

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN  
FREDERICK COUNTY UNIFORMED EMPLOYEES RETIREMENT PLAN

**JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

**MEETING MINUTES**

February 14, 2023

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 14, 2023, at 1:00 p.m. in the Winchester Room at Winchester Hall. Present in person were the following members of the Joint Retirement Committees:

1. Human Resources Acting Director: Shannon D. Powell
2. Finance Director: Erin White
3. FOP 102A (Corrections) Representative: Michael Bird
4. Member at Large: Michael Mills
5. Member at Large: Daniel Lewis
6. Retiree Representative: Michael Gastley
7. Retiree Representative: Douglas Browning

One Committee Member was present via Microsoft Teams:

1. IAFF Representative: John Neary

One Committee Member was absent from the meeting:

1. FOP 102 (Law Enforcement) Representative: Jeff Hyatt

Also present at the invitation of the Committee were: Patrick Wing with Marquette Associates ("Marquette"), Mary Claire Chesshire with Whiteford, Taylor & Preston, and Jim Ritchie and Jordan McClane with Bolton, in person. Additionally, Robert Goff, Susan Keller, and Shanna Gibbons with Frederick County Government, in person; and Lori Depies with Frederick County Government, and three guests via Microsoft Teams. Shannon Powell was Chair and Shanna Gibbons was the Recording Secretary.

The Chair opened the meeting. Meeting Minutes from the January 10, 2023, meeting was reviewed and approved as is. Upon a motion duly made by Michael Mills and seconded by Michael Gastley, there being no opposition this motion was unanimously passed.

Patrick Wing with Marquette presented the *Frederick County, Maryland - Employee's Retirement Plan Trust | Quarterly Performance Report dated December 31, 2022*. As of December 31, 2022, the value of the Plan's assets was \$816.8 million. The Plan's investment had a change of \$51.1 million and a quarterly return was 6.6% (net) versus the policy index of 6.6%. Positive attributions for the quarter were primarily from: outperformance by most active equity managers. Negative attribution for the quarter from: asset allocation, fixed income structure, and underperformance by Segall, Bryant & Hamill within Fixed Income.

Mr. Wing presented the first *Frederick County, Maryland - Defined Benefit DROP Plan | Quarterly Performance Report dated December 31, 2022*. As of December 31, 2022, the value of the Plan's assets was \$632K. Target Date Funds as of December 31, 2022: 29.3% of Plan assets. Active Equity Manager performance: most active equity managers outperformed their respective benchmarks. Active Fixed Income Manager performance: Dodge & Cox beat its benchmark. Target Date Funds: performance was mixed as funds closer to the Target Retirement Date outperformed, while the funds further away from the target retirement date largely underperformed; and longer-term results are strong across the series.

Originally, when the DROP was set up the Committees decided to mimic the Deferred Compensation Plan funds as closely as possible. Mr. Wing then brought to the Committee's attention that the Deferred Compensation Plan Committee will be reviewing the investment manager lineup across asset classes this year and looked for direction in regard to the DROP funds. The Committee was offered the option to continue to mirror what the Deferred Compensation Plan Committee selects or to review these funds as well. The Committee has agreed to review the funds themselves.

Mr. Wing then took this time to clarify an error made in respect to the *Frederick County - Pension | Asset Value Update dated January 6, 2023*, with the Committee. In the January 2023 committee meeting, the rebalance recommendation was made to liquidate \$10 million from the US Equity (Columbia Dividend Value) and move it to Non-US Equity (\$4 million to Harding Loevner Int'l Equity Portfolio Inst Z and \$6 million to American Funds EuroPacific Growth Fund). Mistakenly, the numbers were transposed in the letter

of transfer and \$6 million to Harding Loevner Int'l Equity Portfolio Inst Z and \$4 million to American Funds EuroPacific Growth Fund.

**MOTION:** In response to the error of allocating the \$10 million distribution as between Harding Loevner and American Funds, the Committee has agreed to leave the investments in place pending the March meeting whereby additional changes may be made to this asset class. Upon a motion duly made by Michael Mills and seconded by Erin White, this motion was unanimously passed. Daniel Lewis was not present for this vote.

