

KENT COUNTY PENSION REVIEW COMMITTEE
Quarterly Meeting and Annual Appreciation Lunch
McGlynn's Pub & Restaurant
800 North State Street, Dover, DE
Thursday, May 12, 2022 – 12:00 p.m. (noon)

Call to Order & Determination of a Quorum: 12:00 p.m.

Members Present:

David C. Craik, Chairman
Susan Durham, Vice-Chair
Kristopher Connelly
Timothy R. Horne (via telephone)
Tammy Ordway
Michael Petit de Mange

Members Absent:

Christopher S. Smith

Others Present:

Allan Angel, Levy Court Commissioner
Trudena Horsey, Payroll/HR Administrator
Tanya Keady, Segal Marco Advisors
Allan Kujala, Personnel Director (via telephone)

Chairman Craik presiding.

Call of the roll revealed a quorum was present.

1. Approval of the Minutes of February 23, 2022, meeting.

A motion was made by Ms. Durham, seconded by Mr. Petit de Mange, and carried unanimously to approve the minutes for the February 23, 2022, meeting.

2. Segal Marco Advisors – 1st Quarter 2022 Fund Performance Report.

Associate Consultant Tanya Keady presented an “Analysis of Investment Performance” through March 31, 2022. The report showed the ending market value of total pension assets as \$57,127,352 with a quarterly decrease of -\$2,480,502 (-\$3,921,025/investment loss, +\$57,683/income, +\$2,062,897 one-half annual contribution, -\$680,057/withdrawals (for invoices & 2 monthly pension payments). At quarter's end, 42.9% of the assets were invested in domestic equities, 8.6% in international equities, 10.1% in global tactical asset allocation (balanced), 4.6% in real estate, 2.1% in emerging markets equities, 31.8% in fixed income, and 0.0% in cash. For the quarter, the pension fund underperformed with a return of -6.4% versus -4.3% for the Policy index. For the one-year period, the Total Fund underperformed the Policy Index +5.0% vs. +5.6%, and for the three-year period it was ahead of the Policy Index +10.4% versus +9.8%. Since inception, the Total Fund has returned +9.7% compared to +8.9% for the Policy Index.

INTECH (Large U.S. Cap Growth – 13.0%), which started December 2003, underperformed the index for the quarter with a return of -9.7% compared to -9.0% for the Russell 1000 growth index and -8.6% for the S&P 500 growth index. For the one year, INTECH returned +16.0% versus +15.0%/+18.2% for the comparative indices and maintains

a +15.7% return rate compared to +17.0/+16.8% for the indices after 10 years. Since inception, INTECH has returned +11.5% compared to +11.8% for the Policy Index.

Wedge Capital (Large U.S. Cap Value – 18.7%), which started October 2004, underperformed the index for the quarter with a return of -6.4% compared to -0.7% for the Russell 1000 value index. The Wedge investment returns for the one-year period were +8.5% compared to +11.7% for the index and maintains a +12.6% return rate compared to +11.7% for the index after 10 years.

SSgA International Equity Index Fund (International – 8.6%), which replaced *AQR International Equity Fund II* effective February 2022, underperformed for the quarter with a return of -6.4% compared to -5.9% for the MSCI NET EAFE index. Per Committee direction, AQR liquidated assets on December 31, 2021, and transferred to a State Street Advisors (SSgA) index fund. 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 +0.7% the same as the Policy Index.

Invesco Balanced-Risk Allocation (GTAA – 10.1%) was established May 2014 and outperformed for the quarter with a return of -1.4% versus the -5.4% for the 60%MSCI World/40% Barclays U.S. Aggregate benchmark. For the one-year period, the balanced risk investment returns were +7.8% compared to +4.7% for the policy index year and for the five-year period it underperformed the Policy Index +7.6% versus 10.0%.

Segal Marco Fixed Income Group Trust (Fixed Income – 31.8%), which started January 1, 2019, underperformed for the quarter with a return of -6.1% compared to -5.9% for the Bloomberg Barclays U.S. Aggregate Bond index. For the one-year period, the Bond composite allocation returned -4.0% compared to -4.2% for the index and the fixed income allocation maintains a +2.8% return rate compared to +2.5% for the index since inception.

