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PENSION FUND COMMITTEE

Minutes of Meeting **May 19, 2022**

The Sussex County Pension Fund Committee met on May 19, 2022, at 10:00 a.m. by teleconference. Those present included members: Gina Jennings, Todd Lawson, Kathy Roth, Karen Brewington, Kathleen Ryan, and Robin Griffith as well as Pat Wing, Managing Partner of Marquette Associates, the County's Pension Investment Consultant.

Ms. Jennings called the meeting to order at 10:00 a.m. and welcomed everyone to the virtual Pension Committee meeting. Pension Committee members were connected by phone and/or the internet and participating in real-time. Members of the public could listen and view this meeting using the regular Pension Committee's broadcast found on the County's website.

1. **Approval of Minutes**

The minutes were approved by consent.

2. **Update on Pension and OPEB Performance Reports**

Prior to today's meeting, Committee members were emailed copies of Marquette Associates' report entitled, "Sussex County Quarterly Performance Report as of March 31, 2022", 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 2022, as well as quarterly performances of the Pension and OPEB Plans. The report should be referenced for a detailed analysis.

The Investment Performance Report includes information regarding the market environment for the first quarter of 2022, as well as quarterly and annual performances of the Pension and OPEB Plans.

Mr. Wing referred members to the Market Environment. Information included: U.S. Economy, Global Economy, Global Asset Class Performance, U.S. Equity Markets, U.S. Fixed Income and Global Index Returns.

Mr. Wing then directed members to the Sussex County Employee Pension Plan

Observations

- As of March 31, 2022, the Market Value was \$152.7 million; the portfolio realized a first quarter investment loss of \$6.2 million, the fund had a return of -3.9 percent (net) versus a policy index of -4.0 percent. For the year 2022, the portfolio realized an investment gain of \$1.7 million, returning 1.1 percent (net), versus policy index of .7 percent.

- Positive attribution for the quarter resulted from asset allocation, value tilts within U.S. and Non-U.S. Equities and outperformance by active fixed income managers.
- Negative attribution for the quarter resulted from emerging markets overweight within Non-U.S. Equities and private infrastructure underperformance.

Looking Ahead

- Asset allocation review after the next actuary presentation.

Mr. Wing directed members to the OPEB Fund Portfolio Overview

Observations

- As of March 31, 2022, the Market Value was \$61.1 million; the portfolio realized a first quarter loss of \$2.5 million, returning -3.9 percent (net) versus a policy index of -4.0 percent. For the year 2022, the portfolio realized a gain of \$598,000, returning 1.0 percent (net) versus a policy index of 0.7 percent.
- Positive attribution for the quarter resulted from asset allocation, value tilts within U.S. and Non-U.S. Equities and outperformance by active fixed income managers.
- Negative attribution for the quarter resulted from emerging markets overweight within Non-U.S. Equities and private infrastructure underperformance.

Looking Ahead

- Asset allocation review after the next actuary presentation.

Mr. Wing stated sometimes the question is asked “why we aren’t all in cash or why don’t we have just 20% in equities and all in fixed incomes?” There are some challenges in doing that with a public defined benefit fund. The asset allocation has to be reasonably consistent with the assumed rate of return. If we have an allocation of 20% equities and 80% fixed incomes; it is not consistent with the target rate of return and the actuary could come back and say your asset allocation won’t get near to your assumed rate of return, you need to lower that return which would have budgetary implications. It would increase the liability and increase the unfunded liability and the county would have to make that up in contributions.

Mrs. Jennings questioned if the current recommendation is to hold tight and wait until November. Mr. Wing stated that the recommendation would be to wait until the actuary comes in and gives the update of where the health of the fund is and then review the asset allocation. By February when that usually takes place, its likely markets will somewhat recover from where we are now. It has been a difficult environment; these plans operate in perpetuity as hard as it is to see the volatility – we should be able to tolerate it because we are not taking money out of the fund.

Mrs. Jennings stated we would ask for a drawn-down of over a million out of the pension next month and asked Mr. Wing to keep it in the back of his mind where he is going to take it from.

3. **Adjourn**

At 10:46 a.m., a Motion was made by Mrs. Brewington, seconded by Mrs. Roth, to adjourn. Motion adopted by voice vote.

The next meeting of the Pension Committee is scheduled for Thursday, August 18, 2022, at 10:00 a.m.

Respectfully submitted,

Bobbi Albright
Executive Administrative Assistant