

KENT COUNTY PENSION REVIEW COMMITTEE

Quarterly Meeting Minutes

Thursday, February 18, 2021

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
Kristopher Connelly
Timothy R. Horne
Michael Petit de Mange
Christopher S. Smith
Ronald D. Smith

Members Absent:

None

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 November 12, 2020 meeting.

A motion was made by Mr. Horne, seconded by Ms. Durham, and carried unanimously to approve the minutes for the meeting held on November 12, 2020.

2. Segal Marco Advisors – 4th Quarter 2020 Fund Performance Report.

Associate Consultant Tanya Laytin presented an “Analysis of Investment Performance” through December 30, 2020. The report showed the ending market value of total pension assets as \$51,021,607 with a quarterly increase of +\$3,162,658 (+4,308,870/investment gains, +\$45,710/income, -\$1,191,921/withdrawals for invoices & 4 pension payments - Jan. 2021). At quarter’s end, 44.7% of the assets were invested in domestic equities, 8.7% in international equities, 9.4% in global tactical asset allocation (balanced), 3.9% in real estate, 2.7% in emerging markets equities, 30.3% in fixed income, and 0.4% in cash. For the quarter, the pension fund outperformed with a return of +9.3% versus +7.2% for the Policy index. For the one year period, the Total Fund outperformed the Policy Index +13.4% vs. +11.9%, and for the three year period it fell behind the Policy Index +8.7% versus +8.8%. Since inception, the Total Fund has returned +9.8% compared to +9.0% for the Policy Index.

INTECH (Large U.S. Cap Growth – 24.4%), which started December 2003, underperformed the index for the quarter with a return of +10.6% compared to +11.4% for the Russell 1000 growth index and +10.7 for the S&P 500 growth index. For the one year,

INTECH returned +30.1% versus +38.5%/+33.5% for the comparative indices, and maintains a +15.5% return rate compared to +17.2/+16.5% for the indices after 10 years. Since inception, INTECH has returned +10.4% compared to +10.9% for the Policy Index.

Wedge Capital (Large U.S. Cap Value – 20.7%), which started October 2004, underperformed the index for the quarter with a return of +15.7% compared to +16.3% for the Russell 1000 value index. The Wedge investment returns for the one year period were +7.03% compared to +2.8% for the index and maintains a +11.8% return rate compared to +10.5% for the index after 10 years.

AQR International Equity Fund II (International – 8.7%), which replaced *Rogerscasey Target Solutions Large Cap Core International* effective January 2019, underperformed for the quarter with a return of +14.8% compared to +16.0% for the MSCI NET EAFE index. For the one year period, AQR returned +4.9% compared to +7.8% for the index and since inception (January 2006), the international allocation underperformed the Policy Index +12.5% versus +14.7%.

Invesco Balanced-Risk Allocation (GTAA – 9.4%) was established May 2014 and outperformed for the quarter with a return of +10.8% versus the +8.7% for the 60%MSCI World/40% Barclays U.S. Aggregate benchmark. For the one year period, the balanced risk investment returns were +11.2% compared to +13.7% for the policy index year and for the five year period it underperformed the Policy Index +8.8% versus +9.7%.

Segal Marco Fixed Income Group Trust (Fixed Income – 30.3%), 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 +2.0% compared to +0.7% for the Bloomberg Barclays U.S. Aggregate Bond index. For the one year period, the Bond composite allocation returned +9.0% compared to +7.5% for the index and the fixed income allocation maintains a +8.2% return rate compared to +8.1% for the index since inception.

RCTS Emerging Markets Equity-RBC/Wells (Emerging Equities – 2.7%) was established March 2018 and outperformed for the quarter with a return of +20.2% compared to +19.7% for the MSCI EM (net) policy index. The RCTS investment returns for the one year period were +20.6% compared to +18.3% for the policy index. Since inception, the emerging markets allocation has returned +8.2% compared to +5.3% for the Policy Index.

