

KENT COUNTY PENSION REVIEW COMMITTEE

Quarterly Meeting Minutes

Thursday, August 20, 2020

Kent County Administrative Complex

555 Bay Road, Dover, DE

Properly posted meeting conducted via teleconference due to COVID-19 pandemic

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

Members Present:

David C. Craik, Chairman
Susan Durham, Vice-Chair
Michael Petit de Mange
Christopher S. Smith
Ronald D. Smith

Members Absent:

Kristopher Connelly
Timothy R. Horne

Others Present:

Allan Angel, Levy Court Commissioner
Allan Kujala, Personnel Director
Tanya Laytin, Segal Marco Advisors

Chairman Craik presiding.

Call of the roll revealed a quorum was present.

1. Approval of the Minutes of May 14, 2020 meeting.

A motion was made by Ms. Durham, seconded by Mr. R. Smith, and carried unanimously to approve the minutes for the meeting held on May 14, 2020.

2. Segal Marco Advisors – 2nd Quarter 2020 Fund Performance Report.

Associate Consultant Tanya Laytin presented an “Analysis of Investment Performance” through June 30, 2020. The report showed the ending market value of total pension assets as \$46,256,264 with a quarterly increase of +\$6,773,478 (+\$5,587,101/investment gains, +\$45,125/income, -\$562,798/withdrawals, +\$1,704,050 partial pension contribution). At quarter’s end, 43.94% of the assets were invested in domestic equities, 7.87% in international equities, 9.03% in global tactical asset allocation (balanced), 4.22% in real estate, 2.29% in emerging markets equities, 32.17% in fixed income, and 0.50% in cash. For the quarter, the pension fund outperformed with a return of +14.25% versus +10.90% for the Policy index. For the one year period, the Total Fund underperformed the Policy Index +4.006% vs. +6.12%, and for the three year period it fell behind the Policy Index +6.65% versus +6.91%. Since inception, the Total Fund has returned +9.54% compared to +8.81% for the Policy Index.

INTECH (Large U.S. Cap Growth – 25.67%), which started December 1, 2003, underperformed the index for the quarter with a return of +24.55% compared to +27.84% for the Russell 1000 growth index. For the one year, INTECH returned +15.39% versus +23.28% for the comparative index, and maintains a +15.73% return rate compared to

+17.23% for the index after 10 years. Since inception, INTECH has returned +10.41% compared to +10.70% for the Policy Index.

Wedge Capital (Large U.S. Cap Value – 18.76%), which started October 1, 2004, outperformed the index for the quarter with a return of +19.92% compared to +14.29% for the Russell 1000 value index. The Wedge investment returns for the one year period were -5.16% compared to -8.84% for the index and maintains a +12.21% return rate compared to +10.41% for the index after 10 years.

AQR International Equity Fund II (International – 7.87%), which replaced *Rogerscasey Target Solutions Large Cap Core International* effective January 1, 2019, outperformed for the quarter with a return of +17.69% compared to +14.88% for the MSCI NET EAFE index. For the one year period, AQR returned -8.20% compared to -5.13% for the index and since inception (January 1, 2008), the international allocation underperformed the Policy Index +2.53% versus +5.38%.

Invesco Balanced-Risk Allocation (GTAA – 9.03%) was established May 1, 2014 and underperformed for the quarter with a return of +8.90% versus the +12.71% for the 60% MSCI World/40% Barclays U.S. Aggregate benchmark. For the one year period, the balanced risk investment returns were +0.52% compared to +6.08% for the policy index year and for the five year period it underperformed the Policy Index +4.84% versus +6.49%.

Segal Marco Fixed Income Group Trust (Fixed Income – 32.17%), which replaced *Rogerscasey Target Solutions Core Fixed Income* established on January 1, 2015 effective January 1, 2019, outperformed for the quarter with a return of +6.25% compared to +2.90% for the Bloomberg Barclays U.S. Aggregate Bond index. For the one year period, the Bond composite allocation returned +6.75% compared to +8.74% for the index and the fixed income allocation maintains a +8.31% return rate compared to +10.01% for the index since inception.

