

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
FREDERICK COUNTY UNIFORMED EMPLOYEES RETIREMENT PLAN

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

MEETING MINUTES

June 13, 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, June 13, 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:

- Finance Director: Erin White
- Retiree Representative: Douglas Browning
- Retiree Representative: Michael Gastley
- Member at Large: Michael Mills
- IAFF Representative: John Neary

Committee Member(s) attending virtually via Microsoft Teams:

- Member at Large: Daniel Lewis

Committee Member(s) absent from the meeting:

- Human Resources Acting Director: Shannon D. Powell
- FOP 102 (Law Enforcement) Representative: Jeff Hyatt
- FOP 102A (Corrections) Representative: Michael Bird

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

The Chair opened the meeting. The Meeting Minutes from the May 9, 2023, meeting was reviewed and approved as is. Upon a motion duly made by Michael Gastley and

seconded by Michael Mills, there being no opposition this motion was unanimously passed. Michael Bird and John Neary were absent for this motion.

Patrick Wing with Marquette presented the *Frederick County - Pension | DROP Follow-Up dated June 13, 2023*. Following up on some questions after the review of the Q1 Performance Report last month the following information was provided: (1) In regard to the current crediting rate for the stable value fund in the DROP plan--the default option within the DROP plan is the Empower Investment Fixed Account Series II. The current crediting rate on this fixed account is 1.45%. (2) Concerning the take on participants returns, Empower stated the rate of returns for participants vary widely—returns depend on when participants started in the DROP and which investment option(s) they have picked.

Mr. Wing then presented the *Frederick County - Pension | Loomis Sayles Investment Guidelines dated June 13, 2023*. Loomis Sayles manages an active US Large-Cap Growth separate account for the Pension. On Tuesday, February 21st, Loomis sent an email recommending a change in the investment guidelines proposing increasing the maximum permissible sector weights from 2x the index weight (the greater of the S&P 500 or Russell 1000 Growth weighting) to 3x the index weight; Loomis believes the proposed change maximizes their ability to implement their best investment thinking and optimally manage risk. It is at the Committee's discretion whether to accept the recommended change--if the Committee elects not to adopt the change, the account will continue to be managed under the existing guidelines. After thorough discussion, the Committee has requested to bring Loomis in to discuss this change further.

Mr. Wing went on to discuss the *Frederick County - Pension | Fixed Income Review dated June 13, 2023*. Commonly fixed income is viewed as “insurance” in the portfolio for periods of economic stress. Equities and similar risky assets tend to underperform during these periods, while rates tend to fall. Gains within fixed income can then be used for liquidity needs and/or rebalancing to buy equities when they become cheap. Historically, high-quality bonds provide the best diversification against equity risk.

The current fixed allocation is comprised of three investment managers: one active core bond manager (SBH); one active core plus manager (PIMCO); and one passive short-term core manager (Vanguard). The current structure has less interest-rate exposure than the broad benchmark. This was helpful in 2022, but interest rates have risen dramatically, leaving the outlook for fixed income much improved.

Marquette recommends the committee consider investment manager replacement search for PIMCO Total Return, moving from a core plus approach to core; add Treasury Inflation-Protected Securities (TIPS) exposure for additional inflation protection; complement TIPS exposure with passive 1-5-year investment-grade exposure; and implementation to include 75% of fixed income to core mandates, 25% of fixed income to passive TIPS and 1-5-year investment grade barbell, and additional inflation protection and approximately duration neutral. The Committee agreed to move forward with the recommendations.

Mr. Wing went on to review the *Frederick County - Pension | Asset Value Update dated June 9, 2023*, with the Committee. As of June 9, 2023, the value of the Plan's assets was \$875,250,230. The following rebalance recommendation was made: sell \$9 million from US Equity (Vanguard Institutional Index Fund Inst Plus) and buy \$9 million US Fixed Income (Segall, Bryant & Hamill (Agg)). This recommendation was proposed due to the consideration of changes to the other fixed income funds and that Segall, Bryant & Hamill (Agg) is the highest quality manager so in a downturn, they would be the best performer in the Fixed Income asset group.

MOTION: The Committee agreed to the rebalance recommended by Marquette. Upon a motion duly made by Michael Mills and seconded by Douglas Browning, this motion was unanimously passed.

The next meeting will discuss investment manager replacement search for PIMCO Total Return, moving from a core plus approach to a core approach and potential passive allocations for TIPS and 1-5-year investment grade.

The Chair then informed the Committee that at the July meeting we would discuss changes that need to be brought before the County Council before the end of the year. These changes effect the Firefighters DROP Plan and were negotiated during their most recent labor negotiations. In addition, the County Executive has asked the Committee to consider reverting the vesting period of the non-uniformed plan back to a 5-year vesting period. A cost analysis had already been conducted on this change and will be distributed to the Committee to discuss at the next meeting.

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

The next Committee meeting will be in-person at Winchester Hall (12 E Church St, Frederick, MD 21701) with a virtual call-in option on Tuesday, July 11, 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 2:36pm.

Respectfully submitted,

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

Shanna Gibbons

Recording Secretary