

Calvert County Employees Retirement Plan
Calvert County Sheriff's Office Pension Plan
Other Post-Employment Benefits Trust (OPEB)
Board of Trustees Quarterly Meeting
February 21, 2020
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MEMBERS PRESENT:

Employees Retirement Plan (ERP): David Carpenter, Bill Clark, Tim Hayden, Sharon Strand, Jaime West, Julian M. Willis.

Sheriff's Office Pension Plan: David Carpenter, Rebecca Flanagan, Alphonso Hawkins, Tim Hayden, David Payne, Michael Moore, Joshua Underwood, Julian M. Willis.

Other Post Employment Benefits Trust (OPEB): David Carpenter, Rebecca Flanagan, Tim Hayden, Monica Jones, Edith Hutchins.

MEMBERS ABSENT:

Employees Retirement Plan: Jacqueline Vaughan.

Other Post-Employment Benefits Trust (OPEB): Kevin Michael

OTHERS PRESENT:

Don Ross, Wainwright Investment Counsel, LLC
Lauren Kreamer, Human Resources Assistant
Liisa Donohue, Benefits Specialist I
Katherine Gatton, Office Specialist II
Melanie Woodson, Human Resources Director
Michael Finocchi and EJ Tateosian, Loomis Sayles
Kevin Binder, Ann Sturner and Janice Twardowicz, Bolton

Tim Hayden called the Calvert County Employees Retirement Plan, the Calvert County Sheriff's Office Pension Plan and OPEB Trustees meeting to order at 9:03 a.m.

After review of the November 15, 2019 minutes, the minutes need to be updated to show David Payne was not in attendance.

MOTION: Tim Hayden motioned to approve the November 15, 2019 minutes as amended for the Calvert County Employees Retirement Plan.

SECONDED: David Carpenter seconded the motion for the Calvert County Employees Retirement Plan.

All were in favor. None opposed.

MOTION: Tim Hayden motioned to approve the November 15, 2019 minutes as amended for the Sheriff's Office Pension Plan.

SECONDED: David Carpenter seconded the motion for the Sheriff's Office Pension Plan.

All were in favor. None opposed.

MOTION: Tim Hayden motioned to approve the November 15, 2019 minutes as amended for OPEB

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SECONDED: David Carpenter seconded the motion for OPEB.

All were in favor. None opposed.

PRESENTATIONS/DISCUSSIONS

Michael Finocchi and EJ Tateosian, Loomis Sayles

Michael Finocchi and EJ Tateosian provided a company and fund update. The market value for the Employees Retirement Plan investment in the Loomis Sayles Core Bond Portfolio was \$16,378,392.00 as of December 31, 2019. The market value for the Sheriff's Office Pension Plan investment was \$18,861,852.00 as of December 31, 2019. The market value for OPEB investment was \$14,026,503.00 as of December 31, 2019. The portfolio outperformed the benchmark by 148 basis points for the year. Over the last year changes have been made to improve quality by reducing risk and taking a more defensive position. The portfolio yield benchmark had a .96% difference at the end of 2018, and a .21% difference at the end of 2019. The portfolio structure is now set to be more limited. The high yield fund underperformed to the benchmark by 3.8% in 2019. This is largely to an over allocation in Energy. The fund had a strong 4th quarter.

Kevin Binder, Ann Sturner and Janice Twardowicz, Bolton

Bolton is the actuary for the plans. Ann Sturner began the actuarial review presentation for the Employees Retirement Plan, the Sheriff's Office Pension Plan, and the Length of Service Award Program (LOSAP) plan. The Employees Retirement Plan is a closed plan with no new participants being added. As of July 1, 2019, there were 279 total participants to include 64 active employees, 7 Deferred Retirement Option Plan (DROP) participants, 18 terminated vested participants, and 190 retirees and beneficiaries. Active employees will continue to decrease as retirees and beneficiaries increase. The Employees retirement plan was 91% funded as of July 1, 2019. The funded ratio of this plan is excellent. The contribution amount for 2018 was approximately \$2.5 million and is approximately \$2 million as of July 1, 2019. This is due to a change in the actuarial value of assets method. This is different than market value. Bolton uses a smoothing asset method. This takes gains and losses and allocates them over a five-year period. There is not a large jump from year to year. The prior actuary used a different method that did not align with Bolton's standards of practice. This is a one-time adjustment and the \$2 million amount should remain consistent moving forward. The actuarial value of assets as of July 1, 2019 was \$81,738,162.

The Sheriff's Office Pension Plan had a total population of 351 to include 201 active participants, 6 DROP participants, 50 terminated vested participants and 94 retirees and beneficiaries as of July 1, 2019. The Sheriff's Office Pension Plan was funded 97.6% as of July 1, 2019. The contribution amount for 2018 was approximately \$2.7 million and was approximately \$2.4 million for 2019. This is due to the change in the actuarial value of assets method. The actuarial value of assets as of July 1, 2019 was \$94,342,701.