RCTS Emerging Markets Equity-RBC/Wells (Emerging Equities – 2.29%) was established March 1, 2018 and outperformed for the quarter with a return of +20.43% compared to +18.08% for the MSCI EM (net) policy index. The RCTS investment returns for the one year period were +0.04% compared to -3.39% for the policy index. Since inception, the emerging markets allocation has returned -1.66% compared to -5.18% for the Policy Index.

Principal U.S. Property Account (Real Estate – 4.22%) was established March 1, 2018 and underperformed for the quarter with a return of -1.51% compared to -1.27% for the for the NCREIF ODCE Equal Weighted policy index. The Principal investment returns for the one year period were +1.65% compared to +2.57% for the index

Ms. Laytin noted the rapid recovery of the markets and the portfolio after the dramatic 35% decline in the First Quarter due to the coronavirus lockdown. She said volatility is expected to continue in 2020 and possibility into 2021 due to the pending national election and uncertainty about the pandemic as we enter the fall and winter months. She said real estate continues to experience negative returns due to the pandemic and she said that value equities are expected to improve performance at some point this year. In addition,

she reported that Segal Marco Advisors still continues to monitor INTECH after placing the U.S. large cap growth fund manager on “hold” status due to major staff changes and investment strategy adjustments along with significant asset level change. She said a meeting with the Intech principals is being planned soon, but they remain responsive.

3. DSPO – 2nd Quarter 2020 Retiree Benefits Investment Performance Report.

The State Pension Office reported that the comingled Delaware Public Employees Retirement Investment Pool (DELRIP) experienced a quarterly increase of +9.9% compared to +12.9% for the DPERS Policy benchmark. The State Pension fund return was reported as +6.0% versus +5.1% for the benchmark for the one year period.

The unaudited DELRIP report for April 1 – June 30, 2020 showed a market value balance of \$20,186,244.66 with an increase of +\$2,510,350.24. For the quarter, the County’s portion of the fund assets (0.18539%) increased by +14.20% (+2,154,449 County’s annual OPEB contribution, -\$1,387,733.84 retiree benefit reimbursement withdrawal, +21,061.21 interest, +\$27,332.68 dividends, +\$81.74 securities lending income, +\$1,369.06 net change accrued income, +\$1,417,463.43 unrealized gain/loss change, +\$286,298.21 realized gain/loss, -\$349.79 custodian fees; -\$12.26 securities lending fees/expenses, -\$60.71 accrued expense change-investment manager, -\$9,491.51 investment manager/advisory fees, -\$46.20 transaction fees, -\$38.68 legal-investment fees.)

4. Staff – FY20 Partial Pension & OPEB Contribution Updates.

Mr. Kujala advised that in early June the second half (\$1,704,000) of the total annual pension contribution of \$3,408,084 was deposited into the fixed income account (FIGT). In addition, he also advised the full OPEB contribution of \$2,154,449 was deposited with DELRIP around the same time.

5. Staff – 2021 Budgeted Pension & OPEB Contribution update.

Mr. Kujala reported that Levy Court adopted the FY2021 Budget on May 26, 2020 with the full actuarially determined contributions of \$4,125,794 for the pension plan and \$2,735,837 for OPEB included.

6. Staff – OPEB Assumptions & Funding Policy Recommendations Status Update.

Mr. Kujala noted that the Levy Court meeting schedule has not yet permitted consideration of the Committee’s recommendation at a public meeting to revise the OPEB valuation assumptions as follows: 1) Mortality table – Change from RP-2000 Combined Mortality Table with mortality improvement projected to 2016 using Scale AA to *RP-2014 Total Mortality Table with fully generational improvements projected from 2006 based on assumptions from the 2018 Social Security Administration Trustee’s Report for Healthy versus Disabled lives*; 2)

Termination rate table – Change from a table with 9 ranges for ages 25-65+ and gender to a table of rates that more closely aligns with actual experience with 9 ranges for ages 20-60 and gender based upon a study of actual experience for the plan from January 1, 2011 – January 1, 2016 or later; and 3) Employer Funding Policy – Add language describing the methodology and determining the calculation for the Actuarially Determined Contribution using a decreasing 30-year amortization period beginning in FYE 2019*.

