

KENT COUNTY PENSION REVIEW COMMITTEE  
Quarterly Meeting Minutes  
Thursday, November 16, 2023  
Kent County Administrative Complex  
555 Bay Road, Dover, DE

Call to Order & Determination of a Quorum: 2:00 p.m.

*Members Present:*

David C. Craik, Chairman  
Susan Durham, Vice-Chair  
Kristopher Connelly  
Ken Decker  
Christopher S. Smith

*Members Absent:*

Timothy R. Horne  
Tammy Ordway

*Others Present:*

Trudena Horsey, Human Resources Director  
Tanya Keady, Segal Marco Advisors  
Scott Porter, Milliman (Virtually)  
Rebecca Ross, Milliman (Virtually)

*Chairman Craik presiding.*

Call of the roll revealed a quorum was present.

**1. Approval of the Minutes of August 17, 2023, meeting.**

A motion was made by Mr. Connelly, seconded by Ms. Durham, and carried unanimously to approve the minutes for the August 17, 2023, meeting.

**2. Milliman –Biennial OPEB Valuation Report**

Millian recently completed the Biennial OPEB Valuation report as of June 30, 2023, and a copy was emailed to members before the meeting. Mr. Porter reported that due to an adjustment of \$532,000 experienced in the private investments of the Delaware Public Employee's Retirement System Investment Pool (DELRIP) coupled with a \$6 million investment loss expensed from 2022, the Other Post-Employment Benefits Actuarially Determined contribution will be \$3,420,129 for June 30, 2024, and \$3,437,166 for June 30, 2025. This is an increase of about \$900,000 from the previous year.

**Kent County Levy Court  
Retiree Health Benefit Program  
Actuarially Determined Contribution**

The following exhibit provides the detailed calculation of the Actuarially Determined Contribution (ADC) for the fiscal years ending June 30, 2024 and June 30, 2025. For the fiscal year ending June 30, 2024 these calculations reflect the actuarial assumptions used in the June 30, 2022 OPEB actuarial valuation report. The ADC for the fiscal year ending June 30, 2025 is based on the actuarial assumptions used in this report. The ADC is determined as of the end of the applicable measurement year. A portion of the ADC is covered by the implicit rate subsidy. The final cash contribution is reduced for this subsidy and adjusted for interest to the anticipated final payment date.

	<u>June 30, 2024</u>	<u>June 30, 2025</u>
<b>Normal Cost</b>	<b>\$1,432,000</b>	<b>\$1,409,000</b>
<b>Assumed Administrative Expense</b>	<b>8,000</b>	<b>9,600</b>
<b>Unfunded Actuarial Accrued Liability as of applicable measurement date</b>		
Actuarial Accrued Liability	49,538,000	51,751,000
Assets	<u>27,313,471</u>	<u>29,384,693</u>
Unfunded Actuarial Accrued Liability	22,224,529	22,366,307
Funded Ratio	55.14%	56.78%
<b>Amortization</b>		
Unfunded Period (years)	26	25
Discount Rate	7.00%	7.00%
Amount	1,756,382	1,793,705
<b>Interest to end of year</b>	<b>223,747</b>	<b>224,861</b>
<b>Actuarially Determined Contribution Payable at beginning of fiscal year</b>		
Sum of Normal Cost, Administrative Expenses, Amortization, and Interest	<u>\$3,420,129</u>	<u>\$3,437,166</u>
<b>Estimated Implicit Rate Subsidy at beginning of fiscal year</b>	<b>(260,000)</b>	<b>(285,000)</b>
<b>Projected Cash Contribution as of fiscal year end</b>	<u><b>\$3,381,338</b></u>	<u><b>\$3,372,818</b></u>

Cash contribution may be reduced further by benefits funded outside of the healthcare trust, such as dental and life insurance benefits.

