

FREDERICK COUNTY EMPLOYEES RETIREMENT PLAN
FREDERICK COUNTY UNIFORMED EMPLOYEES RETIREMENT PLAN

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

MEETING MINUTES

August 13, 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, August 13, 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
- Erin White, Finance Division Director
- Michael Gastley, Retiree Representative
- Daniel Lewis, Member at Large
- Michael Mills, Member at Large

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

- John Neary, IAFF Representative

Committee Member(s) absent from the meeting:

- Douglas Browning, 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: John Westerhaus with Kutak Rock; Patrick Wing with Marquette Associates (“Marquette”); and John Peterson, Robert Goff, Susan Keller, Shanna Gibbons, and Angela Baldwin with Frederick County Government. Additionally, Jim Ritchie with Bolton; Matthew Brann with Empower Retirement (“Empower”); and two guests, 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 1:06pm. The Meeting Minutes from the April 9, 2024, meeting was reviewed and approved as presented. Upon a motion duly made by Michael Mills and seconded by Daniel Lewis, there being no opposition, this motion was unanimously passed.

Matt Brann with Empower presented proposed changes to their float policy, applicable to both the DROP plan and the Deferred Compensation plan. The key points discussed were the definition of

“float”, their current policy, the proposed new policy, and reason for the change. “Float” refers to the interest earned on monies that remain in a bank account overnight while transactions are awaiting processing. Currently, any monies subject to float earn bank credits, which are used to offset bank fees. Excess credits are retained by the bank, providing no direct benefit to Empower. Under the new policy, monies subject to float will be swept into an overnight account, and any interest earned (net of bank fees) will be retained by Empower. This change allows Empower to reinvest the interest back into the business for improvements such as cybersecurity, regulatory compliance, and new products and services. A service agreement outlining the new float policy will be sent out for execution. The committee is asked to acknowledge and sign off on this agreement to implement the policy change by the end of the year.

MOTION: Based on the information provided by Mr. Brann to the Committee, the proposed float policy was approved with the caveat that the description of the plan assets will be reviewed to ensure float is not considered a plan asset. With a motion duly made by Michael Mills and seconded by Emily Fiftal, this motion was unanimously approved.

Patrick Wing, with Marquette, presented the *Frederick County, Maryland – Employee’s Retirement Plan Trust | Quarterly Performance Report dated June 30, 2024*. As of June 30, 2024, the value of the Plan’s assets was \$1.02 billion. The Plans had a net investment change of \$5.6 million and a quarterly return of 0.5% (net) versus the policy index of 1.2%. Positive attribution for the quarter from: asset allocation, outperformance of Brookfield, outperformance by active fixed income managers, as well as fixed income structure. Negative attribution for the quarter from: underperformance by most active equity managers and underperformance by IFM.

Mr. Wing then reviewed the *Frederick County – Pension | Asset Value Update dated August 9, 2024*, with the Committee. As of August 9, 2024, the value of the Plan’s assets was \$1,023,010,368. There were no recommendations at this time.

Mr. Wing presented the revised letters from Loomis Sayles (“Loomis”) dated July 25, 2024: *Request for Guideline Update – Issuer Limitation | Frederick County Employee’s Retirement Plan (Loomis# 754416)* and *Request for Guideline Update – EFT Eligibility | Frederick County Employee’s Retirement Plan (Loomis# 754416)*.

Previously, the Committee reviewed these requests for modifications to their investment guidelines, including flexibility to allocate cash to an ETF and an increase in issuer limitations. Due to unresolved concerns, Loomis was asked to provide further clarification and a formal proposal. The vote was deferred for further discussion. The revised documents received clearly stated their requests.

The Request for Guideline Update – Issuer Limitation | Frederick County Employee’s Retirement Plan (Loomis# 754416) letter states that Loomis currently adheres to a maximum position size of 8% at market. They propose adjusting this to no more than the greater of 8% of the portfolio or 5% above the Russell 1000 Growth’s or S&P 500’s weighting of the portfolio’s market value at the time of purchase, excluding purchases to maintain portfolio weight during client-directed capital activity. This proposal aligns with the recent changes made to our Investment Policy Statement, which allows for a maximum position size of 8% or 1.5 times the benchmark weighting, whichever is greater.

MOTION: After thorough discussion, the Committee considers the proposal to allow Loomis Sayles more flexibility in their investment strategy to better align with the current Investment Policy Statement (“IPS”). The Committee agreed that this request is reasonable as it aligns more closely with the current IPS compared to the constraints under which Loomis is currently operating. With a motion duly made by Erin White and seconded by Emily Fiftal, this motion was unanimously approved.

The Request for Guideline Update – EFT Eligibility | Frederick County Employee’s Retirement Plan (Loomis# 754416) letter proposes utilizing the Natixis Loomis Sayles Focused Growth ETF (“LSGR”) as a cash equitization vehicle, given its similar investment strategy to our current account. Historically, cash has represented approximately 1.11% of their Large Cap Growth portfolios, occasionally reaching over 4%. This proposal would allow Loomis to invest a portion of the total cash position in LSGR, which typically yields higher long-term returns than cash, in turn optimizing our portfolio. Although LSGR is more concentrated, holding 20-30 securities compared to the 30-50 in the pension strategy, this approach could potentially enhance returns by converting cash holdings into equities. The ETF has a higher expense ratio (59 basis points) compared to the management fee for our account (40 basis points), but Loomis will waive their management fee for assets invested in LSGR and rebate any fee difference.

MOTION: After extensive deliberation, the Committee agreed that this proposal to allow Loomis to invest a portion of the total cash position in Natixis Loomis Sayles Focused Growth ETF (LSGR) as a cash equitization vehicle, aligns with our strategy to maximize returns while managing costs effectively. With a motion duly made by Erin White and seconded by Michael Mills, this motion was unanimously approved.

Mr. Wing then presented the *Frederick County, Maryland – Defined Benefit DROP Plan | Quarterly Performance Report dated June 30, 2024*. As of June 30, 2024, the value of the Plan’s assets was \$1.0 million. Target Date Funds as of March 31, 2024: 52.9% of Plan assets. Active equity manager performance: most active equity managers underperformed their respective benchmarks. Active fixed income manager performance: Dodge & Cox beat its benchmark. Target Date Funds: performance was strong across the series in Q2 and longer-term results remain strong

across the series. Looking ahead, it is recommended that the Committee review the investment lineup changes; attend the American Funds presentation at the Deferred Compensation Plan Committee Meeting on September 10, 2024; and invite Empower to provide an update on the DROP.

Mr. Wing then reviewed the *98445-03 Frederick County, Maryland Deferred Compensation | Rate of Return as of 06/30/2024*, with the Committee. As of 06/30/2024, the median was 13.6% for the one-year return compared to the benchmark median of 11.6%.¹

Mr. Wing reminded the Committee that American Funds will be presenting at the Deferred Compensation Plan (“DC Plan”) Committee meeting in September. American Funds manages the target date series, which, similar to the DROP, holds a significant portion of participant assets in the DC Plan. From a fiduciary perspective, it is beneficial for members of both the Pension and DC Plans to attend the manager’s update.

He then updated the Committee on the investment lineup changes approved at the July 2024 meeting. The paperwork has been completed and returned to Empower for processing. The changes are expected to be implemented later this quarter.

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, September 10, 2024, at 1:00pm.

There being no further business, a motion was made to end the meeting by Emily Fiftal and seconded by Michael Mills, there being no opposition, this motion was unanimously passed, and the meeting adjourned at 2:30pm.

Respectfully submitted,



Shanna Gibbons
Recording Secretary

¹ Only participants with a result across all months in the period are included.