

MEETING MINUTES
FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN COMMITTEE
January 12, 2021

A virtual meeting of the Retirement Plan Committee (the “Committee”) for the Frederick County Employees Retirement Plan (the “Plan”) was held on Tuesday, January 12, 2021 at 1:00 p.m. via the Teams Meeting application. Present were the following members of the Committee:

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

John Neary, IAFF Representative, was absent. Present at the meeting at the invitation of the Committee were Patrick Wing with Marquette Associates (“Marquette” Plan Investment Manager); Ann Sturner and Jim Ritchie with Bolton (Plan Actuaries); and Mary Claire Chesshire with Whiteford, Taylor, & Preston (Plan Attorney). Also present were Robert Goff, Susan Keller and Shanna Gibbons with Frederick County Government. Wayne Howard was Chair and Shanna Gibbons was Secretary of the meeting.

The Chair opened the meeting. Minutes from the December 8, 2020, meeting were reviewed and approved as is. Upon a motion duly made by Michael Mills and seconded by Diane Fox, this motion was unanimously passed.

Patrick Wing with Marquette provided projected impacts to the Plan should the Committee decide to incorporate Private Equity in their portfolio. Approximately 75% of Maryland Counties have a Private Equity target allocation between 5-15% with the average being about 10%. The base-case outlook (over 10 years) is subdued relative to history, given low interest rates and overvaluation within US equities. While negative cash flows are projected to increase over time, they remain low relative to the size of the Fund. A decrease in the fixed income allocation naturally leads to higher upside, while also generating similar returns in a worst-case scenario. Higher expected market values lead to better funded ratios over time while also generating similar funded ratios in a worst-case scenario. A decrease in the fixed income allocation will lead to worse results in an equity bear market. However, expect better outcomes in an interest rate spike and slightly better outcomes amid an equity bear market, coupled with an increase in rates.

Currently there are no Private Equity Target Allocations, so there are no unfunded commitments. It is assumed that a 7.0% target rate of return is met over time, the negative cash outflows, Private Equity managers meet the Income Rate of Return assumptions (10%-15%), and using a market value as of December 31, 2020.

To achieve this, Marquette provided the following considerations: that a \$12 million annual commitment pace over time to meet a 5% targeted allocation; \$18 million annual commitment pace to meet a 7.5% targeted allocation; or \$24 million annual commitment pace to meet a 10% targeted allocation.

Other considerations before investing in Private Equities: (1) Private market investment values are reported on a 45-60 day lag (longer after calendar-year end); (2) Wilmington Trust would “mirror” the investment values on the custody statements since the assets are custodied elsewhere; (3) Investors are typically given about 10 business days from notice to the due date for a wire; and (4) if current cash does not cover the capital call, instructions will need to be submitted to raise cash (this could occur between meeting dates). Susan Keller will work with Mr. Wing to prepare scenarios in which this would happen and present it at a future meeting for the Committee’s direction.

The total asset value of the Frederick County Employees Retirement Plan is \$862,047,492, as of January 8, 2021.

Mr. Wing would like to continue with asset class education in the March 2021 Committee meeting, focusing on Global Infrastructure.

Lori Depies provided a quick update on the Class Action Litigation Firm contract. Currently, the County Attorney is working with the litigation firm in finalizing this contract.

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.

Mr. Goff has received the updated DROP document from our Plan Attorney, Mary Claire Chesshire, and now working on splitting the retirement document in to Non-Uniformed and Uniformed including DROP. Mr. Goff is also working on supplemental forms such as the application for DROP enrollment, Preparing for DROP Enrollment Brochure and Checklist, etc. Next steps are to set up meetings with Empower, Wilmington Trust, as well as Retirement Focus.

The next Committee meeting will be a virtual meeting held on Tuesday, February 9, 2021, at 1:00pm via Microsoft Teams.

There being no further business, the meeting adjourned at 2:05 p.m.

Respectfully submitted,



Shanna Gibbons
Recording Secretary

