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Classic Values, Innovative Advice

Sussex County Employee Pension Plan and Postemployment Benefits Plan

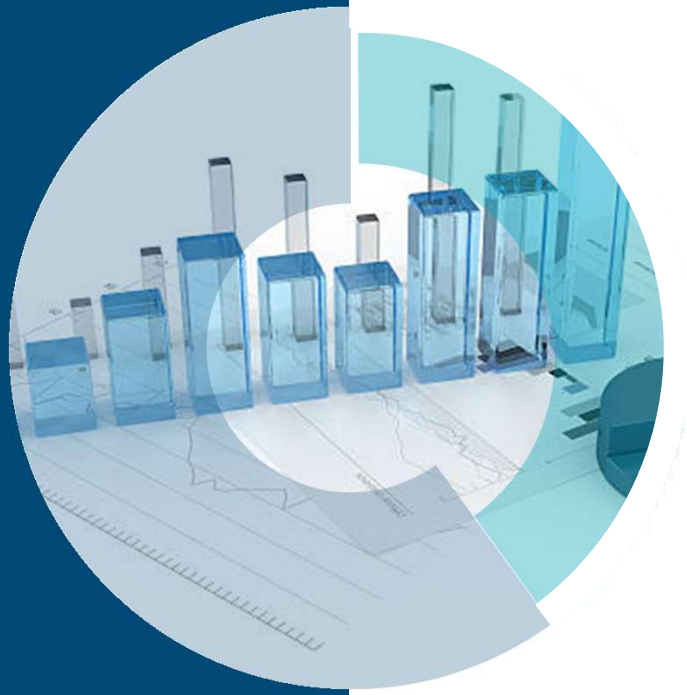
2026 Actuarial Valuations

Janet Cranna, FSA, FCA, EA, MAAA
Brett Warren, FSA, CERA, EA, MAAA
Ryan Benitez, ASA, MAAA

November 19, 2026



Agenda



- 2026 Pension Actuarial Valuation
  - Historical Review
  - Identification and Assessment of Risk
  - Valuation Results
  - Projections
- 2026 OPEB Actuarial Valuation
  - Historical Review
  - Valuation Results
  - Projections
- Appendix – GASB 67/68/74/75

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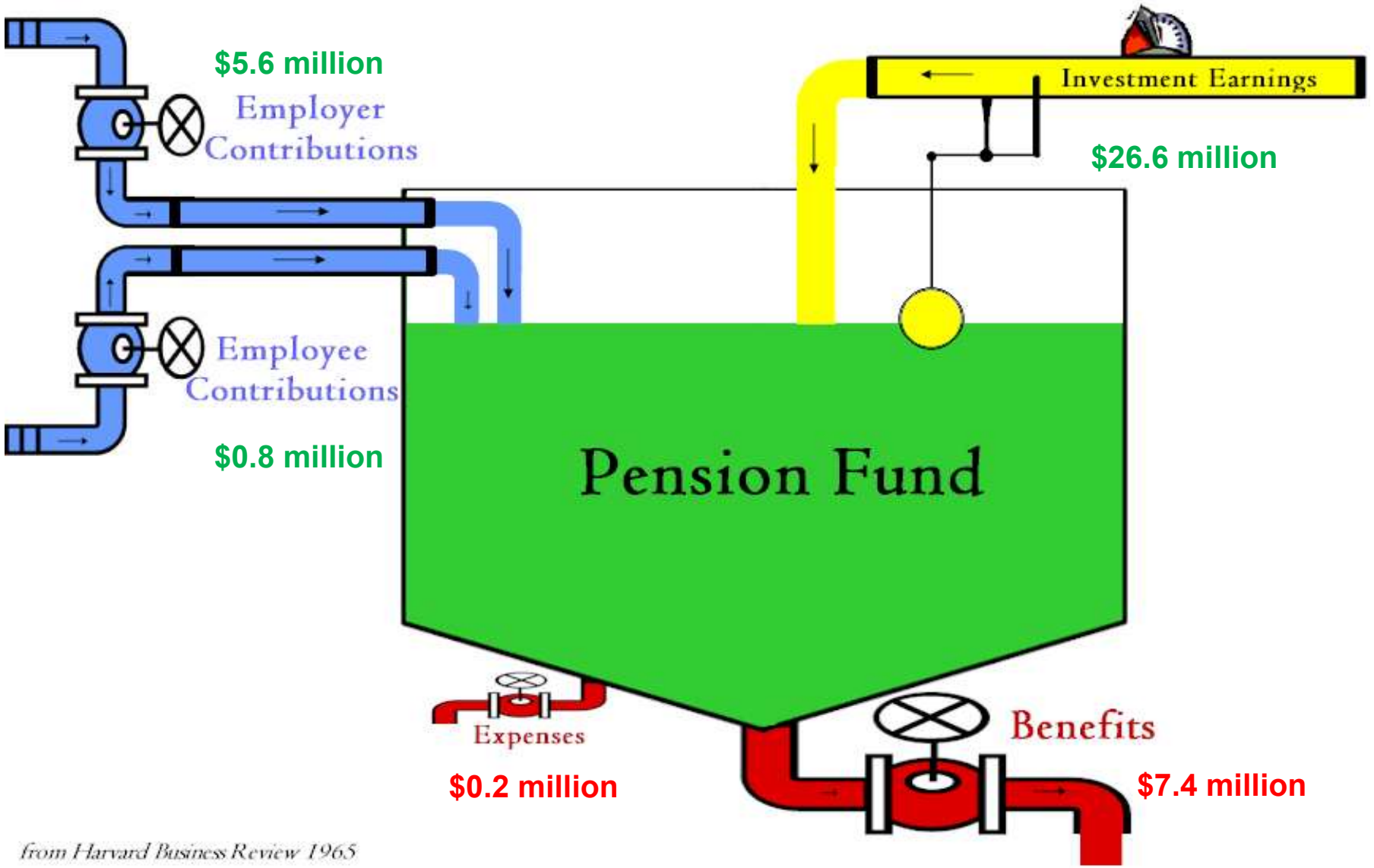


