

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN  
FREDERICK COUNTY UNIFORMED EMPLOYEES RETIREMENT PLAN

**JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

**MEETING MINUTES**

October 10, 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, October 10, 2023, at 1:00 p.m. virtually via Microsoft Teams. Present virtually were the following members of the Joint Retirement Committees:

- Emily C. Fiftal, Human Resources Division Director
- Douglas Browning, Retiree Representative
- Michael Bird, FOP 102A (Corrections) Representative
- John Neary, IAFF Representative
- Daniel Lewis, Member at Large
- Michael Mills, Member at Large

Committee Member(s) absent from the meeting:

- Erin White, Finance Division Director
- Michael Gastley, Retiree Representative
- Jeff Hyatt, FOP 102 (Law Enforcement) Representative

Also present at the invitation of the Committee were: Mary Claire Chesshire with Whiteford, Taylor & Preston, Patrick Wing with Marquette Associates (“Marquette”), Jim Ritchie with Bolton, virtually via Microsoft Teams. Additionally, John Peterson, Robert Goff, Susan Keller, and Shanna Gibbons with Frederick County Government, and two guests virtually via Microsoft Teams. Emily C. Fiftal was Chairperson and Shanna Gibbons was the Recording Secretary of this meeting.

The Chair opened the meeting at 1:03pm. The Meeting Minutes from the September 12, 2023, meeting was reviewed and approved with one correction. The chairperson of the meeting: Shannon D. Powell, Human Resources Acting Director. The revised minutes will reflect the correct title for Ms. Powell as Human Resources Deputy Director. Upon a

motion duly made by Douglas Browning and seconded by John Neary, there being no opposition this motion was unanimously passed with this correction.

The floor was then given to Patrick Wing with Marquette where he provided a review of the Committee's current Fixed Income allocations and introduced Treasury Inflation-Protected Securities (TIPS) in his presentation, *Frederick County | Pension | Fixed Income Review | October 10, 2023*. The Committee's current fixed income allocations are comprised of three investment managers: two active core bond managers (SBH & Baird), and one passive short-term core manager (Vanguard). As previously discussed in the June 2023 meeting, the strategic allocation to fixed income will come down once Global Infrastructure is funded and with the implementation of the new COLA formula, it is recommended to add additional inflation protection by adding Treasury Inflation-Protected Securities (TIPS). TIPS within fixed income would provide further insurance and hedging of the liability if inflation is structurally higher in the coming years.

The U.S. Treasury introduced TIPS in 1997. Like regular treasury bonds, TIPS carry the full faith and credit guarantee of the U.S. Government, and is a large (volume, size, and participants) and liquid market. They pay a coupon that remains constant and pays semiannually. The principal is adjusted upward or downward each month based on changes in the Consumer Price Index (CPI-U). The coupon (%) is applied to the inflation-adjusted principal. At maturity, the inflation-adjusted principal is paid to the investor.

Marquette recommends the Committee add TIPS exposure for additional inflation protection by replacing Vanguard Short-Term Bond Index with passive short-term TIPS exposure and passive short-term corporate exposure, adding incremental assets to Baird.

Manager	Current	Proposal
Segall Bryant & Hamill	12.8%	12.8%
Baird	10.5%	12.8%
Vanguard Short-Term Bond Index	10.4%	-
Passive Short-Term Corporate	-	4.0%
Passive Short-Term TIPS	-	4.0%

Things to consider before making a final decision to incorporate TIPS to the portfolio: currently, the portfolio has a higher credit quality than it would with the incorporation of TIPS; however, the integration of TIPS may provide stronger long-term returns, higher correlation with inflation, and a smaller duration tilt. Adversely, TIPS would provide a lower credit quality and the addition of two new investment funds. Current investments have a larger duration tilt, lower historical returns, and are less correlated with inflation.

Mr. Wing then reviewed the *Frederick County – Pension | Asset Value Update dated October 6, 2023*, with the Committee. As of October 6, 2023, the value of the Plan's assets was \$867,956,524. Due to the proposed incorporation of TIPS, the following rebalance recommendation was made: a full liquidation from Vanguard ST Bond Index Fund Inst (\$89,587,133) and reallocated to Vanguard ST Corporate Bond Index Fund Inst (\$35,000,000), Vanguard ST Inf.-Protected Sec. Index Fund Inst (\$35,000,000), and Baird Aggregate Bond Fund (\$19,587,133).

**MOTION:** After thorough discussion, the Committee agreed to the rebalance recommended by Marquette. Upon a motion duly made by Michael Mills and seconded by Doug Browning, this motion was unanimously passed.

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, November 14, 2023, at 1:00pm.

There being no further business, a motion was made to end the meeting by Michael Mills and seconded by John Neary, there being no opposition this motion was unanimously passed, and the meeting adjourned at 2:08pm.

Respectfully submitted,



Shanna Gibbons  
Recording Secretary