**3. Segal Marco Advisors – 3<sup>rd</sup> Quarter 2023 Fund Performance Report.**

Segal Marco Advisors Primary Consultant Tanya Keady presented an “Analysis of Investment Performance” through September 30, 2023. The report showed the ending market value of total pension assets as \$52,743,252 with a quarterly decrease of -\$2,708,624 (-

\$1,628,693/investment loss, and -\$1,079,931/withdrawals for invoices & 3 monthly pension payments). At quarter's end, 42.6% of the assets were invested in domestic equities, 8.8% in international equities, 9.8% in global tactical asset allocation (balanced), 4.4% in real estate, 2.0% in emerging markets equities, 28.2% in fixed income, 4.3% in private equity, and 0.0% in cash. For the quarter, the pension fund underperformed with a return of -3.0% versus -2.7% for the Policy index. For the one-year period, the Total Fund underperformed the Policy Index +9.2% vs. +10.9%, and for the three-year period it matched the Policy Index at +3.2%. Since inception, the Total Fund has returned +9.1% compared to +8.4% for the Policy Index.

SSgA Russell Growth Index (Large U.S. Cap Growth – 14.8%), which replaced INTECH by direction of the Committee in June 2003, matched the index for the quarter with a return of -3.1%. There are currently no long-term benchmark performance indicators as the fund is so new and hasn't had much time to see gains or losses.

Wedge Capital (Large U.S. Cap Value – 17.0%), which started October 2004, outperformed the index for the quarter with a return of -2.7% compared to -3.2% for the Russell 1000 value index. The Wedge investment returns for the one-year period were +15.8% compared to +14.4% for the index and maintains a +10.1% return rate compared to +8.4% for the index after 10 years.

MFS International Equity Fund (International – 8.8%), which was selected by the committee replacing AQR as the new International Equity fund manager in May 2023, underperformed the index for the quarter with a return of -6.9% compared to -4.1% for the MSCI EAFE index. There are currently no long-term benchmark performance indicators as the fund is so new and hasn't had much time to see gains or losses.

Invesco Balanced-Risk Allocation (GTAA – 9.8%) was established May 2014 and outperformed for the quarter with a return of -0.1% versus the -3.3% for the 60%MSCI World/40% Barclays U.S. Aggregate benchmark. For the one-year period, the balanced risk investment returns were +6.2% compared to +13.5% for the policy index and for the five-year period it underperformed the Policy Index +3.9% versus +5.0%.

Segal Marco Fixed Income Group Trust (Fixed Income – 28.2%), which started January 1, 2019, outperformed for the quarter with a return of -2.6% compared to -3.2% for the Bloomberg Barclays U.S. Aggregate Bond index. For the one-year period, the Bond composite allocation returned +2.9% compared to +0.6% for the index. Since inception, Segal Marco Fixed Income has returned +0.5% compared to -0.2%, while the total fixed income composite allocation has returned +2.8% compared to +2.6% for the index.

RCTS Emerging Markets Equity-RBC/Wells (Emerging Equities – 2.0%) was established March 2018 and underperformed for the quarter with a return of -5.8% compared to -2.9% for the MSCI EM (net) policy index. The RCTS investment returns for the one-year period were +13.1% compared to +11.7% for the policy index. Since inception, the emerging markets allocation has returned -0.7% compared to -1.5% for the index.

Principal U.S. Property Account (Real Estate – 4.4%) was established April 2018 and underperformed for the quarter with a return of -3.9% compared to -2.0% for the for the NCREIF ODCE Equal Weighted policy index. The Principal investment returns for the one-year period were -14.6% compared to -12.2% for the index. Since inception, the real estate

allocation has returned +5.0% compared to +6.2% for the Policy Index.

SSgA Russell Small Cap Completeness Index (SMID – 10.8%) was established February 2022, and returned -3.1% for the quarter matching the index Russell Small Cap Completeness Index. There are currently no benchmark performance indicators as the fund is so new and hasn't had much time to see gains or losses. Since inception, SSgA has returned -21.3% matching the Policy Index.

GMC Grosvenor MAC (Opportunistic – 4.2%) was established August 2021, resulting from a \$1.5 million funds transfer from fixed income (Segal Marco Fixed Income). To date, \$2.1 million has been committed of the total capital call of \$3.75 million.

Ms. Keady reported that all markets and commodities reflected losses in the third quarter but began rebounding in November. She stated the total plan was only down an estimated 3%, due to 3 prior strong double-digit calendar years of growth. She said that although inflation is slowing and gradually decreasing, there is still a concern in the international markets. She also explained that all funds are within the allowable margins within their classes. Before concluding her update, she explained that all equities have seen a 7% increase in November and fund managers are optimistic for next quarter's results.

