

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
FREDERICK COUNTY UNIFORMED EMPLOYEES RETIREMENT PLAN

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

MEETING MINUTES

January 9, 2024

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, January 9, 2024, at 1:00 p.m. in the Winchester Room at Winchester Hall. Present in person were the following members of the Joint Retirement Committees:

- Emily C. Fiftal, Human Resources Division Director
- Erin White, Finance Division Director
- Michael Mills, Member at Large

Committee Member(s) attending virtually via Microsoft Teams:

- John Neary, IAFF Representative
- Daniel Lewis, Member at Large

Committee Member(s) absent from the meeting:

- Douglas Browning, Retiree Representative
- Michael Gastley, Retiree Representative
- Jeff Hyatt, FOP 102 (Law Enforcement) Representative
- Michael Bird, FOP 102A (Corrections) Representative

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

The Chair opened the meeting at 1:01pm. The Meeting Minutes from the December 12, 2023, meeting was reviewed and approved as presented. Upon a motion duly made by Michael Mills and seconded by Erin White, there being no opposition, this motion was unanimously passed.

The floor was then given to Patrick Wing with Marquette to introduce his guests David Brooks, Apurva Schwartz, and Nickolas Gazzola representing Harding Loevner, and attending virtually

via Microsoft Teams. Harding Loevner presented *International Equity Review | Fourth Quarter 2023 | Frederick County Employees Retirement Plan | January 9, 2024*, which provided a review of their strategies and performance. Erin White asked for clarification on the ticker symbol. In the presentation, it shows the ticker symbol for the Institutional International Equity Fund as HLMIX, but on the Asset Value Update it shows the fund listed as Int'l Equity Portfolio Inst Z and ticker as HLIZX as the ticker. Mr. Wing explained that the two funds share the exact strategy and thus are reported as one (HLMIX) in the presentation. The difference between the two is HLMIX is more expensive due to it being an institutional share class. The Pension was invested in the institutional share class before Mr. Wing recommended a share class exchange several years ago in order to lower fees. Mr. Brooks confirmed that the biggest effect is from a fee perspective, and HLIZX still has the lowest net expense ratio.¹ There were no other questions/concerns from the Committee for the presenters.

Mr. Wing then reviewed the *Frederick County – Pension | 2024 Update dated January 9, 2024*, with the Committee. In 2024, Marquette anticipates the following goals to be reached with the Committee: DROP investment lineup review; Brookfield funding—documents should be approved by County's Legal Counsel and accepted by Brookfield by the end of this quarter, then hopefully, the commitment will be called soon thereafter; and finally having some of the US Equity investment manager meet with the Committee to provide updates on their management of the Plan's funds.

Mr. Wing then reviewed the *Frederick County – Pension | Asset Value Update dated January 9, 2024*, with the Committee. As of January 5, 2024, the value of the Plan's assets was \$940,406,342. There were no rebalancing recommendations at this time.

Jim Ritchie and Jordan McClane with Bolton reviewed the *Frederick County Retirement Plans | July 1, 2023 Actuarial Valuations Highlights dated January 9, 2024*, 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:

- Funding Valuation – Determines the County's funding policy contributions for the plans, provides County's FY2025 recommended contributions, and provides the current funded status of the plans.
- Assets – Market value rate of return was approx. 12% and the actuarial rate of return was approx. 6%.
- Liabilities – Both plans experience net liability losses, and the liability losses were primarily due to salary increases greater than anticipated.

¹ When Marquette began working with the County 3 years ago, they had reviewed our investments and recommended the Committee make a few transitions or share class exchanges, one of them being HLMIX to HLIZX.

- Employee Plan pay for returning employees increased 10.5% (expected 5.1%)
- Uniformed Plan pay for returning employees increased 11.6% (expected 6.6%)

Contribution Summary:

- *Non-Uniformed Plan* – Funding Policy Contribution FY2023: 11.6%; FY2024: 15.0%; and FY2025: 15.1%.
- *Uniformed Plan* – Funding Policy Contribution FY2023: 17.9%; FY2024: 31.5%; and FY2025: 31.7%.