2026 Pension Actuarial Valuation

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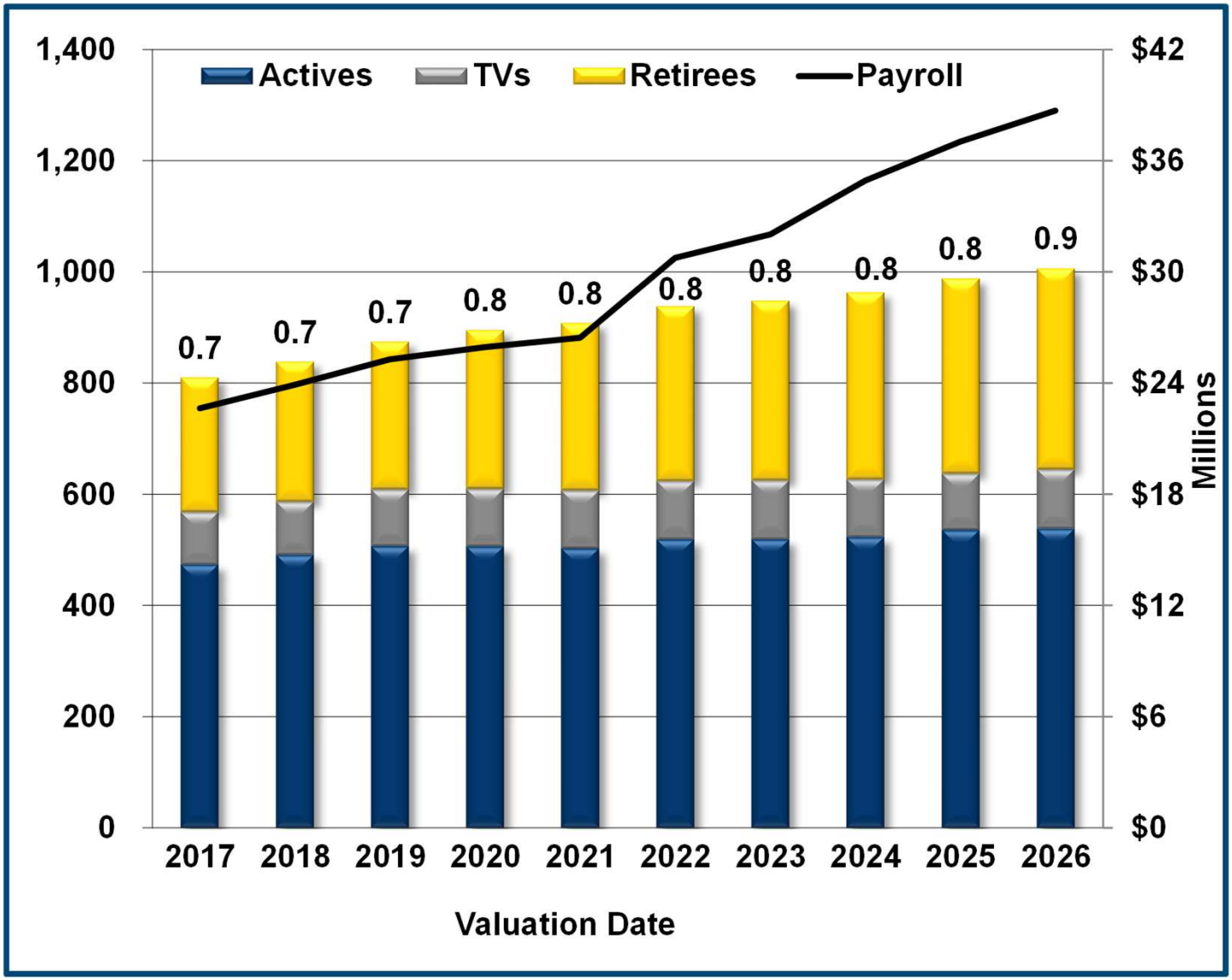
November 19, 2026

