

GINA A. JENNINGS, MBA, MPA
FINANCE DIRECTOR

(302) 855-7741 T
(302) 855-7749 F
gjennings@sussexcountyde.gov



Sussex County
DELAWARE
sussexcountyde.gov

PENSION FUND COMMITTEE

Minutes of Meeting **August 18, 2022**

The Sussex County Pension Fund Committee met on August 18, 2022, at 10:00 a.m. by teleconference. Those present included members: Gina Jennings, Kathy Roth, Karen Brewington, Kathleen Ryan, Mitch Rogers, 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. Public Comment

There was no public comment.

3. 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 June 30, 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 for 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 second 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 June 30, 2022, the Market Value was \$136.4 million; the portfolio realized a second quarter loss of \$14.4 million, the fund had a return of -9.4 percent (net) versus a policy index of -10.5 percent. For the year 2022, the portfolio realized an investment loss of 12.7 million, returning -8.4 percent (net) versus the policy index of -9.9 percent.
- Positive attribution for the quarter resulted from asset allocation, outperformance by most active equity managers and outperformance by real estate manager.
- Negative attribution for the quarter resulted from private infrastructure underperformance and active short-term fixed income manager underperformance.

Looking Ahead

- Asset allocation review after the next actuary presentation.

Mr. Wing directed members to the OPEB Fund Portfolio Overview

Observations:

- As of June 30, 2022 the Market Value was \$55.5 million; the portfolio realized a second quarter loss of \$5.8 million, returning -9.4 percent (net) versus a policy index of -10.5 percent. For the year 2022, the portfolio realized a loss of \$5.2 million, returning -8.5 percent (net) versus a policy index of -9.9 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 also provided an update as of July 2022.

Mrs. Jennings stated that the County had recently lowered their assumed rate of return and questioned if the expected inflation is going to be higher than what is normally seen and if so, was the assumed rate of return lowered too low? Mrs. Jennings also expressed concern about all the losses between \$150 million last year to \$136 million this year and how it will impact the budget, as it was in the same year that the assumed rate of return was lowered. Mr. Wing stated it will have an impact. The actuary does a five-year smoothing so it is not just what happened in this previous year, because they do not recognize all the gains and losses relative to that assumed rate of return in one year. They smooth it out over time so the fact that the return came in quite a bit below; the assumed rate of return will not have as big an impact in the previous four fiscal years in aggregate. Mr. Wing stated to ask Cheiron to speak to 1) how is the payroll changing

relative to their assumption and does anything need to be tweaked, and 2) have other jurisdictions that they work with made any tweaks to that assumption just given the inflation that we have seen. The costs of the plans are what they are, but those assumptions try to help the County properly fund for those upcoming costs over many decades. Mrs. Jennings stated our employees increases and salaries are way higher than the assumption. Mr. Wing stated if the returns are coming in below expectation and the increases in salaries are coming in above expectations it will result in a higher liability than the County was previously assuming. A lot of people are looking at the salary increase assumption and the return expectation together. Prior to this year, returns were so good that now is really the time to lower the assumed rate of return because prior to the markets that we saw the first half of this year, contributions were lower than what many were anticipating so by lowering the assumed rate of return the County is in lock step with others and also being conservative helps to meet the liabilities at the lower rate of return.

4. Adjourn

At 10:50 a.m., a Motion was made by Ms. Ryan, seconded by Mrs. Roth to adjourn. Motion adopted by voice vote.

The next meeting of the Pension Committee is scheduled for Thursday, November 17, 2022, at 10:00 a.m. This will be an in-person meeting.

Respectfully submitted,

Bobbi Albright
Executive Administrative Assistant