

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

January 23, 2020

(Revised February 20, 2020)

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, January 23, 2020 at 9:00 a.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Director of Finance: Janet Irvin
Budget Administrator: Holly Sun
Representative, Police Department Supervisory Employees:
Jason Luckenbaugh (Voting Member in Fiscal Year 2020)
Representative, Fire and Rescue Supervisory Employees:
Vincent Baker (Non-Voting Member in Fiscal Year 2020)
Representative, Howard County Police Officers' Association, Lodge 21:
Nicolas Holocker
Representative, International Association of Firefighters, Local 2000:
Richard Ruehl

Members Absent

None

Employees Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Director of Finance Designee: Deputy Director of Finance: Angie Price
Budget Administrator Designee: Janssen Evelyn
Employee Representative: Jeff Bronow
Representative, American Federation of State, County and Municipal
Employees Local 3085: Dale R. Chase

Members Absent

Chief Administrative Officer Designee: John Peterson
Representative, American Federation of State, County and
Municipal Employees Local 3080: Kim Drennon

Also present for all or a portion of the meeting were:

Owen Clark, County Auditor's Office
Lori Buchman, Department of Finance
Margaret Belmondo, NEPC, LLC
Will Forde, NEPC, LLC
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Thomas Lowman, Bolton
Ann Sturner, Bolton
Michael Spadaro, Bolton
Teresa M. Reider, Retirement Coordinator
Scott Southern, Assistant Retirement Coordinator
Jamar Herry, Office of Law

Wanda Hutchinson acted as Chair of the meeting and Paul Madden acted as secretary.

Janet Irvin proposed amendments to the minutes of the December 5, 2019 meeting. Following amendment, the members of each Committee unanimously approved the revised minutes.

Ann Sturner, Thomas Lowman and Michael Spadaro presented the actuarial valuation results as of July 1, 2019. Ann Sturner presented the results of the Employees Plan. The July 1, 2019 valuation provides the County's recommended contribution for fiscal year 2021. Bolton's report provided a participant's summary, historical Howard County contribution rates and a history of the funded ratio.

Ann provided local and national data on the discount rates of public defined benefit plans. This included a study of investment return assumptions by the National Association of State Retirement Administrators as well as a survey of Bolton's Maryland clients. Tom Lowman indicated that the Plans' investment return assumption is in the comfortable range. Nevertheless, Bolton recommends a .05% reduction.

If the Committee elects to keep the investment return assumption at 7.45%, the County contribution as a percentage of payroll will be 11.7% and the funded percentage will be 96.8%. If the Committee adopts the recommendation of Bolton to reduce the investment return assumption to 7.40%, the employer contribution will increase to 11.8% of payroll and the funded percentage will be 96.6%.

Michael Spadaro presented the actuarial valuation for the Police and Fire Plan. As with the Employees Plan, the July 1, 2019 valuation provides the County's recommended contribution for fiscal year 2021. Mr. Spadaro reviewed the participant's summary provided in the report, as well as historical County contribution rates and historical changes in the funded ratio.

If the Committee elects to keep the investment return assumption at 7.45%, the County contribution as a percentage of payroll will be 33.4% and the funded percentage will be 85.4%. If the Committee adopts the recommendation of Bolton to reduce the investment return assumption to 7.40%, the employer contribution will increase to 34.2% of payroll and the funded percentage will be 84.8%.

Tom Lowman noted that the Maryland Pension Risk Mitigation Act requires the Maryland State Retirement Agency to assess the risks of the State Pension System. Bolton will send a proposal for the quantification of risks to the County Plans.

Bolton recommended changes to the investment return assumption and the inflation/COLA assumption to be effective July 1, 2019. As noted above, the changes will impact the County contributions for the fiscal year ending June 30, 2021. After discussion and upon motion duly made, seconded and unanimously adopted by the members of both Committees, it was:

RESOLVED: that each Committee adopts each of the following Bolton recommendations:

- Decrease the investment return assumption from 7.45% to 7.40%
- Decrease the inflation/COLA assumption from 2.70% to 2.65%
- Revisit these assumptions next year and consider further reductions

Following adoption of the above resolution, the Committee for the Police & Fire Plan addressed the impact of the change in the investment return assumption on the "applicable interest rate" for DROP participants. After discussion and upon motion duly made, seconded and unanimously adopted by the members of the Police & Fire Committee, it was:

RESOLVED: that solely for the purpose of calculating the applicable interest rate, the adoption of the 7.40% investment return assumption will be effective July 1, 2020.

Wanda Hutchinson reported that the Pension Oversight Commission requested the Joint Committee to appoint a working group that would meet with the POC. After discussion, the Committees reached a consensus to delay any decision on the proposal. The POC also requested the opportunity to meet with the outside auditors. After discussion, a decision on this question was postponed.

Will Forde provided the preliminary Monthly Performance Report as of December 31, 2019. Will noted that the market value of Master Trust assets as of December 31, 2019 is \$1.15 billion. The calendar year return for the fund was 16.7%. Will reported that 2019 was a strong calendar year in all asset classes.

Next, Margaret Belmondo summarized the 2020 asset allocation review. Margaret described the process for arriving at the expected returns for the Master Trust over 10 and 30 years. Margaret noted that over 10 years, the expected return changed from 6.57%, based on 2019 assumptions to 5.91% based on 2020 assumptions. Over 30 years, the expected return changed from 7.66%, based on 2019 assumptions to 6.98% based on 2020 assumptions. The key reason for the dramatic change in expected returns is the historically high valuations as of December 31, 2019. Margaret noted that the return assumptions are based on index performance. She indicated that NEPC expects some active manager outperformance that would close the gap.

There being no further business, the meeting adjourned.

Respectfully submitted,

Paul Madden

Paul W. Madden
Secretary of the Meeting

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**EXHIBITS
TO
MINUTES OF HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT
PLAN
AND HOWARD COUNTY RETIREMENT PLAN
JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES
January 23, 2020**

1. July 1, 2019 Actuarial Valuation Results for the Police and Fire Plan,
2. July 1, 2019 Actuarial Valuation Results for the Employees Plan,
3. NEPC Monthly Performance Report as of January 23, 2020
4. NEPC Meeting Materials:
 - November Flash Report
 - 2020 Asset Allocation Update