

MEETING OF THE RETIREMENT PLAN COMMITTEE
September 10, 2019

A meeting of the Retirement Plan Committee (the "Committee") for the Frederick County Employees Retirement Plan (the "Plan") was held on Tuesday, September 10, 2019 at 2:00 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. Director of Finance: 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 Ann Sturner, Jim Ritchie, Michael Spadaro, and Alton Fryer of Bolton, Mary Claire Chesshire with Whiteford, Taylor, & Preston, counsel to the County. Also present were Susan Keller, Diane Hoffman, and Jenni Kimmel with Frederick County Government. Wayne Howard was Chair and Mary Claire Chesshire was Secretary of the meeting.

The Chair opened the meeting. Approval of the minutes from the July 9, 2019 meeting were tabled pending confirmation of their final status.

At 2:05 a motion was made by Michael Mills and seconded by John Neary to close the meeting pursuant to Maryland Annotated Code, General Provisions Article, Section 3-305(b)(1)(ii) to discuss a personnel matter that affects one or more individuals. 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. Representatives from Bolton, Michael Marschner, and Diane Fox left the meeting during the discussions. Counsel to the County and County staff remained in the meeting.

During the closed session, the Committee discussed the letters of interest submitted by seven employees and former employees to fill two expiring positions on the Committee. After discussion of the letters of interest, the Committee unanimously voted to retain Michael Marschner as the retiree representative and Diane Fox as an at-large member of the Committee.

At 2:20 p.m., a motion to open the meeting was unanimously approved.

Mary Claire Chesshire presented an update to the Trust Agreement for the Plan provided at prior meetings. Specifically, the update addresses the contingency that the current trustee leaves County employment with a gap in time between appointment of a successor by the County Executive with confirmation by Council. In the event of a temporary vacancy in the role of trustee, the Chief Administrative Officer of the County will serve as trustee. The Committee

unanimously approved presenting the updated Trust Agreement to the County Executive for signature.

Alton Fryer then presented the Investment Performance Review as of June 20, 2019. The Market Summary shows positive returns for all of the indices for the second quarter of 2019. The Plan's one year return of 7.34% trails the policy benchmark of 7.39%, but is ahead of the 7.0% actuarial rate and the quarterly return of 3.71% is in line with the policy benchmark of 3.71%. As of June 30, 2019, the value of the Plan's assets was \$684,051,467. Asset value as of September 6, 2019 is \$685,940,667. Alton noted that Henderson Geneva Mid Cap Growth Fund remains on the Watch List having trailed the benchmark significantly for one and three year periods. A significant detractor from performance for the one year period ending June 30, 2019 was LSV Large Cap Value. Bolton recommends adding a relative value manager as a complement to the LSV Large Cap Value Fund. Asset allocation is in compliance with the Investment Policy Statement as of June 30, 2019.

Alton then presented an updated, revised Investment Policy Statement for the Committee's consideration. The changes include clarifying that the County Executive retains authority to direct the investments of the fund and to add guardrails on the maximum investment any manager may have in one particular security. The Committee approved the Investment Policy Statement with the changes as outlined.

Michael Spadaro presented for the Committee the choice of the Consumer Price Index to calculate increases in average compensation for purposes of calculating disability benefits under the Plan. The current index noted in the plan document was discontinued at the end of 2017. The indexes now available for the Washington-Baltimore region include the CPI-Urban Wage Earners and Clerical Workers, Washington-Arlington-Alexandria, DC-VA-MD-WV, All Items, 1982-84=100 and the CPI-Urban Wage Earners and Clerical Workers, Baltimore-Columbia-Towson, MD, All Items, 1982-84=100. After discussion, the Committee chose to use Index No. 1 for Washington-Arlington-Alexandria.

Representatives from Bolton then presented the Plan's Experience and Assumption Study for July 1, 2013 through June 30, 2018. Demographic Assumptions studied include mortality, retirement, termination, disability, beneficiary and beneficiary age difference, sick leave, military service, and guaranteed return of employee contributions. The Economic Assumptions studied include investment return, payroll increases, and administrative expenses. The recommended changes including changing the mortality assumptions to use the new Pub-2010 Public Retirement Plans mortality tables, decrease termination rates for uniformed employees and increase termination rates for non-uniformed employees, decrease the disability rates by 25% for uniformed employees and by 50% for non-uniformed employees, revise the beneficiary assumption from 80% of employees to 100% of employees, revise the assumed unused sick leave and retirement from 2.5% of service for uniformed members to 2.0%, decrease the military service assumption for uniformed employees to 0.6 year of service, and increase the assumed guaranteed return period to three years for non-uniformed employees. The Investment Return Assumption of 7.0% and Inflation Assumption of 2.5% will be maintained and the payroll growth assumption will be reduced from 3.0% to 2.5%.

The Committee unanimously approved the assumption changes proposed by Bolton. The assumption changes will have no impact on the 2020 actuarially determined contribution, but will apply to the 2021 contribution.

The Committee then discussed the status of submission of pension valuation data to Bolton. The hope is to start accumulating the data at the end of September. Per Diane Hoffman, due to the vendor change, she is unsure of the timing of delivery of the data. The Committee agreed to use the data from the last valuation, plus the Defined Contribution Plan termination transfer updated data, plus assets as of June 30, 2019 to develop the budget.

The Committee then discussed the two vendor contracts currently on the table. A meeting is scheduled for the week of September 16 to discuss further.

Alton Fryer advised the Committee that he is in the process of updating the investment manager contracts.

There being no further business, the meeting adjourned at 4:10 p.m.

Respectfully submitted,


Mary Claire Chesshire
Recording Secretary

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