Principal U.S. Property Account (Real Estate – 3.9%) was established April 2018 and outperformed for the quarter with a return of +1.6% compared to +1.4% for the for the NCREIF ODCE Equal Weighted policy index. The Principal investment returns for the one year period were +0.5% compared to +1.6% for the index

Ms. Laytin noted that per motion at the previous quarterly meeting \$2 million was transferred from large cap growth equities (INTECH) to fixed income (FIGT) in December 2020, which should put the funds at or near the asset allocation target when the annual contribution is made.

Ms. Laytin reported that the pension fund assets had surpassed \$50 million for the first time ever due to outstanding domestic equity performance including a strong rebound

for large cap value stocks. She said international and emerging markets had an excellent quarter and fixed income ended up with a stronger than expected year. She noted that unemployment continued to decline and interest rate yield curve has declined as the Federal Reserve has maintained short term rates near zero. For the year, she reported the pension fund was up 13.11% compared to 11.9% for the policy index.

3. Segal Marco Advisors – Relationship of Asset Balance to Liabilities Discussion.

Per request of the Committee at the previous quarterly meeting, Ms. Laytin presented an outline of an Asset Liability Study which could be completed for a fee of about \$25,000 and perhaps should be completed every few years. However, she noted that completion of an Allocation Study or Liquidity Study would fall within the parameters of the existing consulting services agreement and would not incur any additional cost.

Mr. Horne suggested that liquidity studies be completed routinely with the goal of removing as much risk as possible as the plan is better funded.

After some discussion, Ms. Laytin was asked to prepare an Allocation/Liquidity Study for review at next quarterly meeting.

4. DSPO – 4th 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 +10.2% compared to +10.3% for the DPERS Policy benchmark. The State Pension fund return was reported as +20.6% versus +14.5% for the benchmark for the one-year period.

The unaudited DELRIP report for October 1 – December 30, 2020 showed a market value balance of \$24,189,408.52 with an increase of +\$2,230,579.96. For the quarter, the County's portion of the fund assets (0.18753%) increased by +10.16% (+28,341.40 interest, +\$32,379.84 dividends, +\$242.59 securities lending income, -\$1,038.66 net change accrued income, +\$1,636,113.73 unrealized gain/loss change, +\$541,399.46 realized gain/loss, -\$118.54 custodian fees, -\$36.38 securities lending fees/expenses, -\$117.65 accrued expense change-investment manager, -\$12,508.73 investment manager/advisory fees, +\$7,443.45 transaction fees/credit, -\$1,520.55 audit expenses.)

5. Staff – Annual Pension Valuation Update.

Mr. Kujala reported that the Pension/OPEB Actuary – the Nyhart Company has started working on the annual pension valuation and he expects to submit the final census information very soon to the actuary. He said the actuary intends to provide a solid estimate of the annual contribution by mid-March for FY22 annual budgeting purposes.

6. Staff – Final OPEB Valuation Status Report (June 30, 2020).

Mr. Kujala advised that Nyhart completed the interim OPEB valuation process and finalized the report in late November with a recommended annual contribution of \$2,514,908 for FY2022. The figure is \$220,929 lower than the previous \$2,735,837 OPEB contribution recommendation, due largely to better than expected asset performance and repeal of the ACA excise tax and in spite of implementation of another planned interest rate assumption reduction from 7.50% to 7.25%. He noted that the gradual 0.25% discount rate assumption reductions are programmed to continue for each biennial valuation until achieving 7.00% in FY2024.

Mr. Kujala also noted that on November 17, 2020 Levy Court approved the revised mortality table as recommended by the Committee, but it was not included in the interim report. He said the impact is estimated to be about +\$200,000. He asked if the Committee has any recommendations to Levy Court about the contribution for Fiscal Year 2022 budget.

After some discussion, there was consensus of the Committee to recommend the actuarially recommended contribution.

7 Staff – Partial FY 21 Pension Contribution (\$2,062,897).

Mr. Kujala advised that the first half (\$2,062,897) of the total annual pension contribution of \$4,125,794 into the fixed income fund (FIGT) per the Committee’s decision at the November meeting is expected to be completed around the end of the month.