**4. Segal Marco Advisors – Large Cap Growth Fund Manager Update.**

Ms. Keady reported that the large-capitalized U.S. equities allocation between Wedge and the new State Street Global Advisors (SSgA) Growth Index Fund managers has been equalized. The committee voted to incrementally equalize/rebalance the allocation over the next quarter transferring \$800,000 from Wedge to SSgA Growth Index. The final transfer was completed on September 13, 2023.

**5. Segal Marco Advisors – GCM/Grosvenor MAC III Fund Call Update.**

Ms. Keady advised that there is approximately \$1,600,000 outstanding of the total call commitment of \$3,750,000. The call is split over a 3-year period and each call amount is about 1/3 of the total commitment amount. Grosvenor anticipates requesting the final call within the next 6 months.

**6. Segal Marco Advisors – Outsources Chief Investment Officer (OCIO) Update/Quote.**

Ms. Keady noted that the Committee requested at the last meeting for Segal Marco to prepare a proposal for the Outsourced Chief Investment Officer (OCIO) program. Ms. Keady reported that Segal's OCIO program is currently covered by the Employee Retirement Income Security Act (ERISA) and moving to this type of advisory format would transfer the fiduciary liability from the Committee to Segal. She also added that the operational structure would also change, shifting the administrative functions of transferring funds from the Pension Administrator to Segal as well.

There are several key differences between the current level of services in our traditional advisory relationship as it stands today, and the OCIO program. Those differences can be outlined as follows:

Functional Responsibilities:	OCIO	Advisory
Asset allocation structure	SMA/Client	Client
Investment manager selection	SMA	Client
Development and Maintenance of Statement of Investment Policy (SOIP)	SMA/Client	Client
Rebalancing consistent with SOIP	SMA	Client
Day-to-day investment administration	SMA	Client

Reports and communication	Monthly Reports	Quarterly Reports and Periodic Flashes
Contract review	SMA	Fund Counsel

Given the increased level of services and keeping in mind our history working with the County, we propose a graduated fee schedule over a five-year contract, as detailed below.

Year 1	\$ 60,000
Year 2	\$ 65,000
Year 3	\$ 70,000
Year 4	\$ 75,000
Year 5	\$ 80,000

To transfer full responsibility for the day-to-day investment administration function to our team, all Pension Plan assets will need to be tracked at the Plan’s custodian bank, Principal. If the group’s decision is to move to the OCIO program, we can revisit the contract pricing with Principal.

Mr. Decker noted that most public pension plans are moving toward the OCIO format. After additional discussion, a motion was made by Mr. Decker, seconded by Mr. Connelly, and approved by majority vote (Mr. Decker, Mr. Connelly, & Mr. Craik in favor,

Ms. Durham & Mr. Smith abstaining, and Mr. Horne & Ms. Ordway absent) to propose adjusting Segal’s advisory structure to include the OCIO program.

**7. DSPO – 3<sup>rd</sup> Quarter 2023 Retiree Benefits Investment Performance Report.**

The State Pension Office reported that the comingled Delaware Public Employees Retirement Investment Pool (DEL RIP) experienced a quarterly decrease of -2.8% compared to -3.0% for the DPERS Policy benchmark. The State Pension fund return was reported as +6.5% versus +14.8% for the benchmark for the one-year period.

The unaudited DEL RIP report for July 1 – September 30, 2023, showed a market value balance of \$29,397,305.83 with a decrease in value of -\$831,022.98. For the quarter, the County’s portion of the fund assets (0.21990%) decreased by -.12% (+67,172.56 interest, +\$38,688.75 dividends, +375.58 securities lending income, +\$1,262.42 net change accrued income, -\$1,167,900.53 unrealized gain/loss change, +\$245,408.68 realized gain/loss, -\$154.11 custodian fees, -\$56.33 securities lending fees/expense, +\$10.64 accrued expense change-investment manager, -\$15,564.41 investment manager/advisory fees, -\$264.24 transaction fees, -\$1.99 legal-investment fees.)