RCTS Emerging Markets Equity-RBC/Wells (Emerging Equities – 2.1%) was established March 2018 and underperformed for the quarter with a return of -8.1% compared to -7.1% for the MSCI EM (net) policy index. The RCTS investment returns for the one-year period were -16.6% compared to -11.4% for the policy index. Since inception, the emerging markets allocation has returned +1.7% compared to +1.2% for the Policy Index.

Principal U.S. Property Account (Real Estate – 4.6%) was established April 2018 and slightly underperformed for the quarter with a return of +7.3% compared to +7.4% for the for the NCREIF ODCE Equal Weighted policy index. The Principal investment returns for the one-year period were +28.2% compared to +28.7% for the index. Since inception, the real estate allocation has returned +10.3% compared to +10.7% for the Policy Index.

SSgA Russell Small Cap Completeness Index (SMID – 11.2%), was established February 1, 2022, resulting from a \$2.1 million funds transfer from large cap growth (Intech).

Ms. Keady reported that equities were down for the quarter with commodities and real estate on the plus side due largely to worries over inflation, the Ukraine conflict, and the continuing pandemic. She said the Federal Reserve interest hike helped lead stocks lower across the globe. She said she anticipates a -5.0% to -5.5% return moving forward into April and could not offer an inclination as to when the markets might recover.

3. Segal Marco Advisors – New Fund Manager/Pension Fund Allocation Report.

Ms. Keady reported that rebalancing of the portfolio by moving \$2.5 million from large cap value equities (Wedge) and allocating \$2 million to fixed income (FIGT) and \$500,000 to GTAA balanced (Invesco) was completed as of April 1, 2022. In addition, she said the process had been initiated to secure an invitation and execute agreements for participation in an Opportunistic Private Markets exposure through GCM/Grosvenor Multi-Asset Class Fund III with an expected \$3+ million funding call before the end of the second quarter.

4. Segal Marco Advisors – 457b Funds Selection Implementation Update.

Ms. Keady reported that Mission Square Retirement Services had implemented the new funds line-up changes for the 457b deferred compensation account on March 11, 2022. She said that the addition of two funds to the Tier 3 active selection line-up – Large Cap Growth and Large Cap Value options namely Brown Advisory Growth Equity Fund Institutional and MFS Value R6 is expected to be completed in August.

In response to a query, Mr. Kujala advised that to date the office had not received any negative or positive comments from participants about the line-up changes.

5. Segal Marco Advisors – 457b Target Date Funds Discussion.

Ms. Keady recalled that a report titled “Target Date Fund Comparison – 457 Plan” dated February 17, 2022, which focused upon the analysis of several target date (mutual) funds in comparison to the current Mission Square offering, was discussed at the previous meeting, but further consideration was delayed pending a decision regarding administrative fees. She said the next topic on the agenda may provide some direction.

The Target Date Fund identified reported performance figures for the compared funds for each of the target date funds from 2010–2060 (5-year increments) including an overall INCOME PERFORMANCE comparison between the funds through the quarter ended December 31, 2021 as follows:

Income	QTD	%ile Rank	YTD	%ile Rank	1 Year	%ile Rank	3 Years	%ile Rank	5 Years	%ile Rank	7 Years	%ile Rank
MissionSquare	2.29	46	6.16	42	6.16	42	9.72	41	6.78	48	5.40	42
State Street	2.77	15	7.92	14	7.92	14	10.71	15	7.56	14	6.05	15
T. Rowe Price	2.85	14	10.46	1	10.46	1	14.27	1	—	—	—	—
Vanguard	2.03	61	5.25	63	5.25	63	9.49	47	6.92	42	5.65	30
S&P Target Date Index	1.99	62	5.11	67	5.11	67	9.03	55	6.52	54	5.32	44
Morningstar Category	2.06	60	5.51	58	5.51	58	9.00	56	6.39	57	5.02	55

The report also provided a FEE COMPARISON table as follows:

	Share Class	2010/ Inc	%	2015 %	2020 %	2025 %	2030 %	2035 %	2040 %	2045 %	2050 %	2055 %	2060 %	2065 %									
MissionSquare	R3	0.95	100	0.99	100	1.01	100	1.03	100	1.05	100	1.06	100	1.08	100	1.08	100	1.08	100	1.08	100	1.08	100
MissionSquare	R10	0.41	68	0.45	66	0.47	65	0.49	64	0.51	65	0.52	64	0.54	64	0.54	65	0.54	66	0.54	66	0.54	66
American Funds	R6	0.28	27	0.29	27	0.30	27	0.31	28	0.33	31	0.35	30	0.36	30	0.37	30	0.37	31	0.38	28	0.38	30
T. Rowe Price	I	0.34	38	0.36	36	0.37	34	0.39	38	0.41	43	0.42	42	0.43	43	0.44	42	0.45	49	0.46	51	0.46	50
SSgA	K	0.09	1	--	--	0.09	4	0.09	3	0.09	3	0.09	3	0.09	3	0.09	3	0.09	3	0.09	3	0.09	2
Vanguard	Inst	0.09	1	0.09	5	0.09	4	0.09	3	0.09	3	0.09	3	0.09	3	0.09	3	0.09	3	0.09	3	0.09	2
25th Percentile		0.27		0.28		0.29		0.29		0.29		0.29		0.30		0.29		0.29		0.30		0.28	
50th Percentile		0.35		0.38		0.39		0.43		0.42		0.44		0.44		0.45		0.45		0.46		0.46	
75th Percentile		0.46		0.48		0.49		0.53		0.55		0.57		0.60		0.60		0.63		0.63		0.62	

6. Staff – 457b Administrative Fees Discussion & Auto-Enrollment

Ms. Horsey reported that at the request of the Committee, Mr. Kujala contacted the County Attorney for a legal opinion on whether the County could fund the annual administrative cost for performance review and related plan expenses and/or a best format suggestion to fund such administrative expenses. She advised that the County Attorney declined to give an opinion and instead suggested staff contact Bond Counsel.

She noted that at the previous meeting Ms. Keady offered several options for paying the administrative costs such as the County funding such expenses, splitting of the costs equally among all participants, and/or a tiered approach based upon investment asset ranges.

Mr. Kujala suggested an auto-enrollment approach for new hires with the ability to opt out at any time as a means to justify the expense and improve overall program participation – since only about one-third of employees currently do.

After some discussion, a motion was made by Ms. Durham, seconded by Ms. Ordway, and carried unanimously to recommend to Levy Court that the County fund the administrative expenses for the deferred compensation (457b) program with an active enrollment component for new hires.

7. DSPO – 1st Quarter 2022 Retiree Benefits Investment Performance Report.

The State Pension Office reported that the comingled Delaware Public Employees Retirement Investment Pool (DEL RIP) experienced a quarterly increase of +0.40% compared to +0.80% for the DPERS Policy benchmark. The State Pension fund return was reported as +10.0% versus +4.0% for the benchmark for the one-year period.

The unaudited DEL RIP report for January 1 – March 31, 2022, showed a market value balance of \$29,723,980.74 with a decrease in value of -\$1,711,520.91. For the quarter, the County’s portion of the fund assets (0.20266%) decreased by -5.7% (+26,967.52 interest, +\$37,635.93 dividends, +\$457.31 securities lending income, +\$6,821.75 net change accrued income, -\$2,223,415.88 unrealized gain/loss change, +\$458,185.61 realized gain/loss, -\$120.52 custodian fees, -\$68.58 securities lending fees/expense, +\$92.15 accrued expense

change-investment manager, -\$17,475.37 investment manager/advisory fees, -\$515.75 transaction fees/credit, -\$80.58 legal-investment fees.)

8. Staff – Draft Pension Valuation Report (January 1, 2022).

Ms. Horsey reported that the draft pension actuarial valuation has been completed and the actuarially determined contribution of \$3,970,654 was received early enough for inclusion in the Fiscal Year 2023 budget. Mr. Kujala advised that minor changes to wording had been suggested and added to the draft copy. He advised that the pension actuary (Milliman) offered to attend the next quarterly meeting to review the report and other recommendations with the Committee.