The Actuarial Valuation Process

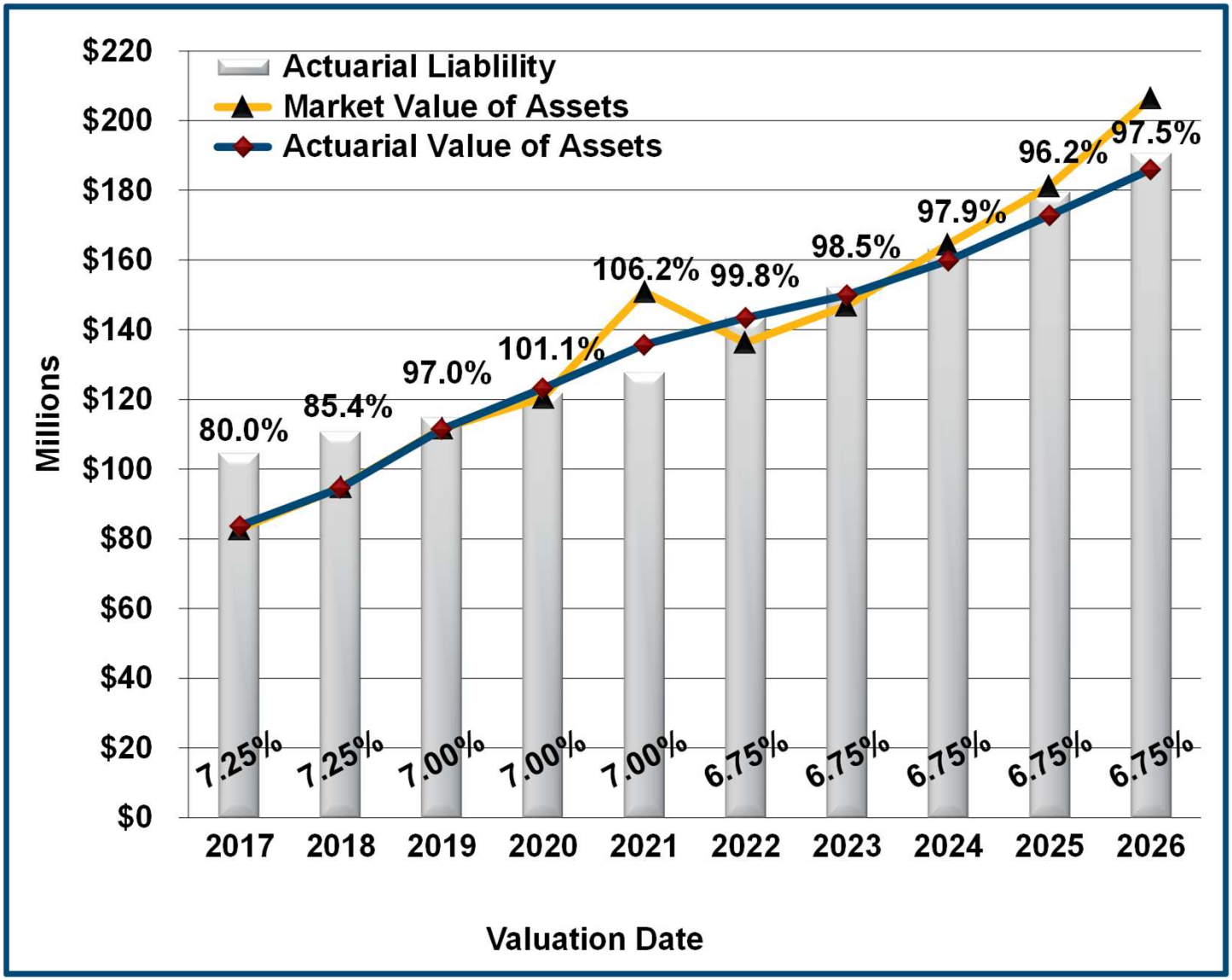


from Harvard Business Review 1965

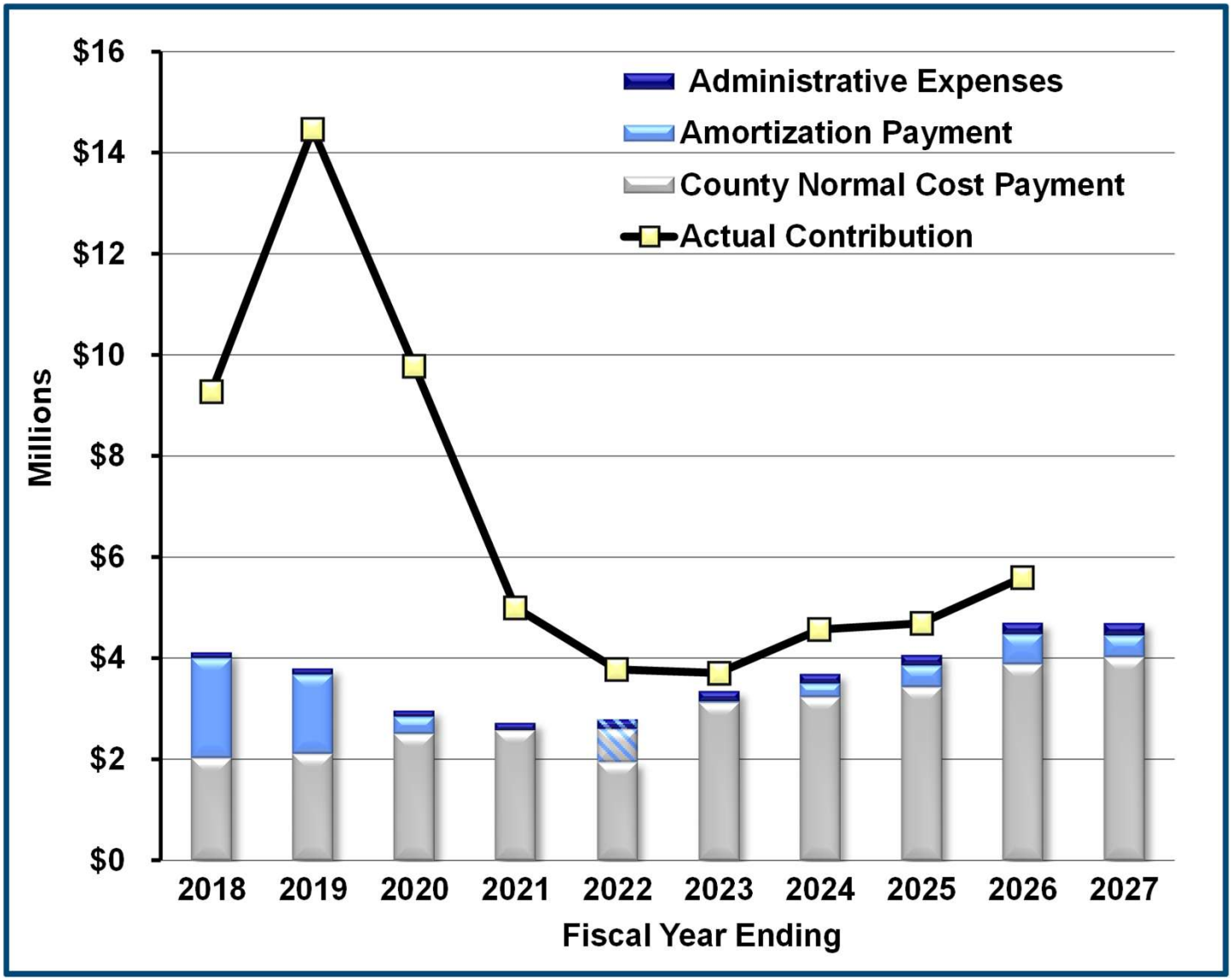
Historical Trends – Participation



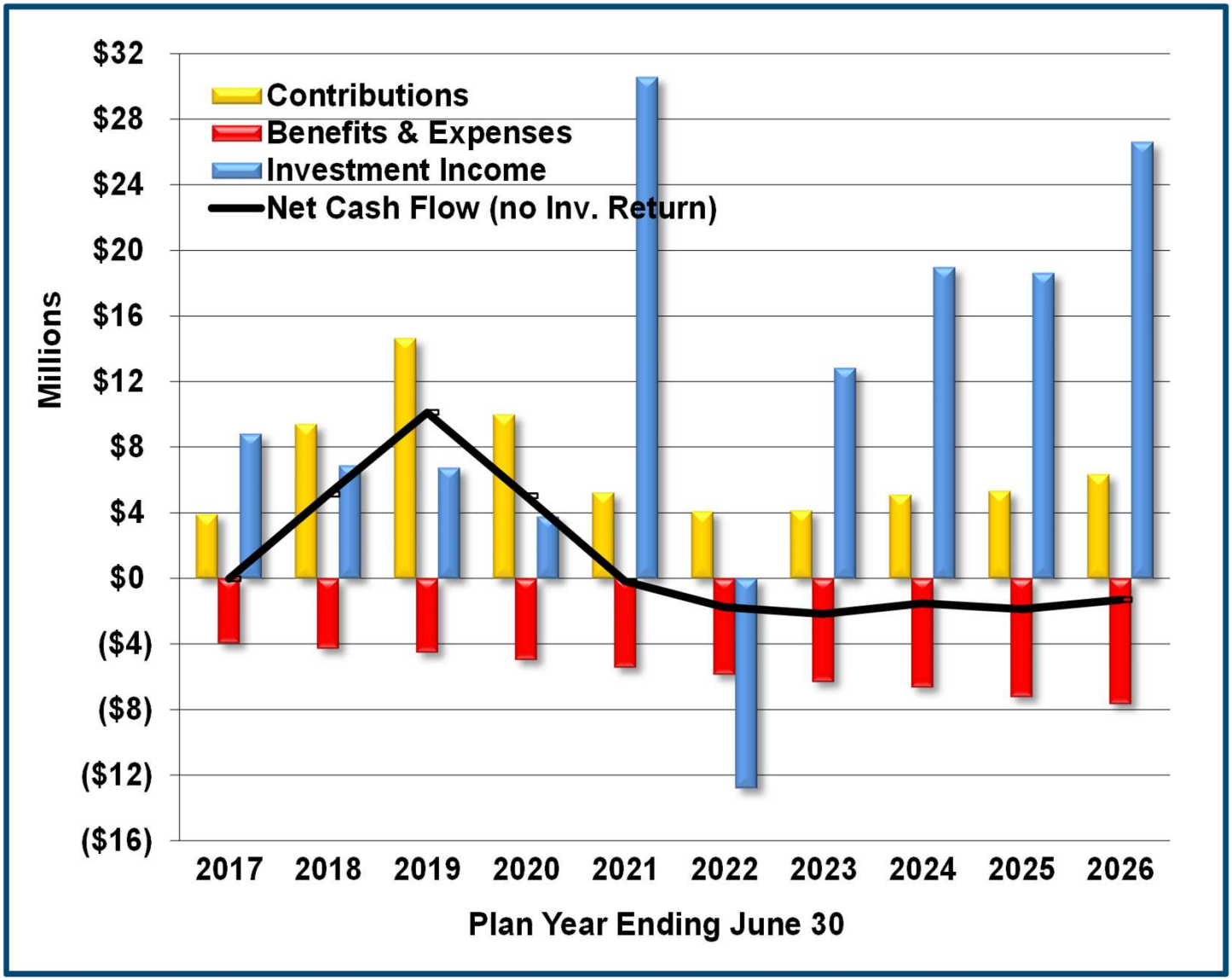
Historical Trends – Assets and Liabilities



