

**MEETING MINUTES**  
**FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN COMMITTEE**  
February 9, 2021

A virtual meeting of the Retirement Plan Committee (the “Committee”) for the Frederick County Employees Retirement Plan (the “Plan”) was held on Tuesday, February 9, 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. 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 (“Marquette” Plan Investment Manager); Ann Sturner, Jim Ritchie, and Jordan McLane with Bolton (Plan Actuaries); Mary Claire Chesshire with Whiteford, Taylor, & Preston (Plan Attorney); and Matt Brann with Empower Retirement. Also present were Erin White, 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 January 12, 2021, meeting were reviewed and approved as is. Upon a motion duly made by Michael Marschner and seconded by Lori Depies, this motion was unanimously passed.

Patrick Wing with Marquette and Matt Brann with Empower kicked off the meeting by presenting *Frederick County 401(a)/DROP dated February 9, 2021*. Initially, it was anticipated that the DROP plan would offer the same asset menu to its members as is currently offered to employees enrolled in the Deferred Compensation 457(b) Plan (“457 Plan”). However, some of the funds offered to the 457 Plan members are closed and no longer available to new investors. Those funds will be replaced with similar options as outlined below:

<b>Fund Type</b>	<b>Current Fund</b>	<b>Replacement Fund</b>
Cash Preservation	GW Guaranteed Fixed GW Guaranteed Gov’t	GW Fixed Account Series II
US Large-Cap	BlackRock Equity Index	Fidelity 500 Index
US Mid-Cap	BlackRock MC Equity Index	Fidelity Mid Cap Index
US Small-Cap	BlackRock R2000 Equity Index Wasatch Core (growth)	Fidelity Small Cap Index Emerald Growth (growth)
Bonds	BlackRock US Debt Index	Fidelity US Bonds Index
TIPS	BlackRock US TIPS Index	Fidelity Inflation-Prot Bd Index

MOTION: Based on the information provided, the Committee agrees to adopt the proposed 401(a) fund line-up for the DROP account investments in the Defined Benefit Plan assets. Upon a motion duly made by Lori Depies and seconded by Diane Fox, this motion was unanimously passed.

MOTION: Expanding on this decision, the Committee has agreed to adopt the Stable Value Fund as the default option in the event that a DROP participant does not elect an investment option. Upon a motion duly made by Michael Easterday and seconded by Michael Marschner, this motion was unanimously passed.

Mr. Wing then presented the *Quarterly Performance Report as of December 31, 2020*, and the updated *Asset Value Update as of February 8, 2021*.

As of December 31, 2020, the value of the Plan's assets was \$852,178,765. The Plan's quarterly return was 11.0% (net) versus the policy index of 11.1%. Fiscal YTD return of 17.0% (net) versus policy index of 16.7%. Positive attributions for the quarter were primarily from: overweight to equities and corresponding underweight to fixed income and outperformance by active Non-US Equity managers. Underperformance by active US Large-Cap Equity managers in addition to growth tilts (relative to value) across equity managers had a negative attribution for the quarter. Segal, Bryant & Hamill ("Segal") has been added to the Watch List due to organizational issues. Currently about 53% internally owned and 47% externally owned by a private equity firm, Toma Bravo. Toma Bravo is being acquired by a Canadian Asset Manager (no real US presence), CI Financial. Marquette believes CI Financial will be a better long-term partner than a private equity firm for Segal. The Committee should not be concerned with this acquisition as key employees and investment people with Segal will remain in place. There should be no change in service, investment process, philosophy or performance. The Committee should expect to receive a consent letter from Segal to approve the acquisition. It is Marquette's recommendation to sign off in approval of this acquisition. As of February 8, 2021, the value of the Plan's assets was \$879,029,350. Marquette recommends discussing asset allocations, the Investment Policy Statement and potential manager searches.

Ann Sturner with Bolton then presented the *Frederick County Employees Retirement Plan – July 1, 2020 Actuarial Valuation Highlights*. Expected contributions for Non-Uniformed employees is 11.6% and expected contributions for Uniformed employees is 20.0% of payroll. The plan is at 100% funded. There was a 5.0% return on market value of assets versus expected return of 7.0%. FY2020 investments of \$14.1 million. Prior investment gains are still being recognized and the actuarial value of assets returned 7.3% versus the expected 7.0%. Investment gains or losses during FY2021 are not reflected and any investment losses or gains will be reflected in next year's valuation. There was a very small liability gain (less than 0.75% of liabilities). In regards to Salary gains, even though returning employees' average salaries increased 6.4% versus 6.1% as expected, longer service employees had lower than expected increases while shorter service employees had higher than expected increases. Risk Factor: The more mature and more inactive you have the more susceptible your payroll contribution is to volatility.

Ms. Sturner then gave the floor to Mr. Wing to discuss the *Frederick County Employees Retirement Plan – Discussion of Six-Year Projection Scenarios*. Of the three scenarios presented, the Committee has instructed Marquette to proceed with Scenario #3 to include a 6.5% return.

Scenario 3 – economic fallout and recovery; this is where there are plenty of different “iterations” you could consider. However, in an effort to be consistent with last year, I would proposed a FY 2021 return of 17.0% (which is the return through December; as of last Friday it stands north of 20%), a return of -13.2% for FY 2022 (this is consistent with the “Stress Test” we shared with the Board last month and represents our projection for a year that sees equity markets decline by 20%) and then returns of 7.0% for the remainder of the projection.

Mary Claire Chesshire with Whiteford, Taylor, & Preston then reviewed the amended Plan document. It is recommended that Frederick County Government recognize the changes made to the Frederick County Employees Retirement Plan (“FCERP” or “Plan”) to establish a separate plan for uniformed members; which going forward will be referred to as the Frederick County Uniformed Employees Retirement Plan (“FCUERP” or “Uniformed Plan”). The major changes in this amendment are as follows:

- The establishment of the Frederick County Uniformed Employees Retirement Plan;
- Uniformed guidelines were removed from the Plan to provide a base for the Uniformed Plan;
- FCUERP includes the DROP account investment option and the DROP benefits, which is set forth in the last Article of the Uniformed Plan; and
- Provisions pertaining to dual-service participants were kept.

The Committee is expected to vote on the restatement of FCERP and establishment of FCUERP and to submit this recommendation to the County Executive and County Council for approval. It is recommended that the Committee not make any changes to the structure of the Committee at this time. This topic should be revisited after the Uniformed Plan has been fully established and put in place. However, the Committee may want to consider a representative from the Corrections Department to become a member of this committee. With the executive level restructuring that has recently taken place in the County, the Committee may need to take this into consideration as well.

Robert Goff provided updates to the Committee about the administration of the Plan. 1099-R forms have been sent out by both Wilmington Trust and Frederick County Government. Mr. Goff is continuing to create supplemental forms for the DROP account investment option (e.g., enrollment application, Preparing for DROP Enrollment Brochure and Checklist, etc.).

Susan Keller then informed the Committee that she has received all but one cost proposals from our vendors in relation to the establishment of the Frederick County Uniformed Employees Retirement Plan.

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

There being no further business, the meeting adjourned at 3:27 p.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Shanna Gibbons", is written over a light gray rectangular background.

Shanna Gibbons  
Recording Secretary