Mr. Wing reviewed the *Frederick County – Pension | Asset Value Update dated February 10, 2023*, with the Committee. As of February 10, 2023, the value of the Plan's assets was \$858,379,664. The following rebalance recommendation was made: liquidating \$10 million from the US Equity (Vanguard Institutional Index Fund Inst Plus) and move it to U.S. Fixed Income (Segall, Bryant & Hamill (Agg)).

**MOTION:** The Committee agreed to the rebalance recommended by Marquette. Upon a motion duly made by Michael Mills and seconded by Michael Gastley, this motion was unanimously passed. Daniel Lewis was not present for this vote.

Jim Ritchie and Jordan McClane with Bolton reviewed the *Frederick County Retirement Plans | July 1, 2022 Actuarial Valuations Highlights dated February 14, 2023*, with the Committee. Included in the review were Valuation Purpose and Overview, Contribution Summary, Non-Uniformed Plan Results, Uniformed Plan Results, Comparisons to Other Plans, and Hot Topics & Next Steps.

#### Valuation Purpose and Overview:

- Determines the County's funding policy contributions for the plans, recommended contributions for FY2024, and current funded status of the plans.
- Assets – Market value rate of return was approx. (-14%) and Actuarial rate of return was approx. 7%.
- Liabilities – increased due to adoption of CPI-based COLA (1% floor / 3% cap), both plans experienced net liability losses, and liability loss primarily due to salary increases greater than anticipated.

## Contribution Summary:

- *Non-Uniformed Plan* – Funding Policy Contribution FY2022: 11.6%; FY2023: 11.6%; and FY2024: 15.0%.
- *Uniformed Plan* – Funding Policy Contribution FY2022: 20.0%; FY2023: 17.9%; and FY2024: 31.5%.

## Non-Uniformed Plan Results:

- *Funded Status* as of 7/1/2021 the liability was \$430,616,309 and the funded ratio was 109.3% on an AAV basis and as of 7/1/2022 the liability was \$525,082,601 and the funded ratio was 94.9% on an AAV basis. The liability increased by 21.9%.
- *MVA Reconciliation*: Total Additions as of FY2021 was \$131,825,581 and in FY2022 it was (-\$57,886,145). Total Deductions as of FY2021 was \$20,167,791 and in FY2022 it was \$22,162,987.
- *AVA Development*: The actuarial asset value as of July 1, 2022, is determined by spreading the asset gain or loss for each year over a five-year period. The asset gain or loss is the amount by which the actual asset return differs from the expected asset return. Total Deferred as of 7/1/2022 was \$41,043,046.
- *Plan Demographics*:

|                                | July 1, 2021  | July 1, 2022  |
|--------------------------------|---------------|---------------|
| 1. Actives                     |               |               |
| a. Number                      | 1,355         | 1,413         |
| b. Average Age                 | 46.57         | 46.26         |
| c. Average Service             | 10.88         | 10.61         |
| d. Average Salary              | \$ 64,925     | \$ 69,757     |
| 2. Service Retirements         |               |               |
| a. Number                      | 787           | 836           |
| b. Average Age                 | 69.03         | 69.44         |
| c. Total Annual Benefits       | \$ 17,602,236 | \$ 19,526,903 |
| 3. Disability Retirements      |               |               |
| a. Number                      | 29            | 26            |
| b. Average Age                 | 65.14         | 65.69         |
| c. Total Annual Benefits       | \$ 591,306    | \$ 534,352    |
| 4. Beneficiaries               |               |               |
| a. Number                      | 67            | 75            |
| b. Average Age                 | 65.82         | 66.28         |
| c. Total Annual Benefits       | \$ 999,846    | \$ 1,178,733  |
| 5. Vested Terminations         |               |               |
| a. Number                      | 181           | 174           |
| b. Average Age                 | 50.28         | 50.39         |
| c. Total Annual Benefits       | \$ 1,900,963  | \$ 1,875,423  |
| 6. Former Members Owed Refunds |               |               |
| a. Number                      | 323           | 364           |
| b. Total Refunds Owed          | \$ 854,148    | \$ 1,115,956  |