Historical Trends – Contributions



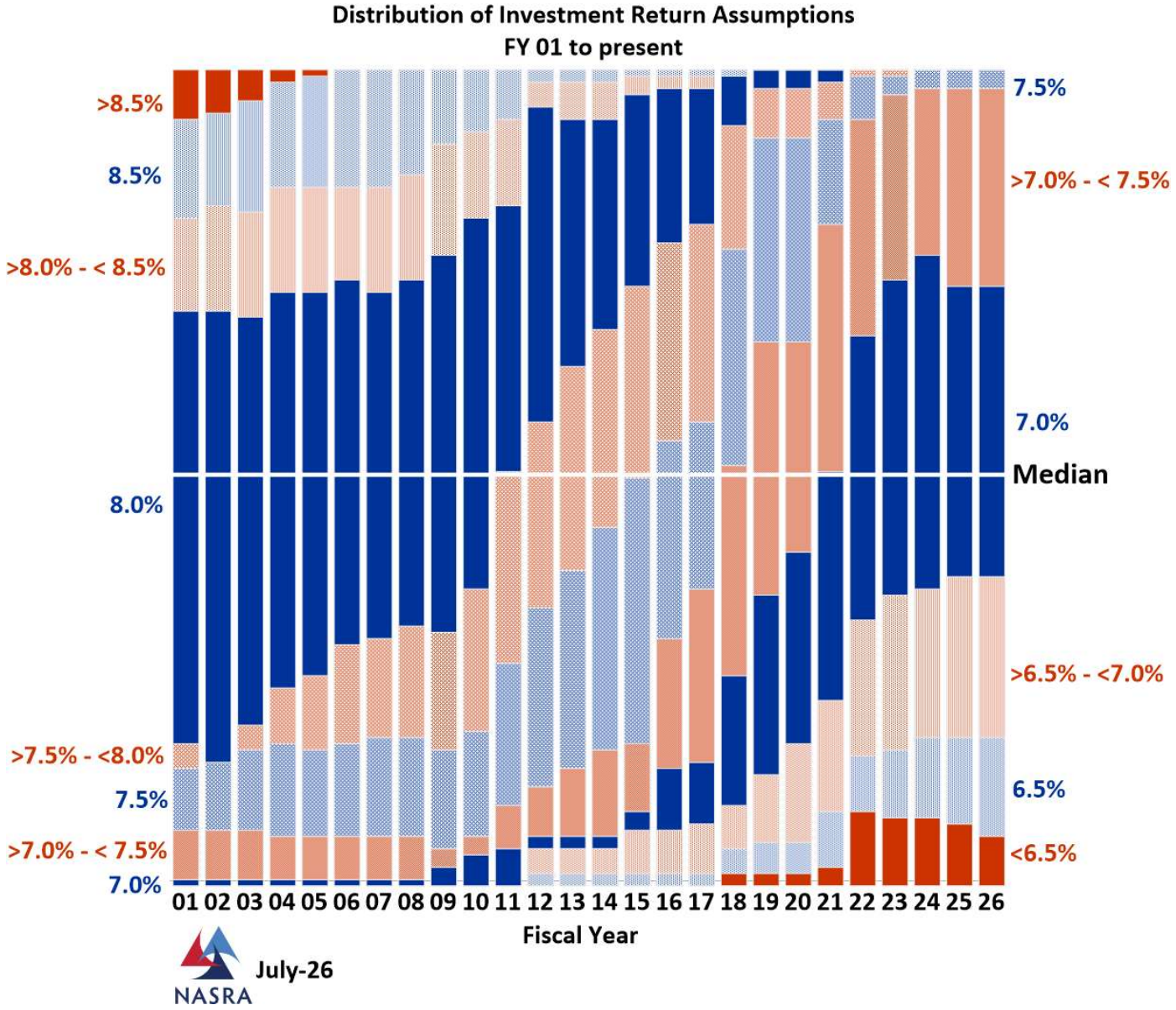
Historical Trends – Cash Flow



Identification and Assessment of Risk

- Material risks identified:
  - **Investment Risk** – the potential for investment returns to be different than expected
  - **Interest Rate Risk** – the potential for interest rates to be different than expected
  - **Longevity and other Demographic Risk** – the potential for mortality and other demographic experience to be different than expected
  - **Assumption Change Risk** – the potential for the environment to change such that future valuation assumptions are different than the current assumptions

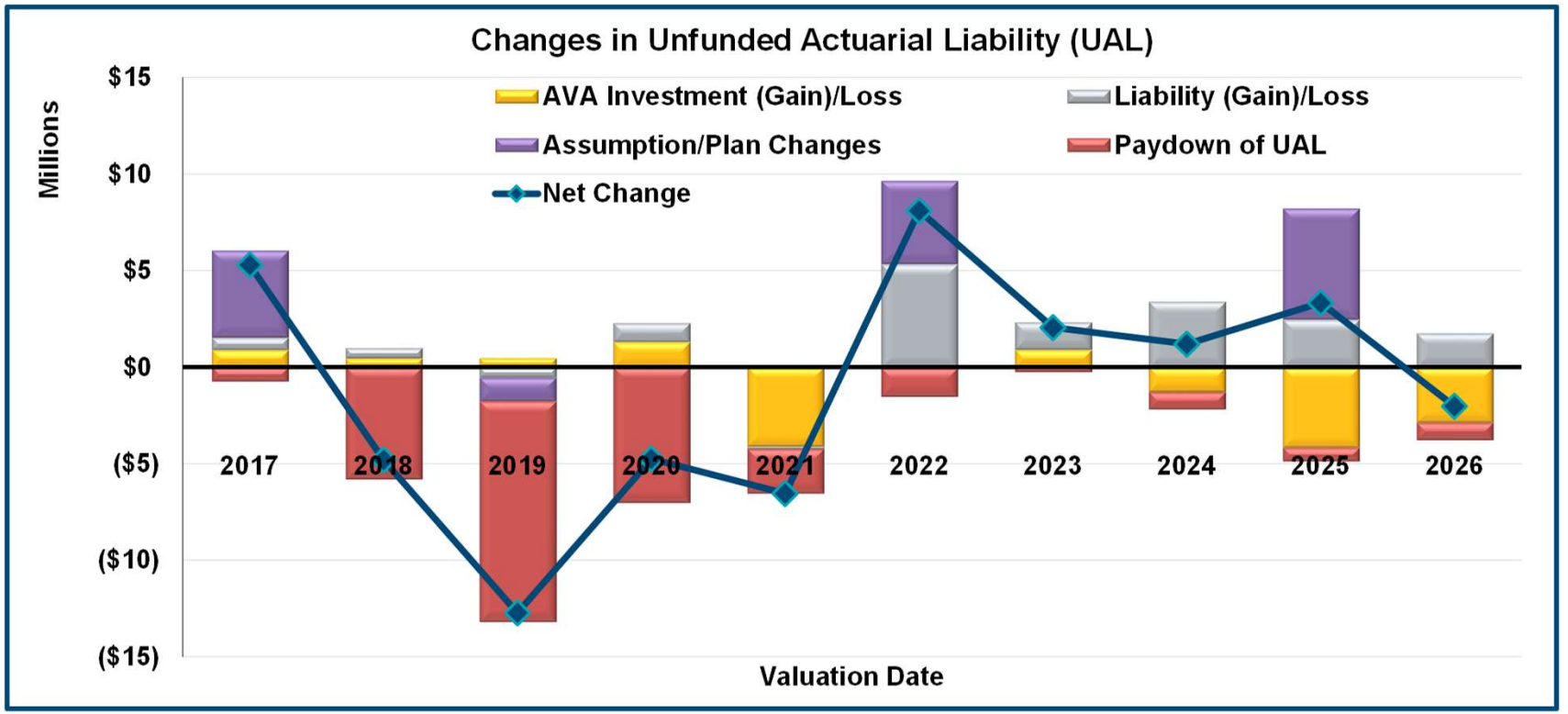
NASRA Investment Return Assumptions History



