

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
FREDERICK COUNTY UNIFORMED EMPLOYEES RETIREMENT PLAN

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

MEETING MINUTES

February 8, 2022

A joint meeting of the Retirement Plan Committees for the Frederick County Employees Retirement Plan (the “Employees Plan”) and the Frederick County Uniformed Employees Retirement Plan (the “Uniformed Employees Plan”) (jointly, the “Committees” and the “Plans”) was held on Tuesday, February 8, 2022 at 1:00 p.m. via a virtual Teams meeting. Present were the following members of the Committee:

1. Human Resources Director: Wayne C. Howard
2. Finance Director: Erin White
3. Retiree Representative: Michael Marschner
4. FOP 102 (Law Enforcement) Representative: Jeff Hyatt
5. IAFF Representative: John Neary
6. Member at Large: Diane Fox
7. Member at Large: Michael Mills

Absent from the meeting was FOP 102A (Corrections) Representative: Michael Bird. Present at the meeting at the invitation of the Committee were Patrick Wing with Marquette Associates (“Marquette”); Ann Sturner, Jordan McClane and Jim Ritchie with Bolton; and Mary Claire Chesshire with Whiteford, Taylor, & Preston. Also present were Robert Goff, Susan Keller, and Shanna Gibbons with Frederick County Government; and one Guest. Wayne Howard acted as Chair and Shanna Gibbons was the Recording Secretary.

The Chair opened the meeting. Minutes from the January 11, 2022, meeting were reviewed and approved with two corrections. The first correction is on Page 2, second paragraph, fifth line should read “...and County Council, Erin White will...” not “...and County Council, Ms. Chesshire will...”. The second correction is on Page 2, third paragraph, first line should read “Due to the actual CPI increase...” not “Due to the actual COLA increase...”. Upon a motion duly made by Erin White and seconded by Michael Mills, this motion was unanimously passed.

Patrick Wing from Marquette presented the *Frederick County, Maryland – Employee’s Retirement Plan Trust | Quarterly Performance Report dated December 31, 2021*. As of December 31, 2021, the value of the Plan’s assets was \$971.1 million. The Plan’s investment had a gain of \$45.8 million and a quarterly return was 4.9% (net) versus the policy index of 5.0%. Positive attributions for the quarter were primarily from: US equity overweight and outperformance by most active US equity

managers. Negative attribution for the quarter from: underperformance by Loomis Sayles, Non-US equity structure, American Funds, and fixed income structure.

Patrick Wing from Marquette presented the *Frederick County, Maryland – Employee's Retirement Plan Trust | Asset Value Update dated February 4, 2021*. As of February 4, 2022, the value of the Plan's assets was \$916,243,599. The following rebalancing recommendation was made: moving \$1 million from the US Fixed Income (Vanguard Short-Term Bond Index Fund Inst) and move it to Cash & Equivalents (Wilm. US Gov't Money Market Fund).

MOTION: The Committee agreed to the rebalance recommended by Marquette. Upon a motion duly made by Erin White and seconded by Michael Marschner, this motion was unanimously passed. Wayne Howard was absent for this vote.

The floor was then given to Ann Sturner, Jim Ritchie, and Jordan McClane with Bolton to review the *Frederick County Employees' Retirement Plan | July 1, 2021 Actuarial Valuation Highlights dated February 8, 2022*. Included in the review were Key Valuation Results, Comparison to Other Plans, Discount Rate Reduction for Consideration, and briefly touch on some "Hot Topics" that may be of interest for discussion at a later date.

The following factors affected the County's contribution as a percentage of payroll:

- Investment returns during FY2021 showed a 27.6% return on market value of assets versus expected return of 7.0%. FY2021 shows an investment gain of \$149.7 million. Actuarial value of assets returned approximately 12% versus an expected 7.0%; and Market Value of Assets are approximately \$115 million larger than Actuarial Value of Assets due to deferred gains and losses.
- This report does not reflect any investment gain or losses during FY2021. Under the current method, any investment losses or gains in FY2021 will be phased in and reflected in next year's valuation.
- There was minimal liability loss for the Non-Uniformed Plan (<\$1 million, or <0.2% of liabilities); but a larger liability loss for the Uniformed Plan (about \$14 million, or 4% of liabilities). The loss for the Uniformed Plan is primarily due to salary increases for continuing employees which were larger than expected (11.1% increase vs. 5.5% expected), and employees retiring earlier than expected.