**8. Staff – FY24 Pension Contribution Update (\$4,340,152).**

Ms. Horsey noted that after conferring with Ms. Durham, the pension contribution will be made in mid to late December 2023. She also advised that the Committee typically determines where to invest the annual pension contribution made and inquired if Ms. Keady had a recommendation as to where the funds should be invested. Ms. Keady advised that fixed-income equity is normally where the Committee invests the funds and suggests that current rates are the best in the fixed-income category.

A motion was made by Mr. Decker, seconded by Mr. Connelly, and carried unanimously to reallocate the annual pension contribution into the fixed-income investment category.

**9. Staff – 2024 Pension Valuation Status Update (01/01/2024)**

Ms. Horsey noted staff are preparing the updated pension census to be sent to the actuary by mid to late January. She anticipates the draft report to be complete for Committee review for the February meeting.

**10. Staff – Quarterly Pension Activity Report.**

Ms. Horsey presented the Quarterly Pension Activity Reports to keep the Committee members apprised of the administrative changes to the pension fund. A summarized version

of the report is presented below:

**Quarterly Pension Activity Report**

<b>Pension Payment Date</b>	<b>Gross \$ Paid</b>	<b># Recipients</b>	<b>Comments</b>
November 1, 2023	354,695.42	282	+2(R); + 2(P)
October 1, 2023	\$350,724.11	278	+2(R); -(R); -(QDRO)
September 1, 2023	\$347,133.51	278	No changes
August 1, 2023	\$347,133.51	278	-1(P) retro
July 1, 2023(No cola-act)	\$347,626.15	278	+1(P) w/retro; -1(B) retro
June 1, 2023	\$348,258.72	277	-1(B) retro -\$1,133.59; -1 (R); +1 (R); +1 (B) w/retro \$1,371.53; -2 (P) retros
May 1, 2023	\$349,820.49	277	+1(R); +2(P) w/retros \$2,912.05 & \$462.52; -1 (P)
April 1, 2023	\$340,074.16	275	+2(R); -1 (R); +2(B); +1 (QDRO); +\$12.14 & +\$5.00 debit removal
March 1, 2023	\$333,159.92	271	-2 (R); -(P); -(B); -\$1,975.06 (B) double listing; -\$18.21 (R) & -\$10.00 (R) interest rate adj
February 1, 2023	\$339,010.54	276	+1(R)**; +1(B) w/retro
January 1, 2023	\$335,547.06	273	+1(R)**; +1(R); +1(R) w/retro; -2(R)
December 1, 2022	\$330,191.18	272	+1(P) w/retro; +1(B) w/retro; +1(QB); -1(R)
November 1, 2022	\$331,072.05	270	+3(P); -1(P)
October 1, 2022	\$330,715.51	268	+2(R); -1(B)
September 1, 2022	\$328,817.88	267	-\$34.04 (R) remove retro cola credit
<b>Pending Pensions - Type</b>	<b>Effective Date</b>	<b>Service Years/Age</b>	<b>Estimated Benefit</b>
(R)	12/01/23	27.4 yrs; 63	\$5,034.55/mo. Life?
(R)	12/01/23	10 yrs; 65	\$930.61/mo. Life?
<b>Pensions started – Type</b>	<b>Effective Date</b>	<b>Service Years/Age</b>	<b>Monthly Benefit/Type</b>
+(R)	12/01/23	27.4 yrs; 63	\$5,007.54/mo. CC5yrs
+(R)	12/01/23	10 yrs; 65	\$841.26/mo. CA50%
+(P)	11/01/23	12.4 yrs; 62	\$451.01/mo. CC5yrs
+(P)	11/01/23	9.9 yrs; 62	\$426.22/mo. CA100%
+(R)	11/01/23	9.7 yrs; 67	\$922.17/mo. CC10yrs
+(R)	11/01/23	16.1 yrs; 68	\$2,171.91/mo. Life
-(QDRO)	10/01/23		-\$362.29/mo. (R) Died 7/20/23
-(R)	10/01/23		-\$1,317.88/mo. Died 7/20/23 CC10yrs
+(R)	10/01/23	23.3 yrs; 68	\$4,209.59/mo. CA75%
+(R)	10/01/23	15 yrs; 62	\$1,061.18/mo. CC10yrs w/beneficiary
+(P)	07/01/23	5.8 yrs; 62	\$246.32/mo. Life (retro 05/01/23)
+(R)	06/01/23	19 yrs; 67	\$999.86/mo. Life?
+(B)	06/01/23		\$1,371.53/mo. Life (retro 05/01/23)
-(R)	05/01/23		-\$796.53/mo. Died 05/20/23; no beneficiary
-(B)	05/01/23		-\$1,133.59/mo. Died 04/12/23
-(P)	05/01/23		-\$234.14/mo. Died 04/07/23; no beneficiary
+(P)	05/01/23	11.3 yrs; 62	\$582.41/mo. CA100% (retro to 12/01/22)
+(R)	05/01/23	23.8 yrs; 64	\$5,792.23/mo. CA50%
+(P)	05/01/23	8.4 yrs; 62	\$231.26/mo. CA100% (retro to 03/01/23)
+(B)	04/01/23		\$239.01/mo. Life (retro to 03/01/23)
-(R)	04/01/23		-\$716.53/mo. Died 02/27/23; w/CA 50%;( retro to 03/01/23)
+(QB)	04/01/23		\$382.18/mo. Life-QDRO (retro to 11/01/22)
+(B)	04/01/23		\$1,743.57/mo. CC10yrs Ben (retro to (12/01/22)
+(R)	04/01/23	12.1 yrs; 60	\$2,056.91/mo. CC5yrs
+(R)	04/01/23	40 yrs; 64	\$3,191.96/mo. Life (retro to 03/01/23)
-(B)	03/01/23		-\$610.03/mo. Died 01/28/23 (retro to 02/01/23)
-(P)	03/01/23		-\$150.48/mo. Died 02/03/23; no beneficiary
-(R)	03/01/23		-\$1,671.50/mo. Died 02/15/23; no beneficiary
-(R)	03/01/23		-\$1,415.34/mo. Died 02/14/23; no beneficiary
+(R)	02/01/23	8 yrs; 68	\$500.89**/mo. CA100%
+(B)	02/01/23		\$987.53/mo. Life w/retro to (12/01/22)
-(R)	01/01/23		-\$1,258.38/mo. Died 11/26/22 w/CA100% (retro 12/01/22)