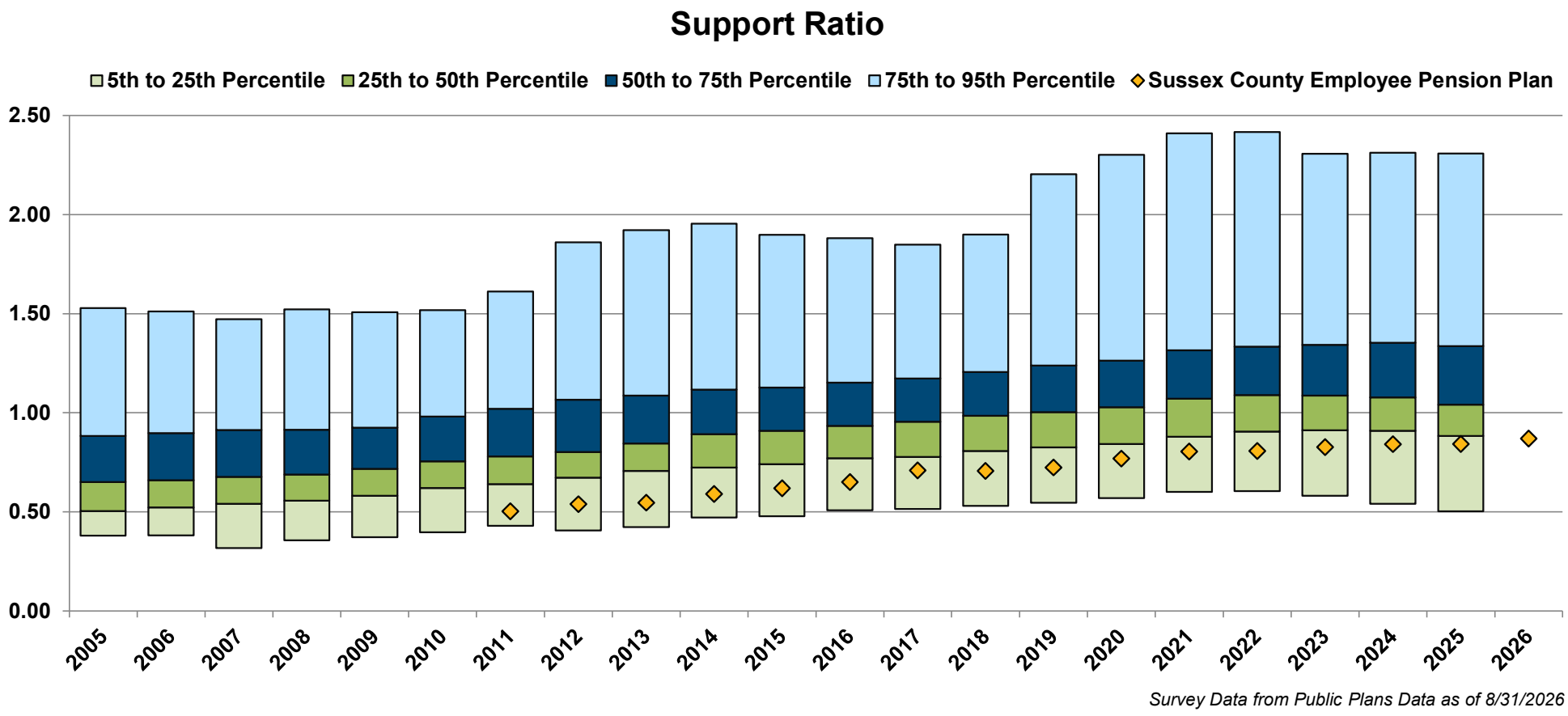
Interest Rate Risk



Material Risks – Changes in UAL

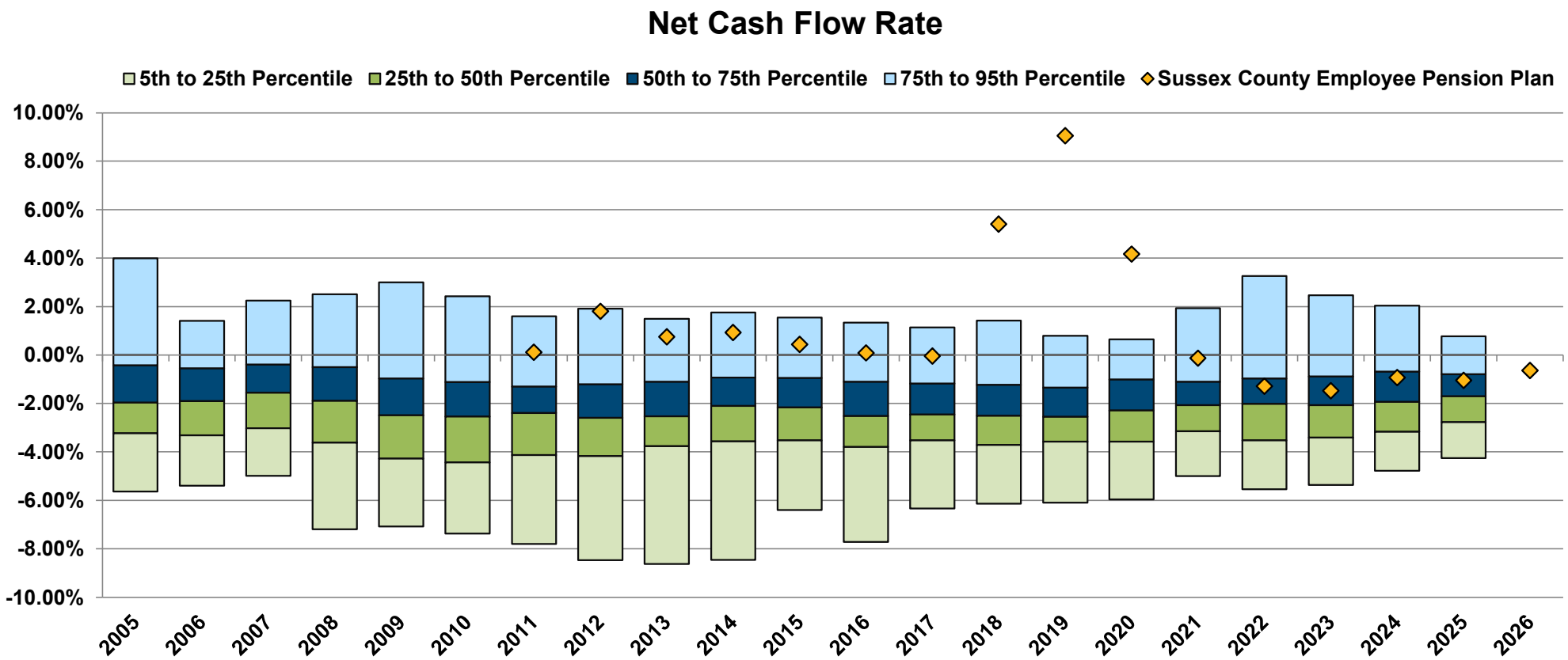


Plan Maturity Measures – Support Ratio



Survey Data from Public Plans Data as of 8/31/2026

Plan Maturity Measures – Net Cash Flow



Survey Data from Public Plans Data as of 8/31/2026

2026 Valuation – Comments on Results

- Contributions
  - Actuarially Determined Contribution (ADC) remained at $4.7 million
- Unfunded actuarial liability (UAL) and funded status
  - UAL decreased from $6.8 million to $4.8 million
  - Actuarial experience asset gain of $2.9 million
    - 14.74% on market value (compared to 6.75% assumption)
    - 8.42% on actuarial value (assumes phase-in of 5-year asset smoothing)
  - Actuarial experience liability loss of $1.8 million
    - Primarily due to higher salary increases than expected and cost-of-living adjustments greater than expected
  - Funded ratio (actuarial value of assets divided by actuarial liability) increased from 96.2% to 97.5%