Mr. Kujala said he expected the topic to be on a Levy Court meeting in October or early November.

7. Staff – Interim OPEB Valuation Status Report.

Mr. Kujala advised that since the May meeting, the Pension Actuary has initiated the interim OPEB valuation process by requesting an updated census, CAFR, and performance reports. He reported that the census was uploaded to the secure Nyhart web portal in early August reflecting the new insurance premiums, additions and deletions.

Mr. Craik asked when the actuary will need a final decision on the OPEB assumption revisions in order to prepare the valuation.

Mr. Kujala recalled that Nyhart usually finishes the valuation in November.

8. Staff – Deferred Compensation (457) Provider RFP Status Report.

Mr. Kujala noted that Strategic Retirement Partners completed analysis of the RFP responses earlier this year for possible selection of a new Deferred Compensation (457) Provider for County employees. He advised that the COVID-19 pandemic response had delayed the final interviews of the top 3 vendors, but they were now scheduled for August 31 via Zoom. Since Levy Court would likely be interested in this Committee’s thoughts on the issue, he said the Interview Panel vendor selection recommendation would be reviewed at the November quarterly meeting.

He also said that per request by Mr. C. Smith a copy of the SRP report had been emailed to each member shortly after the May quarterly meeting.

9. Staff –Quarterly Pension Activity Report.

Mr. Kujala reviewed the Quarterly Pension Activity Reports to keep the Committee members apprised of participant cost 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
August 1, 2020	\$264,933.09	235	+2 (R); #1 (R) multiplier error correction retro to Dec. 2019 of \$680.49
July 1, 2020 (No COLA)	\$262,859.62	233	-1 (R)
June 1, 2020	\$263,755.62	234	+2 (R); -1 (R); +1 (B) +664.30 w/retro to April
May 1, 2020	\$261,375.79	232	-1 (R) w/retro -\$608.35; +1 (B) w/retro +\$1,034.35

