



PENSION FUND COMMITTEE

AGENDAS & MINUTES

SUSSEX COUNTY

PENSION FUND COMMITTEE

Minutes of Meeting

September 30, 2011

The Sussex County Pension Fund Committee met on September 30, 2011, at 8:30 a.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). Also in attendance were Todd Lawson (County Administrator Appointee), Jeff James (Director of Engineering Accounting), and Gina Jennings (Director of Accounting). On September 22, 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.

Discussion of Pension Ordinances

Ms. Webb distributed copies of Chapter 26 and Chapter 27 of the County Code, known as the Sussex County Employee Pension Plan Act and the Sussex County Post-Employment Benefit Plan, as well as a copy of a draft ordinance amending §26-4 – of Chapter 26 – relating to the Advisory Retirement Board. The proposed new subsection is to read as follows:

§26-4 Sussex County Pension Fund Committee

- A. The good order of the Sussex County Council and the welfare of its personnel requires safe and wise investment of the pension funds and other postemployment benefit funds of the employees and former employees of Sussex County. Sussex County presently manages a substantial pension fund for the benefit of its employees.
- B. There is hereby established a Sussex County Pension Fund Committee, hereinafter referred to as the "Committee". The responsibilities of the Committee shall be to review and periodically advise the Sussex County Council on the prudent investment of the Sussex County Employees Pension Fund and Other Post-Employment Benefit Fund.

- C. The Committee shall assume full responsibility to accomplish its mission and is hereby given the necessary powers as described below to do so:
1. Adopt its own internal rules of procedure subject to Sussex County Council's review and approval.
 2. Make such arrangements for meeting space and materials within the Sussex County Administration Building as are necessary for the carrying out of the Committee's business.
 3. Obtain and keep such books and records as are needed to carry out the Committee's business.
- D. Whoever is serving in the position of the County Finance Director, County Administrator, and County Human Resources Director shall always be members of the Committee. The Sussex County Council shall appoint one of its members to the Committee in January of every year. The following members shall be appointed by the Sussex County Council for a term of four (4) years: a Sussex County community member, a current Sussex County employee, and a retired Sussex County employee who currently receives a County pension.
- E. At its discretion, the Sussex County Council shall have the power to enter into contracts with qualified persons, agents, or entities, to enable it to perform its investment duties or to enter into investment management agreements with qualified persons, agents, or entities, under which investment responsibilities of the Sussex County Council shall be delegated to such persons, agents, or entities, as so recommended by the Committee. The Sussex County Council shall be allowed to buy investments based on recommendations of these qualified persons, agents, or entities.

Ms. Webb noted that she had sent out, by email, copies of the draft ordinance to Committee members in advance of today's meeting for their review. The draft ordinance, prepared by the County's legal counsel (Patrick Vanderslice, Esquire), addresses three main points: the deletion of the Retirement Advisory Board and establishment of the "Sussex County Pension Fund Committee"; defining the abilities of the Pension Fund Committee, as well as the power of the County Council to enter into investment contracts; and membership on the Committee.

It was noted that, originally, the Retirement Advisory Board reviewed each pension and pension disability application, which is also completed by the Human Resources Department. Due to the duplication of duties, the Board stopped meeting approximately 10 years ago. In Ms. Webb's review of the original

ordinances from the 1980's, she could find no reference of a Pension Committee, or its duties. Ms. Brewington noted that as of January 1, 2012, with County Council's passage of the new disability ordinance, the County would eliminate the Sussex County Disability Pension. She also reported that the Human Resources Department has a new pension estimate worksheet. When a current or past County employee applies for a pension, the worksheet is completed, reviewed, and signed-off on by the Human Resources (HR) Director, another HR employee, and the applicant. In signing off on the worksheet, the pension applicant is, essentially, noting their agreement with the pension tabulation.

Ms. Webb reviewed Section D. and the members proposed to serve on the Committee. As proposed, membership would always include the County Finance Director, County Administrator, and County Human Resources Director, with Council appointing one of its members in January of every year. Council would also appoint the following members to a term of four years: a Sussex County community member, a current Sussex County employee, and a retired Sussex County employee who currently receives a County pension. Discussion was held as to voting vs. nonvoting members; defining the experience, or background, needed by the community member; inclusion of two current County employees versus one; not including a retiree on the committee; as well as the overall total number of members to serve on the Committee. Ms. Webb noted that all members sitting on the Committee would have voting rights.

Ms. Webb stated that Section E. gives the Pension Committee the power to recommend to County Council an investment manager without going through a Request for Proposal (RFP) process. The pension committees for Kent County and New Castle County also purchase their investments in this manner. Even without an RFP, the Pension Committee would take all recommendations to County Council for their approval. Although not proposed for Sussex County, Ms. Webb reported that the pension board for New Castle County can make their own investments without approval from the Council. It was also noted that Section E gives greater flexibility – with the help of the consultant – to recommend investments with a particular fund or manager without a RFP. The County, however, would still have the option to go through an RFP if desired. For the County to purchase investments, the County currently has been following the State Professional Services Law, which requires the County to advertise and accept proposals, or RFPs. To manage and protect the County's pension assets, the involvement of an independent consultant, such as Peirce Park, with their wealth of knowledge and vast experience was reiterated. To ensure greater impartiality and to better protect the County from mismanagement, it was emphasized that Peirce Park is not associated with any investment managers. It was noted that the RFP process can be expensive and time-consuming, as well as inefficient at times. Ms. Webb reminded members of the Committee's dissatisfaction with the RFP process

for the OPEB fund done approximately a year ago. The County was only able to work with specific selections due to constraints of the law. Of the approximately 28 proposals received, there were 2 or 3 the consultant wanted to include due to successful returns with other clients, but were disqualified as a result of not meeting deadline requirements.