The following tables summarize the counts, ages and benefit information for the plan participants used in this valuation:

Non-Uniformed Plan:

	July 1, 2020		July 1, 2021	
1. Actives				
a. Number		1,371		1,355
b. Average Age		46.3		46.6
c. Average Service		10.7		10.9
d. Average Salary	\$	61,349	\$	64,925
2. Service Retirements and Beneficiaries				
a. Number		803		851
b. Average Age		68.4		68.8
c. Total Annual Benefits	\$	16,906,971	\$	18,552,014
3. Disability Retirements and Beneficiaries of Disabled				
a. Number		27		32
b. Average Age		66.5		65.1
c. Total Annual Benefits	\$	526,136	\$	641,375
4. Vested Terminations				
a. Number		190		181
b. Average Age		50.0		50.3
c. Total Annual Benefits	\$	2,011,189	\$	1,900,963

Uniformed Plan:

	July 1, 2020		July 1, 2021	
1. Actives				
a. Number		795		776
b. Average Age		36.7		36.9
c. Average Service		9.9		10.1
d. Average Salary	\$	70,045	\$	76,984
2. Service Retirements and Beneficiaries				
a. Number		229		259
b. Average Age		57.6		57.8
c. Total Annual Benefits	\$	8,327,988	\$	9,986,469
3. Disability Retirements and Beneficiaries of Disabled				
a. Number		15		20
b. Average Age		57.5		56.7
c. Total Annual Benefits	\$	467,776	\$	618,777
4. Vested Terminations				
a. Number		21		22
b. Average Age		41.7		40.4
c. Total Annual Benefits	\$	275,684	\$	274,687

The Non-Uniformed contribution percentage increased (from 11.4% for FY2021 to 11.6%¹ for FY2022). The Uniformed contribution percentage increased (from 18.0% for FY2021 to 20.0% for FY2022), as well.

Bolton then shared the *Frederick County Employees Retirement Plan and Uniformed Employees Retirement Plan – Preliminary FY2023 Contributions with Discount Rate Changes dated February 4, 2022*. The County's Funding Policy for the two plans is to contribute the greater of the Actuarial Determined Contribution (ADC) as a percentage of payroll and a rate equal to two times the

¹ The percentage denoted is equal to two times the employee contributions as a percentage of payroll which is larger than the Actuarially Determined Contribution (ADC) percentage. The ADC as a percentage of payroll for the Non-Uniformed Plan decreased from 11.4% for FY2021 to 10.5% for FY2022, and for the Uniformed Plan increases from 18.0% for FY2021 to 20.0% for FY2022.

employee contributions as a percentage of payroll, with additional contributions if the funded ratio drops below 95.0%. They provided how discount rates of 6.50%, 6.75%, and 7.0% (including the ad hoc COLA) would affect the County Contributions. After much discussion, the Committee was hesitant to make a decision based on the information provided and because this is not a decision that had to be made at this time, the Committee agreed to table this discussion and stay at the 7.0% discount rate (including 2% Ad Hoc COLA for retirees). Therefore, County contributions for FY2023 for the Non-Uniformed Plan will be 11.6%² and for the Uniformed Plan will be 17.9%.

Erin White informed the Committee that the proposed Ad Hoc COLA adjustment will be presented at the County Council Workshop on March 8, 2022. It is anticipated that it will be enacted by April 19, 2022, allowing it to become effective July 1, 2022.

Review of the drafted Frederick County Uniformed Employees Retirement Plan Procedures have been postponed to the March meeting.

Ann Sturner with Bolton, then went on to review *Frederick County Employees' Retirement Plan | Discussion of Six-Year Projection Scenarios dated February 8, 2022*. Per usual, Bolton has provided three (3) scenarios:

1. Scenario 1 – future returns equal the discount rate.
2. Scenario 2 – future returns equal the return projection for the 25th percentile: 3.0% for this year compared to 3.2% last year.
3. Scenario 3 – economic fallout and recovery; many different iterations are possible. Propose:
 - a. FY2022 return of 0.0% (which is Marquette's estimate through January,
 - b. Return of -16.4% for FY2023 (reflects Marquette's estimate for a 1-year return that sees equity markets decline by 20%), and
 - c. Returns equal to the discount rate (6.5%) for the remainder of the projection.

There was no comment or further discussion on this information by the Committee.

The Chair provided the opportunity for public comment. There was none.

The next Committee meeting will be a virtual meeting held on Tuesday, March 8, 2022, at 1:00pm via Microsoft Teams.

² The percentage denoted is equal to two times the employee contributions as a percentage of payroll which is larger than the ADC percentage of 7.0%.

There being no further business, a motion was made to end the meeting by Michael Mills and seconded by Michael Marschner, this motion was unanimously passed and the meeting adjourned at 3:58 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