April 1, 2020	\$260,949.79	232	+1 (R); -1 (R) w/retro -\$3,041.65; -1 (P) w/retro - \$1,505.00
March 1, 2020	\$263,615.40	233	+1 (R) w/retro +\$2,709.09; -1 (R) w/retro -\$1,867.43
February 1, 2020	\$262,773.54	233	-1 (R) w/retro -\$483.19; +1 (B) w/retro +\$234.49
January 1, 2020	\$263,022.24	233	-1(R); +1 (B)
December 1, 2019	\$263,033.77	233	+3 (R); +2 (P) w/retro \$137.05; -1 (B)
November 1, 2019	\$258,310.63	229	+1 (R); +1 (P) w/retro \$862.56; -1 (P)
October 1, 2019	\$255,266.06	228	+1 (R)
September 1, 2019	\$253,321.24	227	+1 (R); -1 (B)
August 1, 2019	\$251,910.24	227	+1 (B) w/retro \$514.87
July 1, 2019(+1% cola for R)	\$250,880.50	226 (\$2,027.39)	-1 (R)
Pending Pensions - Type	Effective Date	Service Years/Age	Estimated Benefit
(P)	11/01/20	15.8 yrs; 62	\$232.14/mo. Life?
(R)	10/01/20	15.5 yrs; 62	\$2,509.54/mo. Life?
(R)	10/01/20	22.3 yrs; 64	\$2,365.85/mo. Life?
(B)	09/01/20	21.9 yrs; 63	\$722.25/mo. Life? (Employee died 08/04/20)
(R)	09/01/20	20 yrs; 65	\$1,574.62/mo. CA50%
(P)	09/01/20	7.5 yrs; 62	\$254.14/mo. Life (retro to 05/01/20)
Pensions started – Type	Effective Date	Service Years/Age	Monthly Benefit/Type
# (R)	08/01/20		-\$680.49 reduction for multiplier error retro to 12/01
+ (R)	08/01/20	34.7 yrs; 55	\$2,258.38/mo. CA100%
+ (R)	08/01/20	8.6 yrs; 66	\$495.58/mo. CA100%
- (R)	07/01/20		-\$896.00 Died 06/05/20
+ (B)	06/01/20		\$664.30/mo. Life-Beneficiary (J. Webb - retro to 04/01)
+ (R)	06/01/20	15.8 yrs; 62	\$1,212.29/mo. CC10yrs
- (R)	06/01/20		-\$598.04 Died 04/20/20
+ (R)	06/01/20	15.5 yrs; 62	\$1,101.28 Life
+ (B)	05/01/20		\$1,034.35/mo. Life-Beneficiary (retro to 03/01/20)
- (R)	05/01/20		-\$608.35/mo. Died 03/06/20 retro
+ (R)	04/01/20	16.4 yrs; 65	\$1,881.04/mo. Life
- (R)	04/01/20		-\$3,041.65/mo. Died 02/21/20 retro
- (P)	04/01/20		-\$1,505.00/mo. Died 02/08/20 retro w/Beneficiary
+ (R)	03/01/20	30.1 yrs; 53	\$2,709.09/mo. CA50% (retro to 02/01/20)
- (R)	03/01/20		-\$1,867.43/mo. Died 01/18/20 retro
+ (B)	02/01/20		\$234.49/mo. Life-Beneficiary (retro to 01/01/20)
- (R)	02/01/20		-\$483.19/mo. Died 12/22/19 retro w/Beneficiary
+ (B)	01/01/20		\$1,152.77/mo. Life-Beneficiary
- (R)	01/01/20		-\$1,164.30/mo. Died 12/08/19
+ (P)	12/01/19	5.3 yrs; 62	\$137.05/mo. CC10yrs (retro to 11/01/19)
+ (P)	12/01/19	13 yrs; 62	\$1,170.87/mo. CA100%
+ (R)#	12/01/19	8.1 yrs; 70	\$1,008.08/mo. Life (#corrected 1.85% multiplier \$932.47/mo)
+ (R)	12/01/19	17.4 yrs; 65	\$1,273.92/mo. Life
+ (R)	12/01/19	18 yrs; 62	\$1,339.27/mo. CA50%
+ (R)	11/01/19	32.8 yrs; 53	\$2,889.96/mo. Life
+ (P)	11/01/19	16 yrs; 60	\$287.52/mo. CA100% (retro to 08/01/19)
- (P)	11/01/19		-\$132.91/mo. Died 10/14/19
+ (R)	10/01/19	27 yrs; 62	\$1,944.82/mo. CA 50%
- (B)	09/01/19		-\$265.54/mo. Died 07/29/19 retro
+ (R)	09/01/19	25 yrs; 58	\$2,191.41/mo. CA50%
+ (B)	08/01/19		\$514.87/mo. w/retro to 07/01/19
- (R)	07/01/19		-\$671.80/mo. Died 04/14/19 retro

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; *benefit addition or deletion retroactive to eligibility month. (#-multiplier calculation error correction)

Life=Life Annuity; CA=Contingent annuitant (beneficiary) & %; CC=Continuous & certain for # years

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

A. *Retirement Recognition.*

Commissioner Angel read a statement noting that long serving Payroll Administrator Cathleen “Cat” McLean would be retiring on September 30, 2020. He recalled that she attended several of these meetings and was primarily responsible for interacting with retirees, pensioners, and beneficiaries as well as the pension custodian. He thanked her for her service to the Committee and to Kent County’s retirees.

11. Next Meeting.

By consensus, Committee members agreed to schedule the next quarterly meeting for Thursday, November 19, 2020 for the Annual Appreciation Luncheon & Quarterly Meeting at 12 noon if possible, otherwise at 2:00 p.m. without the lunch

A motion was made by Ms. S. Durham, seconded by Mr. R. Smith, and carried unanimously to adjourn the meeting at 2:35 p.m.

Minutes drafted by Allan Kujala and are subject to change at a future Committee meeting