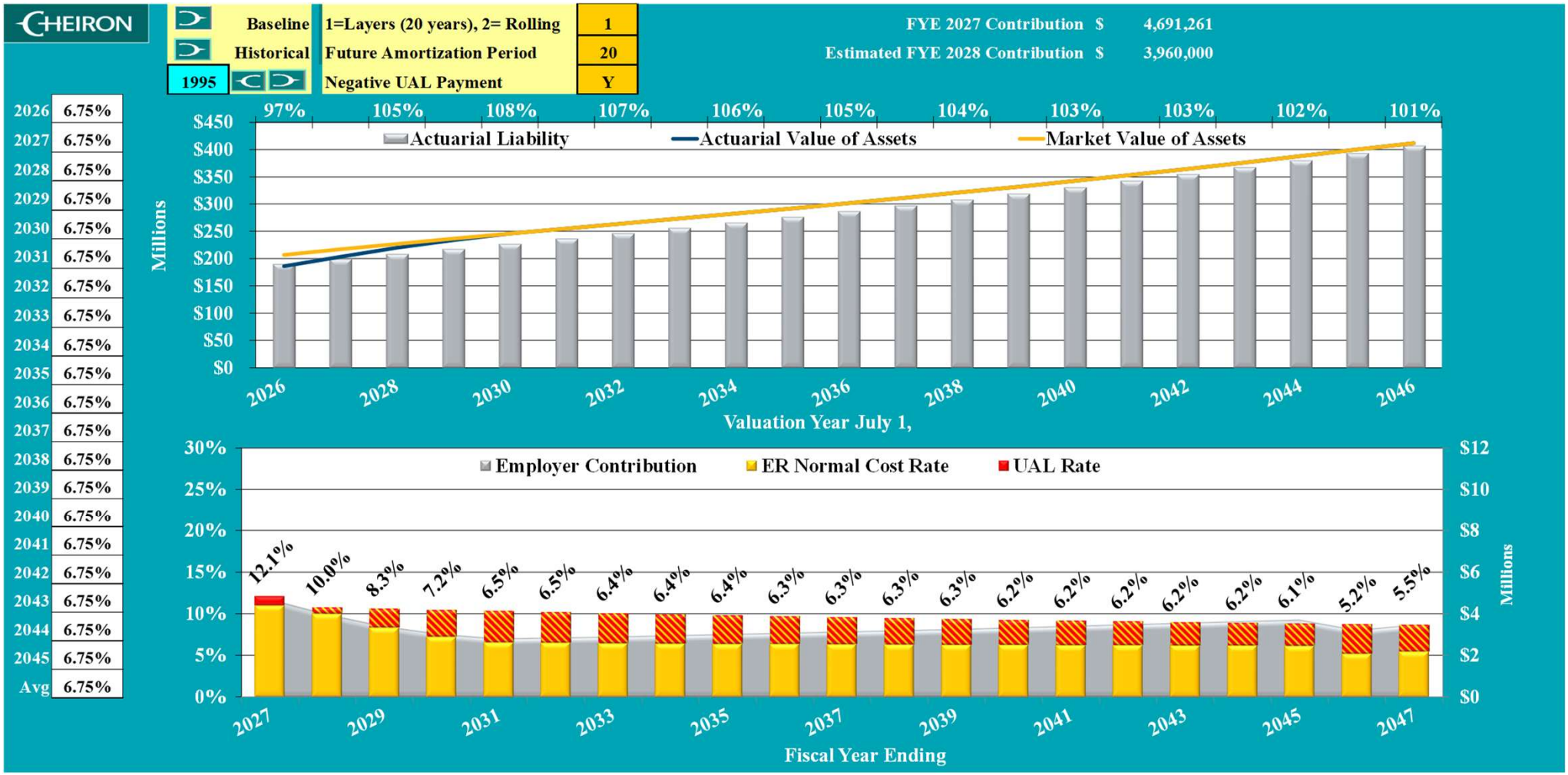
2026 Valuation – Participants

Participant Information			
	7/1/2025	7/1/2026	Percent Change
Number of Actives	536	538	0.4 %
Total Salary	$37,024,408	$38,702,344	4.5 %
Average Salary	$69,075	$71,937	4.1 %
Number of In-Pay	351	361	2.8 %
Total Benefits	$7,165,839	$7,604,457	6.1 %
Average Benefits	$20,415	$21,065	3.2 %
Number of Terminated Vested	101	107	5.9 %
Total Benefits	$971,692	$1,078,036	10.9 %
Average Benefits	$9,621	$10,075	4.7 %

2026 Valuation – Principal Results

Principal Results		
	7/1/2025	**7/1/2026**
Actuarial Liability (AL)	$179,583,169	$190,742,694
Actuarial Values of Assets	172,767,923	185,956,353
Unfunded AL (UAL)	$6,815,246	$4,786,341
Actuarial Funded Ratio	96.2%	97.5%
Market Value of Assets	$181,139,931	$206,446,156
Market Funded Ratio	100.9%	108.2%
FYE Contribution Applicable to	**2026**	**2027**
Employer Normal Cost	$3,887,506	$4,022,174
UAL Amortization Payment	590,974	429,854
Administrative Expense	219,281	239,233
Total County Contribution	$4,697,761	$4,691,261
Contribution as a Percentage of Payroll	12.69%	12.12%

Projected Outlook



Required Disclosures

The purpose of this presentation is to present the July 1, 2026 Actuarial Valuation results for the Sussex County Employee Pension Plan. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

In preparing this presentation, we relied on information, some oral and some written, supplied by the Sussex County staff. This information includes, but is not limited to, the plan provisions, member data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality.

The analysis was based on financial data through June 30, 2026 and the July 1, 2026 membership data. The July 1, 2026 Actuarial Valuation Report should be referred to for a summary of the plan provision, methods and assumptions, and other disclosure information. Future results may differ significantly from this presentation due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

The deterministic projections are based on our proprietary model P-Scan developed by our firm that utilize the results shown in the July 1, 2026 Actuarial Valuation Report. The projections assume continuation of the plan provisions and actuarial assumptions in effect as of July 1, 2026 and do not reflect the impact of any changes in benefits or actuarial assumptions that may be adopted after July 1, 2026 unless otherwise indicated. While the assumptions individually are reasonable for the underlying valuation that supports the projections, specifically for projection purposes, they are also considered reasonable in the aggregate. The future outcomes become increasingly uncertain over time, and therefore the general trends and not the absolute values should be considered in the review of these projections.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Janet Cranna, FSA, FCA, EA, MAAA
Principal Consulting Actuary

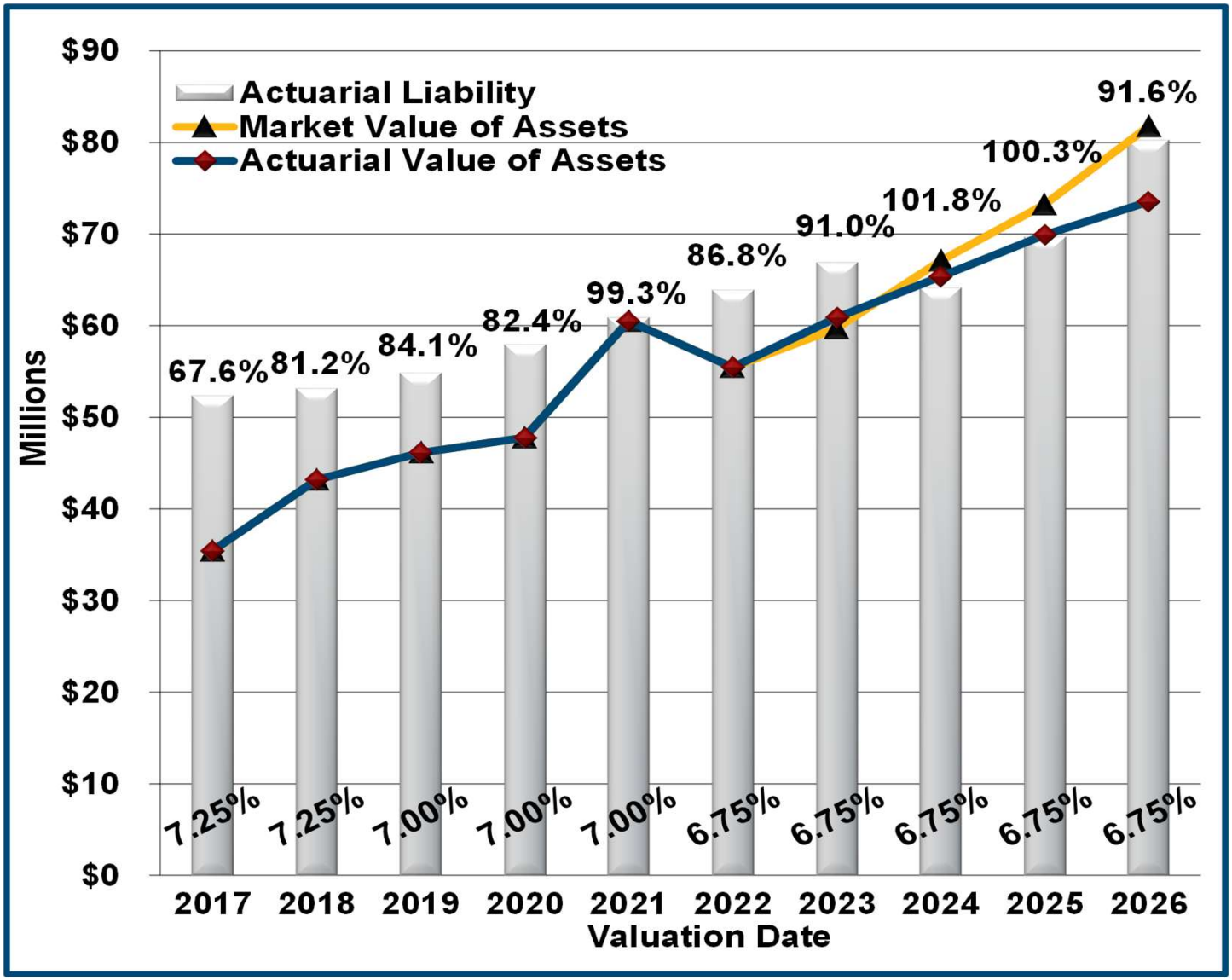
Brett Warren, FSA, CERA, EA, MAAA
Principal Consulting Actuary