8. Staff – Deferred Compensation (457b) Provider Update.

Mr. Kujala reported that final selection of a Deferred Compensation (457b) Recordkeeping & Administrative Services provider for County employees has been delayed as final agreement details continue to be worked out between the County Attorney, the consultant, and the vendor. He said he hoped to have the matter before Levy Court in the next few weeks for final consideration.

9. Staff – Deferred Compensation (457b) Provider Fee Adjustment Request Status.

Mr. Kujala recalled that at the previous quarterly meeting it was suggested that the recommended Deferred Compensation (457b) Recordkeeping & Administrative Services provider be asked to immediately reduce their fee to the lower 14 basis points as quoted. He reported that the vendor offered to cover the \$5,000 cost for investment fund selection by Segal Marco Advisors, but could not reduce the monthly fee until an agreement was executed, which even then could not occur until the beginning of the following quarter.

Ms. Laytin said she would press the vendor to promptly complete the agreement review process and implement the lower fee immediately.

10. Staff – Draft 2020 Annual Report to Levy Court.

Mr. Kujala advised that the Committee submits an Annual Report to Levy Court each year and said a draft version had been emailed to each member for review prior to this meeting.

Mr. Angel suggested a statement be added that the Committee continues to endorse the assumption that no COLAs be granted to retirees, pensioners, and beneficiaries with a short explanation why.

Once the performance figures are updated based on the quarterly report, there was consensus of the Committee to submit the revised report to Levy Court.

11. Staff – Annual & Quarterly Pension Activity Report.

Mr. Kujala presented the Annual & 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
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)
December 1, 2020	\$272,783.86	241	
November 1, 2020	\$272,783.86	241	+1 (P)
October 1, 2020	\$272,556.14	240	+2 (R); +1 (B)
September 1, 2020	\$267,366.73	237	+1 (R); +1 (P); #1 (R) correct \$
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
Pensions started – Type	Effective Date	Service Years/Age	Monthly Benefit/Type
+(R)	02/01/21	21.6 yrs; 55	\$1,496.93/mo.** CA100%
+(R)	02/01/21	33.5 yrs; 64	\$3,480.99/mo.** CA100%
+(R)	02/01/21	29.2 yrs; 56	\$3,264.72/mo. Life
-(R)	02/01/21		-\$1,316.87/mo. Died 12/17/20 retro
+(B)	02/01/21		\$838.72/mo. Life-Beneficiary (retro to 01/01/21)
+(R)	01/01/21	24 yrs; 85	\$1,078.57/mo.** CA50%
+(R)	01/01/21	30.1 yrs; 56	\$2,733.97/mo.** CA100%
+(R)	01/01/21	11.5 yrs; 65	\$850.90/mo. Life
+(R)	01/01/21	8.3 yrs; 66	\$492.45/mo.** CA100%
+(P)	01/01/21	11.2 yrs; 62	\$337.78/mo.** CC10yrs
-(R)	01/01/21		-\$326.07/mo. Died 11/28/20 retro

