

MEETING OF THE RETIREMENT PLAN COMMITTEE

June 11, 2019

A meeting of the Retirement Plan Committee for the Frederick County Employees Retirement Plan (the “Plan”) was held on Tuesday, June 11, 2019, at 1:00 p.m. in the Winchester Room on the 2nd Floor of Winchester Hall. Present in person were the following members of the Committee.

1. Human Resources Director: Wayne Howard
2. Finance Director: Lori Depies
3. Retiree Representative: Michael Marschner
4. FOP Representative: Michael Easterday
5. IAFF Representative: John Neary
6. Member at Large: Michael Mills
7. Member at Large: Diane Fox

Present at the meeting at the invitation of the Committee were Michael Spadaro, Colin England and Alton Fryer with Bolton; Mary Claire Chesshire with Whiteford, Taylor and Preston. Also present were Susan Keller, Diane Hoffman, Jenni Kimmel and Shanna Gibbons with Frederick County Government. Wayne Howard was Chair and Shanna Gibbons was Secretary of the Meeting.

The Chair opened the meeting. Meeting Minutes from April 9, 2019, were reviewed and approved as is. Upon a motion duly made by Michael Marschner and seconded by Michael Mills, this motion was unanimously passed with the exception of John Neary who was not present at this time.

Alton Fryer with Bolton distributed and presented the Frederick County Government Pension Plan – Investment Performance Review as of March 31, 2019.

As of March 31, 2019, the initial reading of first quarter GDP was 3.2%, released on April 26th. Economic growth is expected to continue in 2019 but at a slower rate than in 2018. Year-over-year change in CPI in March was 1.9%. Energy prices rebounded significantly from their declines in January. The Federal Reserve is targeting a 2% inflation rate. First quarter unemployment averaged 3.8%, the same as the fourth quarter. U-6 which is a broader measure of unemployment, trended slightly down from 7.6% in the fourth quarter 2018 to 7.3% in the first quarter. Plan Assets were \$659,154,439. The Plan’s quarterly return was 10.46%, up from last quarter’s return of -10.10% and ahead the policy benchmark of 9.89%. Henderson Geneva remains on the Watch list.

Mary Claire Chesshire with Whiteford, Taylor and Preston then distributed an unmarked version and a red line version of the *Trust Agreement for the Frederick County Employees Retirement Plan*. This agreement has not been reviewed/revised since its inception. Ms. Chesshire reviewed the changes with the Committee.

Lori Depies requested to approve the revisions presented to the *Trust Agreement for the Frederick County Employees Retirement Plan* but not before allowing the Committee to take additional time to review a clean copy before signing off on the revisions. Ms. Chesshire will send a clean copy version to Lori to distribute

to the Committee Members for review prior to the July meeting. After the revisions are reviewed and approved at the July meeting, it will be forwarded to the County Executive for approval.

Diane Hoffman updated the Committee on the termination of the Defined Contribution Plan and the transition of those members to the Defined Benefit Plan. Ms. Hoffman explained all is on track as per the amendments; however, per the direction of the Plan Attorney, Mary Claire Chesshire, the effects of the transition date in the INFOR and PeopleSoft systems should be discussed during an open meeting with the Committee.

Consolidations of contributions, service, etc. are done on a monthly bases by check date in PeopleSoft. The original thought was that the transition would take place on June 22, 2019, due to being the first day of the new fiscal year and in keeping with the amendment. Their first contribution to the Defined Benefit Plan would not be made until the July 18, 2019, pay date resulting in a shortage of service hours in the Plan. However, if the transition takes place in the systems on June 8, 2019. The transitioning members would then receive a full year of service.

The intent of the amendment was to make them “whole,” ensuring they would begin receiving service in the Defined Benefit Plan on July 1, 2019. The most efficient way to guarantee this is to transfer the members on June 8, 2019.

Upon a motion duly made by Michael Marschner and seconded by Wayne Howard; it was:

RESOLVED: That after discussion the Committee confirmed and ratified the move of active employees participating in the Defined Contribution Plan to the Defined Benefit Plan effective June 8, 2019. Such that the contribution to the Defined Benefit Plan is reflected in the July 3, 2019, check. So as to provide full service credit for FY2020. This motion was unanimously passed.

Due to a recent inquiry and varying interpretation of the Plan’s death benefit, Colin England with Bolton provided clarification on the matter. Should an employee die prior to collecting his/her retirement benefit, the Plan’s death benefit is paid as if the participant retired and selected 100% Joint and Survivor except as per IRS Code Section 401a9 where it restricts the payout to a non-spouse beneficiary. It should be clarified to participants of the Plan that percentages other than 50 or 100 are provided in the specific case of the death benefit. In which case the survivor payout will be limited to the maximum legal benefit pursuant to IRS Code Section 401a9.

Bolton made a recommendation to the Committee to choose a new Consumer Price Index to replace the current CPI-Urban Wage Earners and Clerical Workers, Washington-Baltimore index since it has been non-existent since 2017. Per letter dated April 17, 2019, to Susan Keller, Re: Consumer Price Index definition, it is explained that the current index which is used to project the salary for participants receiving a disability pension benefit. Bolton encourages the Committee to utilize the CPI-Urban Wage Earners and Clerical Workers, Washington-Arlington-Alexandria, DC-VA-MD-WV index since it is most similar to our current index. The Committee has requested to see a comparison of both indexes available in our region before agreeing to this change. Bolton will provide a revised letter with both the CPI-Urban Wage Earners and

Clerical Workers, Washington-Arlington-Alexandria, DC-VA-MD-WV and CPI-Urban Wage Earners and Clerical Workers, Baltimore-Columbia-Towson, MD indexes so they may make a more informed decision at the next meeting.

Human Resources has received an influx of inquiries to provide additional payout (also referred to “pop-ups”) options to the Plan. Pop-up options allow retirees to begin receiving the maximum benefit should their spouse die before them, as though they had elected this option originally. The Plan will not incur any additional costs by offering such options. Bolton will provide more information on these options at the next meeting.

Bolton will also provide new mortality rates and conversion factors to the Committee at the next meeting.

At 2:35 p.m., a motion was made by Wayne Howard and seconded by Lori Depies to close the meeting pursuant to Maryland Annotated Code, General Provisions Article, Section 3-305(b)(7) to consult with legal counsel to obtain legal advice on a legal matter and Section 3-305(b)(14) to discuss, before a contract is awarded or bids are opened, a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process. Wayne Howard, Lori Depies, Michael Marschner, Michael Easterday, John Neary, Diane Fox, and Michael Mills all voted in favor of the motion, there were no members absent, and there were no negative votes or abstentions.

During the closed session, Susan Keller provided updates on the bids for pension actuarial services and investment advisory services, and provided an update on the ongoing bidding process for technical consulting and the status of the current provider, Efusion Consulting.

At 2:55 p.m., a motion by Michael Marschner and seconded by Michael Easterday to open the meeting was unanimously approved.

The next monthly Committee meeting is scheduled to be held on Tuesday, July 9, 2019 at 1:00pm.

There being no further business the meeting was adjourned at 2:56 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Shanna Gibbons', with a stylized, flowing script.

Shanna Gibbons,
Recording Secretary