A Motion was made by Mr. Baker, seconded by Ms. Deaver, for the Sussex County Pension Fund Committee to make recommendation to the Sussex County Council to adopt the proposed ordinance entitled, "AN ORDINANCE TO AMEND CHAPTER 26 OF THE CODE OF SUSSEX COUNTY BY AMENDING §26-4 RELATING TO THE ADVISORY RETIREMENT BOARD."

Motion Adopted: 4 Yea.

Vote by Roll Call: Ms. Deaver, Yea; Ms. Brewington, Yea;
Ms. Webb, Yea; Mr. Baker, Yea.

This item will be placed on the County Council agenda of October 18, 2011, with a Public Hearing to be held, most likely, on November 1 or November 8.

Peirce Park Group – New Investment

Ms. Webb directed Committee members to Section 8 of the current Annual Operating Budget for Fiscal Year 2012. Section 8 states, "The County will invest \$10 million of Appropriated Reserves from Realty Transfer Tax funds with a goal to earn five percent per year. The fire companies are to receive a grant for the annual investment income from this investment up to four percent per year; these fire service grants are to be awarded annually based on recommendations from the Fire Resource Committee, but at the discretion of the Sussex County Council. Sussex County will receive the first one percent of the investment income earned. The fire service would receive investment income of up to four percent after Sussex County receives one percent. A four-fifths vote of the County Council is required to use principal for any other purpose. If there is a loss from the investments, then the principal balance must be restored before any additional grants are made from investment income in the future to the County or the fire service. Sussex County is to receive the investment income over five percent per year. These grants to the fire service will be awarded annually, after a review of investment results at March of each year."

The question before the Pension Committee is whether they want to 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. Ms. Webb reported that Peirce Park is currently writing an Investment Policy Statement

(IPS) and will also assist with the RFP. This process will not require advertising and the RFP will only be sent to the four banks that the County currently does business with.

It was explained that the plan of action is to issue a RFP that would require the respondents to make recommendation as to how to structure a fixed income investment, with the goal of a 5 percent return. Per the Budget Ordinance, the County would receive 1 percent and the fire companies 4 percent. Various options discussed for oversight of the new investment included the involvement of the Budget Committee; the Finance Director and County Administrator; the Finance Director alone; and/or the involvement of the Pension Committee.

It was explained that if the Pension Committee agrees – with County Council approval – to assume major responsibility for this fixed income investment, it will require regular monitoring. As such, a brief meeting will have to be scheduled to review the Investment Policy Statement once it is received. Afterwards, County Council's approval of the IPS will have to be obtained, as well as approval for the selection of an investment manager. Ms. Webb reported that once the IPS is received, copies will be circulated to Committee members for their review before the next meeting.

A Motion was made by Mr. Baker, seconded by Ms. Deaver, that the Pension Committee make recommendation to the County Council that the Pension Committee oversee the investment of the Fire Service Fund and report back to County Council regarding policy and investments.

Motion Adopted: 4 Yea.

Vote by Roll Call: Ms. Deaver, Yea; Ms. Brewington; Yea;
Ms. Webb; Yea; Mr. Baker, Yea.

New Member Discussion

Ms. Webb requested recommendations as to the names of individuals to serve on the County Pension Fund Committee, i.e. current Sussex County employee, Sussex County community member, and a retired Sussex County employee who currently receives a County pension. It was noted that appointments are, generally, made by Council with no recommendations received from the actual board or committee.

Once the proposed ordinance is approved by Council, Ms. Webb stated she would request Council to appoint the necessary Committee members.

Other Business

Ms. Webb reported that Council has expressed interest in an alternative pension option that could be offered to new employees, namely, a defined contribution option similar to a 401(K) versus the current defined benefit.

The Committee discussed at great length the advantages and disadvantages of a defined benefit plan versus a defined contribution plan (Committee members can also reference the minutes of January 27, 2011). It was noted that the federal government currently offers multiple options to its employees.

Mr. Baker suggested that the Committee gather information as to the various options available to state and federal employees which, in turn, can then be brought before County Council. Ms. Webb suggested that it may be advantageous to have Aon – the County’s actuary – address the Pension Committee and/or Council before next year’s budget process is begun.

At 10:05 a.m., the meeting a Motion was made by Ms. Deaver, seconded by Mr. Baker, to adjourn. Motion adopted by Voice Vote.

Respectfully submitted,

Nancy J. Cordrey
Administrative Secretary

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