

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
FREDERICK COUNTY UNIFORMED EMPLOYEES RETIREMENT PLAN

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

MEETING MINUTES

September 10, 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, September 10, 2024, at 1:00 p.m. in the 1st Floor Meeting Room at Winchester Hall. Present in-person were the following members of the Joint Retirement Committees:

- Emily C. Fiftal, Human Resources Division Director
- John Neary, IAFF Representative
- Daniel Lewis, Member at Large
- Michael Mills, Member at Large

Present via Microsoft Teams were the following members of the Joint Retirement Committees:

- Erin White, Finance Division Director

Committee Member(s) absent from the meeting:

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

Also present and in-person at the invitation of the Committee were: Patrick Wing with Marquette Associates (“Marquette”); and Robert Goff, Susan Keller, Shanna Gibbons, and Angela Baldwin with Frederick County Government. Additionally, John Westerhaus with Kutak Rock; Jim Ritchie and Jordan McClaine with Bolton; and John Peterson with Frederick County Government, virtually attended via Microsoft Teams. Emily Fiftal was Chairperson and Shanna Gibbons was the Recording Secretary of this meeting.

The Chair opened the meeting at 1:02 PM. The minutes from the August 13, 2024, meeting were reviewed and approved with two corrections: removing the apostrophe from the word “Plans” on page 2, second paragraph, second sentence; and correcting the sentence structure of the last sentence of the first paragraph on page 4. Upon a motion duly made by Michael Mills and seconded by John Neary, and with no opposition, the motion was unanimously approved.

Patrick Wing from Marquette was then given the floor to review the *Frederick County – Pension | Discussion Materials – U.S. Equity dated September 10, 2024*, with the Committee.

This topic was briefly discussed at the end of a prior meeting, particularly regarding Loomis' request for guideline changes. This is an opportune time to take a more thorough look at the U.S. equity lineup, starting with the U.S. Equity structure.

At a high level, the returns of the pension are primarily driven by three factors:

- Asset Allocation: Return generated by the asset classes utilized and their respective allocations.
- Manager Selection: Return generated by the individual managers relative to their benchmarks.
- Asset Class Structure: Return generated by the investment managers' benchmarks relative to the broad asset class.

The U.S. Equity Structure, which comprises approximately 55% of the Pension Fund, will be reviewed with the Committee. It was noted that this discussion is not about asset allocation or how managers perform relative to their benchmarks. Instead, it focuses on whether the benchmarks for the underlying managers differ from the policy benchmark for the asset class itself. Marquette will lead the Committee in exploring how the underlying allocations, from a benchmark perspective within the policy, compared to the broad U.S. Equity market.

Prior to Infrastructure Funding, the U.S. Equity targets were:

- 35% S&P 500 Index (Large Caps)
- 10% Russell Mid Cap Index (Mid Caps)
- 10% Russell 2000 Index (Small Caps)

Post Infrastructure Funding, the U.S. Equity targets are now:

- 35% S&P 500 Index (Large Caps)
- 9% Russell Mid Cap Index (Mid Caps)
- 8% Russell 2000 Index (Small Caps)

The 3% reduction in U.S. Equity allocation was sourced from Mid-Caps and Small Caps. This adjustment was made because the previous targets had a higher allocation to Small Caps and Mid-Caps relative to the broad market. The change aimed to bring the relative weighting of Large Caps, Mid-Caps, and Small Caps closer to the broad market.

Marquette's Recommendation to the Committee:

- Post Infrastructure Funding U.S. Equity Targets:
 - 35% S&P 500 Index (Large Caps)
 - 9% Russell Mid Cap Index (Mid Caps)
 - 8% Russell 2000 Index (Small Caps)
- Consideration:
 - 40% S&P 500 Index (Large Caps)
 - 7% Russell Mid Cap Index (Mid Caps)
 - 5% Russell 2000 Index (Small Caps)

It was brought up that the current structure might have introduced unnecessary volatility over time. The Committee needs to assess their comfort level with this evolved structure. Additionally, it was suggested to review the performance of the individual indexes over the last 20-25 years to understand their growth and impact.

The Committee has requested that Marquette prepare additional data slides and gather relevant data and insights to present at the next meeting.

Mr. Wing then reviewed the *Frederick County – Pension | Asset Value Update dated September 6, 2024*, with the Committee. As of September 6, 2024, the value of the Plan's assets was \$1,038,418,485. There were no recommendations at this time.

Erin White and Emily Fiftal provided an update to the Committee regarding the FOP labor negotiations for the Deputy Sheriff's and Correctional Officers. The Sheriff's Office completed labor negotiations for new contracts with Fraternal Order of Police Local Units 102 (law enforcement) and 102A (corrections officers). These new collective bargaining agreements will go into effect on July 1, 2024. For Fiscal Year 2025, the Sheriff's Office negotiated DROP Plan changes that mirror those already effective for Firefighters (IAFF 3666). Based on the new contracts, legislation must be introduced by January 1, 2025, for changes to go into effect on July 1, 2025. Legal counsel, John Westerhaus, is drafting the legislation, which is currently under review by the County.

DROP Plan Changes Effective July 1, 2025:

1. Eligibility Service Extension: Participants' anticipated years of Eligibility Service at the end of the DROP participation period extended to a maximum of 31 years (previously 28 years).
2. Contribution Adjustments: DROP participants will contribute 4% by payroll deduction to the Frederick County Uniformed Employees Retirement Plan and 5% to their DROP account (previously, the full 9% was contributed solely to the Plan).

3. Separation Before Completion: If a DROP participant voluntarily separates from employment before completing their DROP period (except for death or total/permanent disability), they will be paid the amount accrued in their DROP account, adjusted for gains and losses. They will forfeit an amount equal to the 5% employee contribution. Previously, such participants forfeited their entire DROP account, which reverted to the retirement plan.

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, October 8, 2024, at 1:00pm.

There being no further business, a motion to adjourn the meeting was made by Michael Mills and seconded by John Neary. With no opposition, the motion was unanimously approved, and the meeting adjourned at 1:57 PM.

Respectfully submitted,

Shanna Gibbons
Recording Secretary