



PENSION FUND COMMITTEE

Minutes of Meeting

November 16, 2023

The Sussex County Pension Fund Committee met on November 16, 2023, at 10:00 a.m. in the County Council Chambers, Georgetown, Delaware. Those in attendance included members: Gina Jennings, Todd Lawson, Karen Brewington, Kathy Roth, Mitch Rogers, Robin Griffith, and Kathleen Ryan. Also in attendance were Pat Wing of Marquette Associates, the County's Pension Investment Consultant; Janet Cranna, Brett Warren, Margaret Tempkin and Ryan Benitez of Cheiron, the County's Actuary.

Ms. Jennings called the meeting to order.

1. **Approval of Minutes**

The minutes of the August 17, 2023, meeting were approved by consent.

2. **Public Comment**

There was no public comment.

3. **Performance Reports of the Pension and OPEB Funds**

Mr. Wing distributed copies of a report entitled, "Sussex County Quarterly Performance Report as of September 30, 2023". The Investment Performance Report includes information regarding the market environment for the third quarter of 2023, as well as quarterly and annual performance of the Pension and OPEB Plans. Although the report should be referenced for a more detailed analysis, discussion highlights include:

Mr. Wing referred members to the U.S. Economy and gave an overview of the economic and market environment. U.S. economic growth accelerated in Q3. The economic data has continued to come in better than expected. In addition to consumer spending, investment spending has been much stronger than expected. A lot of the fiscal measures that were enacted last year (e.g., CHIPS and Science Act, the Inflation Reduction Act) has encouraged a lot of construction of domestic manufacturing. Construction of manufacturing facilities was nearly 150% higher than two years ago.

Household savings have come down quite notably. More specifically, inflation- adjusted household savings are now below their pre-COVID level for the majority of consumers.



Small business hiring plans have weakened in the recent months, which is consistent with a softening labor market and higher unemployment rate in the coming quarters.

Mr. Wing reviewed the Global Asset Class Performance Q3 and year-to-date results.

Mr. Wing directed members to the Pension Fund Performance Report.

Observations as of September 30, 2023, included:

- The Pension Plan market value was \$144.3 million. The portfolio realized a third quarter loss of \$2.8 million, returning -1.9% vs. a policy index of -2.1%.
- Positive attribution for the quarter resulted from equity structure and the outperformance by most Clarion LPF and JP Morgan IIF.
- Negative attribution for the quarter resulted from asset allocation.
- Looking Ahead/Recommendations: Additional IIF contribution.

Allocations were within the committee and Council's approved ranges.

Mr. Rogers questioned if Marquette still saw a recession next year and what that would mean to the accounts. Mr. Wing stated that they felt a recession has been delayed but not eliminated. Right now, the thinking is probably the latter half of next year is the most likely time of when it may come.

Ms. Ryan questioned what the earnings were on cash? Mr. Wing stated the earnings were making north 5.25 percent.

Mr. Wing directed members to the OPEB Fund Performance Report.

The market value as of September 30, 2023, was 58.6 million and an investment loss of \$1.1 million, returning -1.9% vs. a policy index of -2.1%. Positive attribution for the quarter resulted from Equity structure and outperformance by most Clarion LPF and JP Morgan IIF. Negative attribution for the quarter from Asset allocation.

Mr. Rogers questioned whether Marquette will trim back the gains we expect in next few months in the equity market toward bonds and then as the fed cuts rates those bonds would be worth more and we could trim bonds back, moving funds back towards equities if we see more attractive prices. Mr. Wing stated that is exactly what they will do depending on the economic environment.

4. **Annual Actuarial Report**

At the request of the County, Cheiron, the County's actuary, performed their annual actuarial valuation of the Sussex County Employee Pension Plan, as well as the Sussex County Postemployment Benefit Plan. Committee members were provided with a report entitled "Actuarial Valuation Report as of July 1, 2023", as well as a PowerPoint presentation. The report also included GASB 67/68/74/75.

For the Pension Plan, the valuation included a historical review, identification and assessment of risk, valuation results, and projects.

The actuarial valuation for the Pension Plan includes investment earnings of 12.8 million, employer and employee contributions of \$3.7 million and \$0.4 million respectively, with benefits of \$6.1 million and expenses of \$0.2 million. Participation rates (the ratio of active members to inactive members) over the last several years have remained relatively level. Retirees, along with Terminated Vested Participants (terminated but not received benefits), have been increasing. The County's Pension Plan is currently 98.5 percent funded and it was noted that the County is one of Cheiron's best funded pension plans, primarily due to the County making significantly high pension contributions. The County's current discount rate is 6.75 percent. The actuarially determined contribution (ADC) increased from \$3.3 million to \$3.7 million; the unfunded actuarial liability (UAL) increased from \$0.2 million to \$2.3 million; the actuarial experienced an asset loss of \$0.9 million; the actuarial experience liability loss was \$1.4 million; and there was a decrease in the funded ratio from 99.8 percent to 98.5 percent.

Cheiron continued their PowerPoint presentation for the OPEB Plan, which included a historical review, valuation results and projects.

Margaret Tempkin announced that this would be her last meeting as she will be retiring, and Ryan Benitez will be handling the County's account.

The OPEB Plan is currently 91 percent funded, with the County making additional contributions above the recommended ADC. Total participants increased from 731 to 743: there was an unfunded liability of \$6 million; the actuarial determined contribution has decreased slightly from 2.09 million to 2.06 million. Project Outlook – Baseline information included assumptions of a 6.75 percent discount, ADC contributions, and a 25-year closed amortization.

5. **2024 Meeting Dates**

Following are the meetings for 2024:

February 15, 2024
May 16, 2024
August 15, 2024
November 21, 2024

All meetings begin at 10:00 a.m. and will be held virtually, except for the November meeting, which will be held in the Sussex County Council Chambers, Administrative Office Building, Georgetown, Delaware. Calendar invitations will be sent to each member.

6. **Additional Business**

No Additional Business.

7. **Adjourn**

At 11:17 a.m., a Motion was made by Ms. Brewington, seconded by Mr. Rogers, to adjourn. Motion Adopted by Voice Vote.

Respectfully submitted,

Bobbi L. Albright
Executive Administrative Assistant