-(R)	01/01/23		-\$533.11/mo. Died 12/04/22; no beneficiary
+(R)	01/01/23	32 yrs; 57	\$3,251.54/mo. CA50% (retro to 12/01/22)
+(R)	01/01/23	30 yrs; 54	\$3,377.08/mo. Life
+(R)	01/01/23	12 yrs; 69	\$518.75**/mo. CA100%

R=Retiree from active service; P=Pensioner, vested former employee; R/EO=Active Elected Official receiving pension R=Retiree from active service; P=Pensioner, vested former employee; R/EO=Active Elected Official receiving pension P70=Pensioner w/Rule of 70 benefits; B=Beneficiary of deceased participant; QB=QDRO beneficiary; DR=Disabled retiree; \*benefit addition or deletion retroactive to eligibility month. (#-multiplier calculation error correction)\*\*pension interest may adjust benefit (^late death notice-same ben. \$) Life=Life Annuity; CA=Contingent annuitant (beneficiary) & %; CC=Continuous & certain for # years

**13. Any other additional business properly brought before the Committee:**

Mr. Decker thanked Mr. Craik for attending the recent Levy Court workshop regarding the County’s pension valuation and funding status. He added that Comm. Sweeney had suggested at the workshop to increase the pension contribution percentage to 5 percent for all employees and that he agreed with the suggestion. Mr. Craik inquired about future discussions and if the Pension Committee would be included in those discussions and be requested to give their recommendations. Mr. Decker replied that all Committee members are invited to attend future workshops and welcome to voice recommendations.

**14. Public Comments.**

*None*

**15. Next Meeting.**

Committee members agreed by consensus to schedule the next quarterly meeting for Thursday, February 15, 2024, at 2:00 p.m. at the Kent County Administrative Complex.

A motion was made by Mr. Decker, seconded by Mr. Connelly, and carried unanimously to adjourn the meeting at 3:27 p.m.

*Minutes drafted by Trudena Horsey and are subject to change at a future Committee meeting.*