Non-Uniformed Plan Results:

- *Funded Status* as of 7/1/2022 the liability was \$525,082,601 and the funded ratio was 94.9% on an AAV basis and as of 7/1/2023 the liability was \$566,325,028 and the funded ratio was 92.3% on an AAV basis. The liability increased by 7.9%.
- *MVA Reconciliation*: Total Additions as of FY2022 were (-\$57,886,145) and in FY2023 were \$74,083,502. Total Deductions as of FY2022 were \$22,162,987 and in FY2023 were \$24,069,586.
- *AVA Development*: The actuarial asset value as of July 1, 2023, 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 7/1/2023 was \$15,906,063.
- *Plan Demographics*:

	July 1, 2022	July 1, 2023
1. Actives		
a. Number	1,413	1,499
b. Average Age	46.26	45.84
c. Average Service	10.61	9.87
d. Average Salary \$	69,757	\$ 74,600
2. Service Retirements		
a. Number	836	877
b. Average Age	69.44	69.84
c. Total Annual Benefits \$	19,526,903	\$ 21,368,133
3. Disability Retirements		
a. Number	26	24
b. Average Age	65.69	67.33
c. Total Annual Benefits \$	534,352	\$ 503,540
4. Beneficiaries		
a. Number	75	85
b. Average Age	66.28	67.00
c. Total Annual Benefits \$	1,178,733	\$ 1,406,766
5. Vested Terminations		
a. Number	174	164
b. Average Age	50.39	51.10
c. Total Annual Benefits \$	1,875,423	\$ 1,762,990
6. Former Members Owed Refunds		
a. Number	364	394
b. Total Refunds Owed \$	1,115,956	\$ 1,421,053

Uniformed Plan Results:

- *Funded Status* as of as of 7/1/2022 the liability was \$440,867,158 and the funded ratio was 84.2% on an AAV basis and 7/1/2023 the liability was \$485,771,840 and the funded ratio was 82.0% on an AAV basis. The liability increased by 10.2%.
- *MVA Reconciliation*: Total Additions as of FY2022 were (-\$36,101,149) and in FY2023 were \$60,218,545. Total Deductions as of FY2022 were \$12,526,313 and in FY2023 were \$13,953,342.
- *AVA Development*: The actuarial asset value as of July 1, 2023, 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 7/1/2023 was \$10,857,429.
- *Plan Demographics*:

	July 1, 2022	July 1, 2023
1. Actives		
a. Number	809	863
b. Average Age	36.33	35.73
c. Average Service	9.71	9.27
d. Average Salary	\$ 78,959	\$ 83,057
2. Members in DROP		
a. Number	14	11
b. Average Age	51.36	50.71
c. Total Annual Benefits	706,897	575,716
3. Service Retirements		
a. Number	262	287
b. Average Age	58.54	58.68
c. Total Annual Benefits	\$ 10,629,550	\$ 12,293,689
4. Disability Retirements		
a. Number	20	20
b. Average Age	56.00	57.00
c. Total Annual Benefits	\$ 685,746	\$ 706,318
5. Beneficiaries		
a. Number	23	23
b. Average Age	56.13	59.83
c. Total Annual Benefits	\$ 625,094	\$ 685,260
6. Vested Terminations		
a. Number	25	31
b. Average Age	39.52	39.9
c. Total Annual Benefits	\$ 318,886	\$ 465,994
7. Former Members Owed Refunds		
a. Number	77	79
b. Total Refunds Owed	\$ 348,346	\$ 395,338

The Non-Uniformed contribution percentage increased from 15.0% for FY2024 to 15.1% in FY2025. The Uniformed contribution percentage increased from 31.5% for FY2024 to 31.7% in FY2025.

Erin White informed the Committee that the two pieces of legislation presented to the County Council were approved. The bills were to revise the DROP in accordance with the Firefighters MOU approved in March 2023 and to revert the non-uniformed employees vesting period to 5 years.

The Chair provided an 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, February 13, 2024, at 1:00pm.

There being no further business, a motion was made to end the meeting by Erin White and seconded by Michael Mills, there being no opposition, this motion was unanimously passed, and the meeting adjourned at 2:07pm.

Respectfully submitted,



Shanna Gibbons
Recording Secretary