

MEETING OF THE RETIREMENT PLAN COMMITTEE

November 12, 2019

A meeting of the Retirement Plan Committee (the "Committee") for the Frederick County Employees Retirement Plan (the "Plan") was held on Tuesday, November 12, 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. Director of Finance: Lori Depies
3. Retiree Representative: Michael Marschner
4. FOP Representative: Michael Easterday
6. Member at Large: Michael Mills
7. Member at Large: Diane Fox

Absent from the meeting was John Neary. Present at the meeting at the invitation of the Committee were Ann Sturner, Michael Spadaro, Colin England, Geovani Forte and Alton Fryer of Bolton; and Mary Claire Chesshire with Whiteford, Taylor, & Preston, counsel to the County. Also present were Susan Keller, Diane Hoffman, Shanna Gibbons and Jenni Kimmel with Frederick County Government. Wayne Howard was Chair and Shanna Gibbons was Secretary of the meeting.

The Chair opened the meeting. Approval of the minutes from the July 9, 2019, and September 10, 2019, meetings were reviewed and approved as is. Upon a motion duly made by Michael Marschner and seconded by Wayne Howard, this motion was unanimously passed.

Michael Spadaro and Ann Sturner with Bolton distributed and presented the Actuarial Equivalent conversion factors and Additional optional forms of benefit letter dated November 8, 2019.

Bolton recommends that the Committee consider updating the mortality table that we are currently using (UP-1984 Mortality Table including an 8% interest rate and 0% COLA) to something more alike to the table used in the Annual Valuation (Pub-2010 General Retirees Amount-Weighted Mortality with MP-2018 improvement scale projected to 2035, blended 50% male/50% female(used for both the participant and joint annuitant) including a 7% interest rate and a 1% COLA). In addition, Bolton recommends reviewing mortality rates every 10 years. Further discussion of this has been tabled until Diane Hoffman has the opportunity to speak to Ciber (contractor for PeopleSoft-Retirement technical support) to see if our current software (PeopleSoft) is capable of handling these changes.

At the request of the Committee, Bolton provided additional information regarding additional optional forms of benefit: 50% and 100% Joint and Survivor with Pop-Up. Again, any further discussion will be tabled until we can confirm with Ciber that the Pop-Up option can be programmed into our current software.

Alton Fryer then presented the Frederick County Government Pension Plan – Investment Performance Review as of September 30, 2019. As of September 30, 2019, the value of the Plan's assets was \$685,293,268; The Plan's quarterly return was -0.02% down from last quarter's return of 3.71% and trailing the policy benchmark of 1.12%. The Plan's one-year return of 2.89% trails the policy benchmark of 4.75%,

and is behind the 7.0% actuarial rate. However, the 3, 5, and 10-year returns still exceed the actuarial rate as well as the policy benchmark. In September, value strategies rebounded significantly after experiencing a protracted period of underperformance relative to growth strategies. The primary drivers of underperformance were the Loomis Sayles Growth Fund and Small Cap Equities. The fund also experienced some mild underperformance in International Equity and Fixed Income. However, the underperformance in Fixed Income is largely due to the continued allocation to short-term fixed income. It is notable that LSV Large Cap Value rebounded significantly during September, outperforming its benchmark by 227 basis points. Henderson Geneva remains on the Watch List due to performance.

Members from Bolton then distributed and presented the Asset Allocation Review – Frederick County, MD dated November 2019, to discuss with the Committee on how to mitigate risks by diversifying our assets. Before making any decisions the Committee requests comparisons/statistics on comparable local pension systems and their allocations; along with education for the Trustees regarding diversifying our portfolio, definitions of the different asset classes, etc.

Mary Claire Chesshire brought to the committee's attention to the Loss Recovery Guidelines due to non-notification of retiree death resulting in overpayment of the benefit. Guidelines currently do not specify a dollar amount in which we proceed with legal services to collect overpayments. It was asked of the Committee their thoughts on these occurrences. Because this does not happen often, the Committee has agreed that the County Attorney, Linda Thall, would assist in pursuing collection of the overpaid benefits.

At 3:16 pm a motion was made by Michael Mills and seconded by Wayne Howard to close the meeting pursuant to Maryland Annotated Code, General Provisions Article, 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, Diane Fox, and Michael Mills all voted in favor of the motion, John Neary was absent, and there were no negative votes or abstentions. Counsel to the County and County staff remained in the meeting.

During the closed session, the Committee discussed the contract for Defined Benefit Administrative Services.

At 4:04 p.m., a motion to open the meeting was unanimously approved.

There being no further business, the meeting adjourned at 4:06 p.m.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Shanna Gibbons', written in a cursive style.

Shanna Gibbons
Recording Secretary