- (P)	01/01/21		-\$495.48/mo. <i>Died 10/19/20 retro</i>
+ (P)	11/01/20	15.8 yrs; 62	\$232.14/mo. CC10yrs
+ (R)	10/01/20	15.5 yrs; 62	\$2,127.39/mo. CA100%
+ (R)	10/01/20	22.3 yrs; 64	\$2,339.77/mo. CA50%
+ (B)	10/01/20	21.9 yrs; 63	\$722.25/mo. Life-Active Beneficiary (<i>retro to 09/01/20</i>)
+ (R)	09/01/20	20 yrs; 65	\$1,574.62/mo. CA50%
+ (P)	09/01/20	7.5 yrs; 62	\$254.14/mo. Life (<i>retro to 05/01/20</i>)
# (R)	09/01/20		\$604.88 corrected monthly benefit due multiplier error
# (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 <i>Died 06/05/20</i>
+ (B)	06/01/20	19.9 yrs; 64	\$664.30/mo. Life-Active Beneficiary (<i>retro to 04/01/20</i>)
+ (R)	06/01/20	15.8 yrs; 62	\$1,212.29/mo. CC10yrs
- (R)	06/01/20		-\$598.04 <i>Died 04/20/20</i>
+ (R)	06/01/20	15.5 yrs; 62	\$1,101.28 Life
+ (B)	05/01/20		\$1,034.35/mo. Life-Active Beneficiary (<i>retro to 03/01</i>)
- (R)	05/01/20		-\$608.35/mo. <i>Died 03/06/20 retro</i>
+ (R)	04/01/20	16.4 yrs; 65	\$1,881.04/mo. Life
- (R)	04/01/20		-\$3,041.65/mo. <i>Died 02/21/20 retro</i>
- (P)	04/01/20		-\$1,505.00/mo. <i>Died 02/08/20 retro w/Beneficiary</i>
+ (R)	03/01/20	30.1 yrs; 53	\$2,709.09/mo. CA50% (<i>retro to 02/01/20</i>)
- (R)	03/01/20		-\$1,867.43/mo. <i>Died 01/18/20 retro</i>
+ (B)	02/01/20		\$234.49/mo. Life-Beneficiary (<i>retro to 01/01/20</i>)
- (R)	02/01/20		-\$483.19/mo. <i>Died 12/22/19 retro w/Beneficiary</i>

R 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)**application of pension interest may adjust benefit Life=Life Annuity; CA=Contingent annuitant (beneficiary) & %; CC=Continuous & certain for # years

Annual Pension Activity Report - 2020

Pension Payment Date	Gross \$ Paid	# Recipients	Comments
December 1, 2020	\$272,783.86	241	
November 1, 2020	\$272,783.86	241	+1 (P)
October 1, 2020	\$272,556.14	240	+2 (R); +1 (B)
September 1, 2020	\$267,366.73	237	+1 (R); +1 (P); #1 (R) correct \$
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
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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)
Pensions started – Type	Effective Date	Service Years/Age	Monthly Benefit/Type
+ (P)	11/01/20	15.8 yrs; 62	\$232.14/mo. CC10yrs
+ (R)	10/01/20	15.5 yrs; 62	\$2,127.39/mo. CA100%
+ (R)	10/01/20	22.3 yrs; 64	\$2,339.77/mo. CA50%
+ (B)	10/01/20	21.9 yrs; 63	\$722.25/mo. Life-Active Beneficiary (<i>retro to 09/01/20</i>)
+ (R)	09/01/20	20 yrs; 65	\$1,574.62/mo. CA50%
+ (P)	09/01/20	7.5 yrs; 62	\$254.14/mo. Life (<i>retro to 05/01/20</i>)
# (R)	09/01/20		\$604.88 corrected monthly benefit due multiplier error
# (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 <i>Died 06/05/20</i>

+ (B)	06/01/20	19.9 yrs; 64	\$664.30/mo. Life-Active Beneficiary (retro to 04/01/20)
+ (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-Active 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

R R=Retiree from active service; P=Pensioner, vested former employee; R/EO=Active Elected Official receiving pension
 B= Beneficiary of deceased participant; P70=Pensioner w/Rule of 70 benefits;
 Life=Life Annuity; CA=Contingent annuitant (beneficiary) & %; CC=Continuous & certain for # years

CY2020 Summary	Retirees	Pensioners	Beneficiaries	TOTAL
ADD	9	2	5	16
DELETE	7	1	0	8
Net - 2020	2	1	5	8
Net - 2019	9	4	-1	12
Net - 2018	12	5	-1	16
Net - 2017	6	0	2	8
Net - 2016	1	6	1	8
Net - 2015	3	4	1	8
Net - 2014	2	0	2	4
Net - 2013	6	0	0	6

*includes +1 QDRO

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

None.

13. Public Comments.

None

14. Next Meeting.

By consensus, Committee members agreed to schedule the next quarterly meeting for Thursday, May 20, 2021 likely as a teleconference.

A motion was made by Mr. Horne, seconded by Ms. Durham, and carried unanimously to adjourn the meeting at 3:05 p.m.

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