November 19, 2026



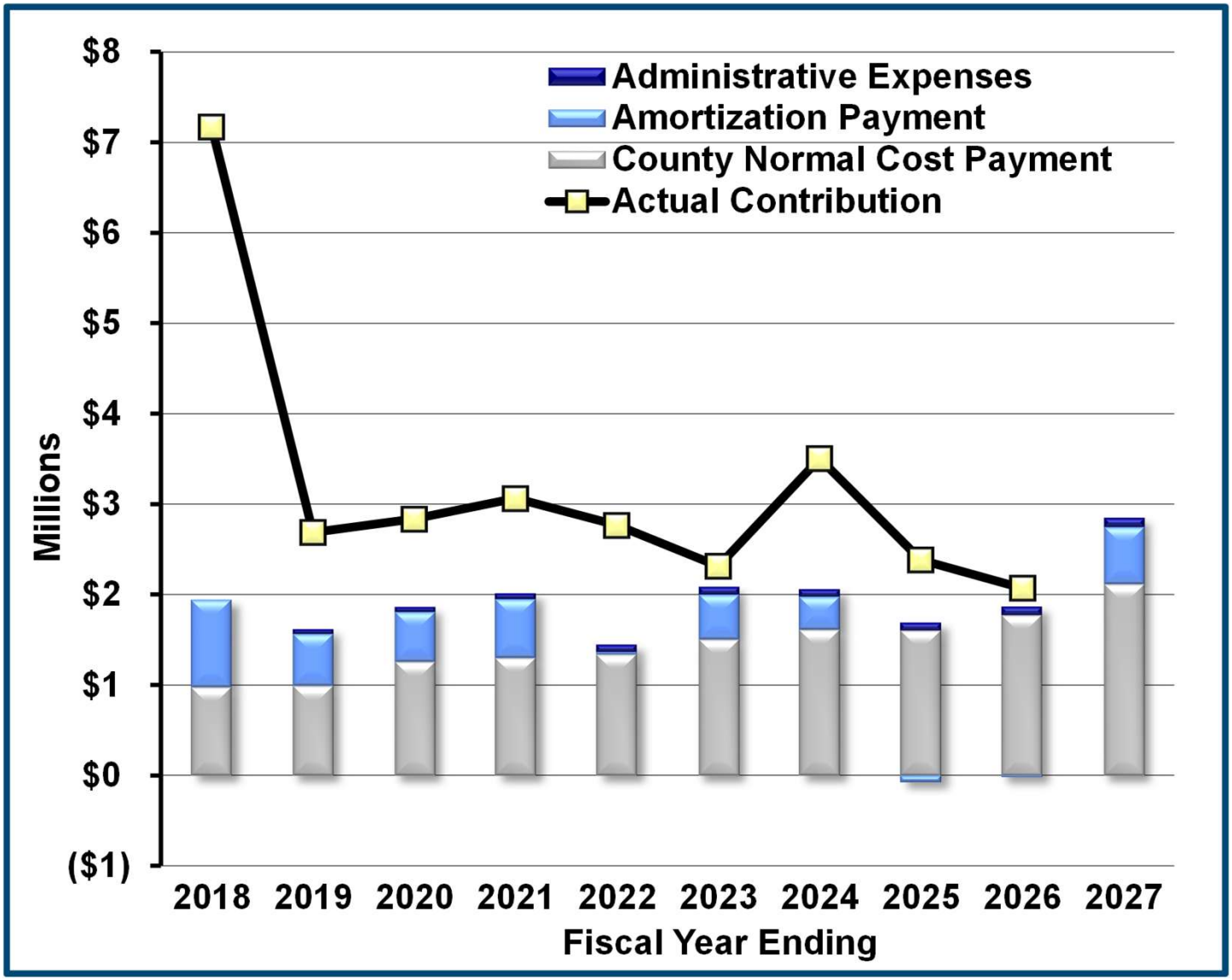
2026 OPEB Actuarial Valuation

Historical Trends – Assets and Liabilities



For 2022 and earlier, the AVA was set equal to the MVA

Historical Trends – Contributions



2026 Valuation – Comments on Results

- Contributions
  - Actuarially Determined Contribution (ADC) increased from $1.85 million for FYE 2026 to $2.85 million for FYE 2027
- Unfunded actuarial liability (UAL) and funded status
  - UAL increased from ($0.2) million to $6.8 million
  - Actuarial experience asset gain of $1.1 million
    - 14.81% on a market value basis (compared to 6.75% assumption)
    - 8.37% on an actuarial value basis (i.e., 5-year asset smoothing)
  - Actuarial experience liability loss of $8.3 million
    - Primarily due to updated assumptions reflecting increasingly high cost of health care, accounting for $7.3 million of the loss.
    - $1.0 million loss due to population changes.
  - Funded ratio (actuarial value of assets divided by actuarial liability) decreased from 100.3% to 91.6%

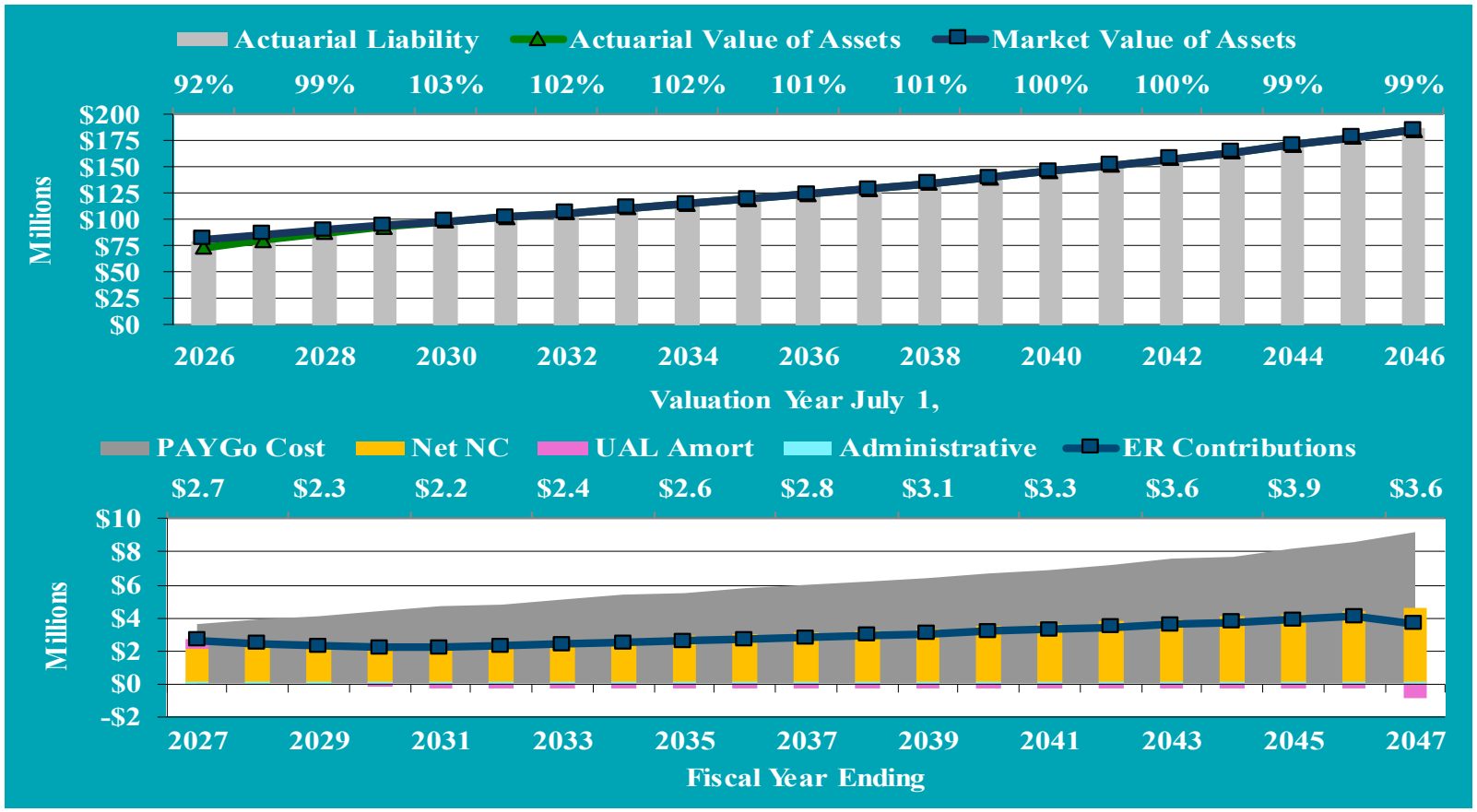
2026 Valuation – Participants & Principal Results