Mr. Craig asked Mr. Kujala to invite Milliman to the August quarterly meeting.

9. Staff – Biennial Pension Benefit Statements Update.

Ms. Horsey reported that the pension actuary had completed the Biennial Pension Benefit Statements resulting from the January 1, 2022, valuation and electronic copies have been received for distribution to employees. She said that Personnel Office staff intends distribute the statements by the end of the following week.

Mr. Kujala noted that the Milliman statements have a completely new look compared to those provided by Nyhart with slightly different information.

10. Staff – FY22 Partial Pension & OPEB Contribution Report (\$2,062,897/\$2,735,937).

Ms. Horsey reported that the remaining one-half pension contribution for Fiscal Year 2022 totaling \$2,062,897 is targeted to be made in May. She said the budgeted OPEB contribution of \$2,735,934 is typically completed by the beginning of June.

Mr. Kujala asked if the recent rebalancing or upcoming funding call by the new MACS fund manager will require all or some portion of the one-half pension contribution to be invested into a different fund instead of the fixed income fund.

After some discussion, a motion was made by Ms. Durham, seconded by Mr. Connelly, and carried unanimously to invest the second half of the Fiscal Year 2022 pension contribution into the fixed income fund.

11. Staff – Pension Custodian Transition Update.

Ms. Horsey reported that after three-years the transition of pension custodian services from Wells Fargo Retirement Services to Principal Custody Solutions, which acquired the unit from Wells Fargo in 2019, is now complete. She said staff has been using the new Principal portal to enter and manage retiree pension benefit payments since the end of February with no unresolvable issues.

12. Staff – 2021 Annual Report to Levy Court

Ms. Horsey reported that Annual 2021 Report to Levy Court approved at the prior quarterly meeting was distributed to Levy Court on February 18, 2022, and promptly uploaded to the County website.

13. 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

Pension Payment Date	Gross \$ Paid	# Recipients	Comments
May 1, 2022	\$318,173.50	264	+1(R); -1 (R)
April 1, 2022	\$318,335.74	264	+2 (R); +3 (P) w/retro; **Int. Adj.
March 1, 2022	\$309,208.42	259	+2 (R); -1 (R); **Int. Adj.
February 1, 2022	\$307,728.66	258	+2** (R); -2 (R) retro; +1 (B)
January 1, 2022	\$300,326.49	257	+2 (R) (1**)
December 1, 2021	\$297,582.82	255	
November 1, 2021	\$297,582.82	255	
October 1, 2021	\$297,582.82	255	+1 (P); -1(DR) retro pay remove
September 1, 2021	\$298,396.70	254	+1 (DR); +1(DR) retro payment
August 1, 2021	\$296,473.48	253	+2 (R)
July 1, 2021(No COLA)	\$293,382.46	251	+1 (R) w/retro; +1 (R)
June 1, 2021	\$289,121.64	249	+1(R) w/retro; +2 (R)
May 1, 2021	\$283,139.88	246	+1 (R); -1 (R-suspend pension); +2 (B)
April 1, 2021	\$283,669.39	244	-1 (R); -1 (P); +\$92.01benefit adj. DB/CR**
March 1, 2021	\$285,013.26	246	Interest Adj. DB-\$100.59 (5R)**; CR+\$0.39 (1P)**
February 1, 2021	\$285,167.96	246	+3 (R); -1 (R); +1 (B)
January 1, 2021	\$277,403.47	243	+4 (R); -1(R); +1 (P); -1 (P)
Pending Pensions - Type	Effective Date	Service Years/Age	Estimated Benefit
(R)	08/01/22	19.1 yrs; 60	\$1,723.44/mo. Life?
(R)	06/01/22	16.2yrs; 64	\$1,216.34/mo. Life?
(R)	06/01/22	8 yrs; 62	\$669.12/mo. Life?
(R)	06/01/22	20.7 yrs; 63	\$1,555.81/mo. Life?
(P)	04/01/22	10.2 yrs; 62	\$558.63/mo. Life?
(R)	04/01/22	21.2 yrs; 59	\$2,523.67/mo. Life?
Pensions started – Type	Effective Date	Service Years/Age	Monthly Benefit/Type
+ (R)	05/01/22	26.7 yrs; 63	\$2,261.71/mo. Life
- (R)	05/01/22		-\$2,423.95/mo. Died 02/23/22 w/Life annuity – retro to 03/01/22
+ (R)	04/01/22	18.3 yrs; 61	\$3,353.98/mo. Life
+ (P)	04/01/22	11.4yrs; 62	\$658.08/mo. Life (retro to 03/01/22)
+ (P)	04/01/22	8.5yrs; 62	\$597.85/mo. CA100% (retro to12/01/20)
+ (P)	04/01/22	16.0 yrs; 60	\$1,148.48/mo. CC10yrs ?
+ (R)	04/01/22	30 yrs; 57	\$3,404.95/mo. Life (retro to03/01/22)
- (R)	03/01/22		-\$602.83/mo. Died 02/02/22 w/Life annuity
+ (R)	03/01/22	8 yrs; 65	\$496.13/mo. Life
+ (R)	03/01/22	13.1 yrs; 69	\$1,546.22/mo. Life
+ (R)	02/01/22	30.3 yrs; 57	\$3,268.95*/mo. CA100%
+ (R)	02/01/22	30.3 yrs; 53	\$4,342.41*/mo. CA50%
+ (B)	02/01/22		\$1,882.48/mo. Life-Beneficiary (retro to 01/01/22)
- (R)	02/01/22		-\$1,939.51/mo. Died 12/31/21 retro to 01/01/22
- (R)	02/01/22		-\$152.16/mo. Died 11/25/21 retro; ben. predecease

