

MEETING MINUTES
FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN COMMITTEE
November 10, 2020

A virtual meeting of the Retirement Plan Committee (the “Committee”) for the Frederick County Employees Retirement Plan (the “Plan”) was held on Tuesday, November 10, 2020 at 1:00 p.m. via the Teams Meeting application. Present 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: Diane Fox
7. Member at Large: Michael Mills

Present at the meeting at the invitation of the Committee were Patrick Wing with Marquette Associates; Ann Sturner and James Ritchie with Bolton; and Mary Claire Chesshire with Whiteford, Taylor, & Preston, counsel to the County. Also present were Robert Goff and Shanna Gibbons with Frederick County Government. Other attendees present on the call were Teddy Haines with Financial Investment News. Shanna Gibbons was Secretary of the meeting.

The Chair opened the meeting. Minutes from the October 13, 2020, meeting were reviewed and approved as is. Upon a motion duly made by Lori Depies and seconded by Diane Fox, this motion was unanimously passed. Michael Mills abstained and John Neary was absent.

Patrick Wing with Marquette Associates (“Marquette”) presented the *Quarterly Performance Report as of September 30, 2020*, and the updated *Performance Summary as of October 31, 2020*.

As of September 30, 2020, the value of the Plan’s assets was \$762,706,704 up from \$720,959,961 at the end of the previous quarter. The Plan’s quarterly return was 5.5% ahead of the policy benchmark of 5.1%. Positive attributions for the quarter were primarily from: growth tilts (relative to value) across equity markets; overweight to equities and corresponding underweight to fixed income and outperformance by two active fixed income managers. However, underperformance by most active US equity managers had a negative attribution for the quarter. As of October 31, 2020, the value of the Plan’s assets was \$754,084,359. Marquette recommends discussing our options for fee savings, asset allocations and potential manager searches.

Marquette then presented *Frederick County dated November 10, 2020*, discussing Account Manager Fee Schedules, Equity Structure and their Rebalancing Proposal. Following up on the recommendation at the October meeting to move three of our mutual funds (i.e., Vanguard Institutional Index Fund, Neuberger Berman Intrinsic Value, and Harding Loevner International Equity) to the lowest cost share classes, the

conversions have been completed. Based on October 31, 2020 market values, the annual fees savings is approximately \$70,500.

The Fund uses five investment managers that run separately managed accounts. Marquette was able to negotiate fee concessions from four of the firms.

- Geneva Mid-Cap Growth
 - Old Fee Schedule: 0.70% on all assets
 - Proposed Fee Schedule: 0.60% on all assets
 - Approximate Annual Savings: \$44,750
- Robeco Boston Partners Mid-Cap Value
 - Old Fee Schedule: 0.70% on the first \$25 million, 0.60% on the balance
 - Proposed Fee Schedule: 0.65% on the first \$25 million, 0.60% on the balance
 - Approximate Annual Savings: \$12,500
- Stephens Small-Cap Growth
 - Old Fee Schedule: 0.81% on the first \$20 million, 0.75% on the balance
 - Proposed Fee Schedule: 0.80 on the first \$20 million, 0.70% on the next \$30 million and 0.65% on the balance
 - Approximate Annual Savings: \$15,500
- Segall, Bryant & Hamill Core Fixed Income
 - Old Fee Schedule: 0.25% on the first \$20 million, 0.20% on the balance
 - Proposed Fee Schedule: 0.20% on the first \$25 million, 0.15% on the next \$75 million and 0.08% on the balance
 - Approximate Annual Savings: \$41,000

In addition, US equity structure reflects a large tilt toward growth stocks relative to value. It was suggested to the Committee to consider rebalancing large-cap managers to Loomis and Columbia have similar allocations. Non-US equity structure reflects a large bet on growth stocks relative to value stocks. The Committee was asked to consider a non-US equity value manager search.

MOTION: In an effort to help rebalance the assets, and per Marquette's recommendation, \$30 million will be reallocated from Loomis Sayles Large Cap Growth. \$15 million will go to Vanguard Institutional Index Fund Inst Plus, \$7.5 million to Segall, Bryant & Hamill (Agg) and \$7.5 million to PIMCO Total Return Fund Inst to help rebalance the Plan's asset allocations. Upon a motion duly made by Michael Mills and seconded by Michael Marschner, this motion was unanimously passed.

Based on October 31, 2020 market values, the annual fees savings is approximately \$113,750 in addition to the savings from the share class conversions for a total annual reduction in fees of \$184,250.

In order to continue educating the Committee on Asset Classes, Marquette will present information on Private Equities at the December meeting.

Lastly, it was mentioned that the Committee may want to consider a securities litigation firm in addition to our custodian bank, Wilmington Trust. A securities litigation firm would be able to do one or more of the

following services: audit claims filed by the custodian bank; provide a monthly report of ongoing claims; file claims (instead of the custodian bank); and/or act as legal counsel in a lawsuit where the investor serves as the lead plaintiff. This topic will be discussed further at the December meeting.

Robert Goff provided updates to the Committee about the administration of the Plan. Human Resources is revising the Preparing to Retire brochure. Once finalized, the brochure will be available on both the Retirement Focus Portal and the FCG Portal. The committee was also informed that Findley was purchased by USI on November 2, 2020. No impact on services provided to/for participants of the Frederick County Employees Retirement Plan are expected.

The next Committee meeting will be a virtual meeting held on Tuesday, December 8, 2020, at 1:00pm via Microsoft Teams.

There being no further business, the meeting adjourned at 2:24 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Shanna Gibbons".

Shanna Gibbons
Recording Secretary