committee that a Public Hearing will be held by Council on Tuesday, November 8, 2011, at 10:30 a.m., regarding the amendment to Chapter 26 (§26-4) of the Code of Sussex County relating to the Advisory Retirement Board. The proposed ordinance addresses the formal establishment of the Sussex County Pension Fund Committee, defines the abilities of the Committee that will include the ability to enter into investment contracts without an RFP, and membership on the Committee. Upon Council’s adoption, she noted the need for Council to appoint members to serve on the committee, namely, a current County employee, a retired employee who currently receives a pension, and a County community member. For internal use only and to receive feedback from the Committee, a handout was distributed that contained the names of possible members if Council was to request recommendations from the Committee. To allow continuity and better insight of those serving on the Pension Committee, Ms. Webb would like Council’s appointments to serve for a term of more than one year. Concern was expressed that the community member have the County’s interest as their first priority, which may result in the exclusion of banking individuals.

Ms. Webb reminded members that the next Pension Committee meeting has been scheduled for Monday, November 14, 2011, at 1:00 p.m. Peirce Park Group, the

County's financial advisors, will be in attendance. Ms. Webb stated that she will make the recommended revisions to the IPS, but that she wanted members to further review both the IPS and RFI and get back with her with any questions or further amendments. Peirce Park Group and the auditors will be contacted regarding the County's funding of its own bond for the \$10 million fire service investment. Further discussion as to the Committee's membership will take place at the November 14th meeting, as well as when to take before Council.

At 2:22 p.m., a Motion was made by Ms. Webb, seconded by Ms. Deaver, to adjourn. Motion adopted by Voice Vote.

Respectfully submitted,

Nancy J. Cordrey
Administrative Secretary

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