## Uniformed Plan Results:

- *Funded Status* as of 7/1/2021 the liability was \$347,713,165 and the funded ratio was 98.1% on an AAV basis and as of 7/1/2022 the liability was \$440,867,158 and the funded ratio was 84.2% on an AAV basis. The liability increased by 26.8%.
- *MVA Reconciliation*: Total Additions as of FY2021 was \$100,486,801 and in FY2022 it was (-\$36,101,149). Total Deductions as of FY2021 was \$11,346,984 and in FY2022 it was \$12,526,313.
- *AVA Development*: The actuarial asset value as of July 1, 2022, is determined by spreading the asset gain or loss for each year over a five-year period. The asset gain or loss is the amount by which the actual asset return differs from the expected asset return. Total Deferred as of 7/1/2022 was \$29,985,376.
- *Plan Demographics*:

|                                       | July 1, 2021 | July 1, 2022  |
|---------------------------------------|--------------|---------------|
| <b>1. Actives</b>                     |              |               |
| a. Number                             | 776          | 809           |
| b. Average Age                        | 36.90        | 36.33         |
| c. Average Service                    | 10.15        | 9.71          |
| d. Average Salary                     | \$ 76,984    | \$ 78,959     |
| <b>2. Members in DROP</b>             |              |               |
| a. Number                             | 4            | 14            |
| b. Average Age                        | 54.55        | 51.36         |
| c. Total Annual Benefits              | 188,407      | 706,897       |
| <b>3. Service Retirements</b>         |              |               |
| a. Number                             | 245          | 262           |
| b. Average Age                        | 57.78        | 58.54         |
| c. Total Annual Benefits              | \$ 9,672,558 | \$ 10,629,550 |
| <b>4. Disability Retirements</b>      |              |               |
| a. Number                             | 16           | 20            |
| b. Average Age                        | 55.13        | 56.00         |
| c. Total Annual Benefits              | \$ 521,926   | \$ 685,746    |
| <b>5. Beneficiaries</b>               |              |               |
| a. Number                             | 18           | 23            |
| b. Average Age                        | 58.56        | 56.13         |
| c. Total Annual Benefits              | \$ 410,762   | \$ 625,094    |
| <b>6. Vested Terminations</b>         |              |               |
| a. Number                             | 22           | 25            |
| b. Average Age                        | 40.36        | 39.52         |
| c. Total Annual Benefits              | \$ 274,687   | \$ 318,886    |
| <b>7. Former Members Owed Refunds</b> |              |               |
| a. Number                             | 63           | 77            |
| b. Total Refunds Owed                 | \$ 310,440   | \$ 348,346    |

The Non-Uniformed contribution percentage increased from 11.6% for FY2023 to 15.0% for FY2024. The Uniformed contribution percentage increased from 17.9% for FY2023 to 31.5% for FY2024.

Currently, the definition of actuarial equivalence determines how Bolton calculates the purchase of previous public service using the public sector, general employee mortality

table with 7% and a 1% COLA. The Committee recently updated the COLA determination to vary between a 1% floor and 3% cap based on CPI and should consider updating the definition of actuarial equivalence for the plan.

Bolton recommends we amend the plan and change the definition of actuarial equivalence from the current one to one that uses 7.0% and a 2.3% COLA. In addition, recommends updating the definition from the use of the 2018 projection scale (projected out to 2035) to the use of the latest projection scale, MP21.

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

The next Committee meeting for the Frederick County Employees Retirement Plan and Frederick County Uniformed Employees Retirement Plan Committee will be held in-person at Winchester Hall (12 E Church St, Frederick, MD 21701) with a virtual call-in option on Tuesday, March 14, 2023, at 1:00pm.

There being no further business, a motion was made to end the meeting by Michael Mills and seconded by Michael Gastley, there being no opposition this motion was unanimously passed, and the meeting adjourned at 2:33pm.

Respectfully submitted,

Shanna Gibbons  
Recording Secretary