+(R)	01/01/22	20.7 yrs; 58	\$1,315.15*/mo. CC10yrs
+(R)	01/01/22	24.3 yrs; 61	\$1,428.52/mo. Life
+(P)	10/01/21	5.9 yrs; 62	\$147.73/mo. Life (retro to 01/01/21)
+(DR)	09/01/21	34.6 yrs; 53	\$961.61/mo. CA100% (retro to 08/01/21)
+(R)	08/01/21	15 yrs; 62	\$1,016.47/mo. Life
+(R)	08/01/21	21.5 yrs; 62	\$2,064.55/mo. CA50%
+(R)	07/01/21	21.9 yrs; 55	\$1,704.36/mo. CA100%
+(R)	07/01/21	25.2 yrs; 56	\$2,566.46/mo. CC10yrs (retro to 06/01/21)
+(R)	06/01/21	16.8 yrs; 61	\$1,448.88/mo. CC5yrs
+(R)	06/01/21	15.1 yrs; 60	\$1,257.50/mo. Life
+(R)	06/01/21	24.9 yrs; 60	\$3,275.38/mo. CA50% (retro to 05/01/21)
+(R)	05/01/21	20.4 yrs; 57	\$1,603.39/mo. CC5yrs
-(R)	05/01/21		-\$3,264.72/mo. Suspend pension & return to work
+(B)	05/01/21		\$287.52/mo. Life-Beneficiary (retro to 04/01/21^)
+(B)	05/01/21		\$844.30/mo. Life-Beneficiary (retro to 04/01/21)
-(R)	04/01/21		-\$1,148.36/mo. Died 03/10/21 w/Beneficiary
-(P)	04/01/21		-\$287.52/mo. Died 02/03/21 w/Beneficiary

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

14. Any other additional business properly brought before the Committee:

A. Levy Court Appreciation.

Earlier in the meeting, Commissioner Angel thanked each of the Committee members for their service to the employees and citizens of Kent County. He reiterated the Levy Court’s sincere appreciation for the important role the Committee members have in helping the pension plan and retiree benefits program and now the deferred compensation plan meet future investment performance and funding goals.

15. Public Comments.

None

16. Next Meeting.

Due to a scheduling conflict, Committee members agreed by consensus to schedule the next quarterly meeting for Thursday, August 11, 2022, at 2:00 p.m. at the Kent County Administrative Complex.

A motion was made by Mr. Connelly, seconded by Ms. Ordway, and carried unanimously to adjourn the meeting at 1:15 p.m.

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