Participant Information & Principal Results		
	7/1/2025	**7/1/2026**
Active Employees	537	533
Retirees	235	239
Disabled	9	9
Survivors	26	30
Total Participants	**807**	**811**
Actuarial Liability (AL)	$69,725,322	$80,286,555
Assets (AVA)	69,911,639	73,526,673
Unfunded AL (UAL)	($186,317)	$6,759,882
Actuarial Funded Ratio	100.3%	91.6%
Contribution for Fiscal Year Ending	**2026**	**2027**
Employer Normal Cost + Admin Expense	$1,750,090	$2,083,438
UAL Amortization Payment	(16,156)	585,768
Interest	117,041	180,171
Total County Contribution (at end of year)	$1,850,975	$2,849,377
Contribution as a Percentage of Payroll	5.01%	7.47%
Covered Payroll	$36,965,170	$38,126,893

Projected Outlook

Projection assumptions:

- Assets are assumed to return 6.75% annually, and the discount rate is assumed to remain at 6.75%
- Amortization is layered over a 20-year period, with negative amortization allowed
- Contributions are assumed to be equal to the ADC each year



Required Disclosures

The purpose of this presentation is to present the July 1, 2026 OPEB Actuarial Valuation and GASB 74/75 results for the Sussex County Postemployment Benefit Plan. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

In preparing this presentation, we relied on information, some oral and some written, supplied by the Sussex County staff. This information includes, but is not limited to, the plan provisions, member data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality.

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Ryan Benitez, ASA, MAAA
Consulting Actuary

Gaelle Gravot, FSA, MAAA
Principal Consulting Actuary

Alison Chafin, FSA, EA, MAAA
Consulting Actuary

November 19, 2026

Appendix – GASB 67/68/74/75

GASB 67 – Pension Fund

- County first adopted GASB 67 in the June 30, 2014 financial statements
- Similar actuarial methods and assumptions used in developing the actuarial liability for funding purposes
- Assets will differ from funding since GASB requires using market value with no smoothing (funding uses 5-year smoothing)
- Discount rate for GASB 67 is 6.75% (same as funding)
  - Projections indicated that plan assets are expected to cover all future benefit payments for current plan members (if not, some blending with a municipal bond index (4.67% for 2026) would have been required)

GASB 68 – Pension Expense

- Under GASB 68, the pension expense is equal to the change in the plan's net pension liability (NPL), with adjustments for deferrals
  - Chart on next page shows the pension expense development two ways for both the 2026 and 2025 plan years
  - The County's FY 2026 expense will be based on the County's 2026 plan year results
- Treatment of deferrals
  - Asset gains or losses recognized over 5 years
  - Liability gains or losses and assumption changes recognized over average future working lifetime (6 years for the Plan)
  - No deferrals on plan changes
  - Deferred gains called "deferred inflows"; deferred losses called "deferred outflows"

GASB 67 – Sensitivity of Net Pension Liability to Changes in Discount Rate

	1% Decrease 5.75%	Discount Rate 6.75%	1% Increase 7.75%
Total Pension Liability	$216,726,498	$190,742,694	$169,294,520
Plan Fiduciary Net Position	206,446,156	206,446,156	206,446,156
Net Pension Liability	$10,280,342	($15,703,462)	($37,151,636)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.3%	108.2%	121.9%

GASB 68 – Calculation of Pension Expense

	Measurement Year Ending 2026	2025
Change in Net Pension Liability	($14,146,700)	($413,836)
Change in Deferred Outflows	2,317,032	(4,274,266)
Change in Deferred Inflows	12,095,654	3,724,662
Employer Contributions	5,593,623	4,688,420
Pension Expense	**$5,859,609**	**$3,724,980**
Pension Expense as % of Payroll	**15.14%**	**10.06%**
Operating Expenses		
Service cost	$4,634,578	$4,068,640
Employee contributions	(753,687)	(654,343)
Administrative expenses	233,398	213,933
Total Operating Expenses	$4,114,289	$3,628,230
Financing Expenses		
Interest cost	$12,188,399	$11,061,058
Expected return on assets	(12,183,622)	(11,033,844)
Total Financing Expenses	$4,777	$27,214
Changes		
Benefit changes	$0	$0
Recognition of assumption changes	1,678,869	1,678,869
Recognition of liability gains and losses	2,371,458	2,244,555
Recognition of investment gains and los	(2,309,784)	(3,853,888)
Total Changes	$1,740,543	$69,536
Pension Expense	**$5,859,609**	**$3,724,980**

OPEB GASB 74/75

- Similar actuarial methods and assumptions used in developing the actuarial liability for funding purposes
- GASB 74/75 requires using market value of assets
- Discount rate for GASB 74 is 6.75%

Change in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (Asset) (a) - (b)
Balances at 6/30/2025	69,725,322	73,216,066	(3,490,744)
Changes for the year:			
Service cost	1,661,335		1,661,335
Interest	4,681,885		4,681,885
Changes of benefits	0		0
Differences between expected and actual experience	991,760		991,760
Changes of assumptions	7,344,297		7,344,297
Contributions - employer		2,071,360	(2,071,360)
Contributions - member		0	0
Net investment income		10,685,787	(10,685,787)
Benefit payments	(4,118,044)	(4,118,044)	0
Administrative expense		(99,405)	99,405
Net changes	10,561,233	8,539,698	2,021,535
Balances at 6/30/2026	80,286,555	81,755,764	(1,469,209)

GASB 75 – 2026 OPEB Expense

Calculation of OPEB Expense	Measurement Year Ending	
	2026	2025
Change in Net OPEB Liability	2,021,535	(567,488)
Change in Deferred Outflows	(5,940,570)	(2,262,267)
Change in Deferred Inflows	3,715,118	51,703
Employer Contributions	2,071,360	2,382,678
OPEB Expense	**1,867,443**	**(395,374)**
OPEB Expense as % of Payroll	**4.90%**	**(1.07%)**
Operating Expenses		
Service cost	1,661,335	1,501,603
Employee contributions	0	0
Administrative expenses	99,405	92,436
Total	1,760,740	1,594,039
Financing Expenses		
Interest cost	4,681,885	4,308,932
Expected return on assets	(4,870,837)	(4,480,927)
Total	(188,952)	(171,995)
Changes		
Benefit changes	0	0
Recognition of assumption changes	10,764	(1,281,613)
Recognition of liability gains and losses	1,202,683	1,018,435
Recognition of investment gains and losses	(917,792)	(1,554,240)
Total	295,655	(1,817,418)
OPEB Expense	**1,867,443**	**(395,374)**



Cheiron *(pronounced kī´· ron), the immortal centaur from Greek mythology, broke away from the pack and was educated by the gods. Cheiron became a mentor to classical Greek heroes, then sacrificed his immortality and was awarded in eternity as the constellation Sagittarius.*