The LOSAP plan had 396 participants actively accruing benefits, 45 active members not accruing benefits, 67 participants receiving benefits with a total population of 556 as of January 1, 2019. The 2019 contribution

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amount is \$1,087,556. The actuarial value of assets was \$4,182,214 as of July 1, 2019 and is 36.9% funded. Tim Hayden stated that the LOSAP program is treated like a pension plan from the Finance & Budget perspective.

Kevin Binder and Janice Twardowicz began a review for OPEB. The county had a liability of \$62,969,000, assets of \$26,536,392 and an unfunded liability of \$36,432,608. The county was 42.14% funded. The current Actuarially Determined Contribution is (ADC) is \$6,056,000. If the county contributes the ADC yearly, the plan is projected to be funded 81% in 2030. The schools had a liability of \$131,261,000, assets of \$75,600,903, and an unfunded liability of \$62,660,097. The schools were 54.68% funded. The current ADC is \$9,687,000. If the schools contribute the ADC yearly, the plan is projected to be 81% funded by 2030.

Don Ross, Wainwright Investments Counsel

Don Ross began his presentation with a market overview. S&P 500 was up 31.49% for the year 2019. Don Ross suggested that if cash is needed it be taken from Fiduciary and the plans should overweight Growth to Value. The Sheriff's Office Pension Plan is performing slightly better than the Employees Retirement Plan because they hold more weight in Growth funds. As of December 31, 2019, the Employees Retirement Plan had a balance of \$87,647,290, the Sheriff's Office Pension Plan had a balance of \$103,336,108 and OPEB had a balance of \$116,585,947. The Employees Retirement Plan and the Sheriff's office Pension Plan showed overall returns at 23.1% for 2019, with Equity returns at 29.1%. OPEB showed overall returns of 22.4% with Equity returns of 28.7%.

OPEB currently has an excess in cash due to funds that came into the plan in January. Don Ross suggested OPEB put \$500,000 into the S&P 500 Core index fund and \$500,000 to the Russell Growth 1000 index fund. Don Ross stated the Employees Retirement Plan could add an additional \$600,00 to Private Equity, the Sheriff's Office Pension Plan could add an additional \$1.8 million to Private Equity, and OPEB add an additional \$2.5 million to Private Equity. Don Ross stated this should be considered at the next meeting.

Don Ross started a conversation about real estate investments. Don Ross stated that real estate is typically a low volatility asset class. Tim Hayden stated he is in favor of investing in real estate and does not have a preference for either REITS or Core Real Estate. Rebecca Flanagan, Bill Clark, and Alphonso Hawkins stated they are in favor of investing in real estate. David Payne stated he is not in favor of investing in real estate. Don Ross recommended having TA Realty back to present. Don Ross suggested having an interim meeting for this and deciding at the following meeting.

MOTION: Tim Hayden motioned to adjourn OPEB.

SECONDED: Edith Hutchins seconded the motion for OPEB.

All were in favor. None opposed.

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MOTION: Tim Hayden motioned to adjourn Calvert County Employees Retirement Pension Plan.

SECONDED: Bill Clark seconded the motion for Calvert County Employees Pension Plan.

All were in favor. None opposed.

OPEN DISCUSSION

New Disability Application

David Carpenter informed the Board that we do not have all necessary information to consider the application as complete. Indication had been made that there is information in his personnel record that would be important to the application. Requests were made to the Sheriff's office and the applicant for access, and both were denied. Plan attorneys with Miles & Stockbridge have indicated that his application may not be considered complete without his personnel record. Plan attorneys indicated a formal request should be made for the record. The Department of Human Resources has drafted a letter requesting access to the records and informing the applicant his application will not be considered complete without the records. Michael Moore stated that there could be valuable information in the file, specifically about the steps taken to help the applicant. David Payne stated he does not believe there would be valuable information in the record.

MOTION: Michael Moore motioned to consider the application incomplete without the personnel record and to send a letter to the applicant the letter drafted by the Department of Human Resources.

SECONDED: Tim Hayden seconded the motion for the Calvert County Sheriff's Office Pension Plan.

All were in favor. None opposed.

MOTION: David Payne motioned to approve the IME upon receipt of all documents requested by Plan Attorneys.

SECONDED: David Carpenter seconded the motion for the Calvert County Sheriff's Office Pension Plan.

All were in favor. None opposed.

Sheriff's Office Disability Amendment

Tim Hayden stated that there is a proposed amendment to the plan regarding total line of duty disability. We have discussed this amendment in two previous meetings. The plan currently states that a person who retires from a line of duty disability would receive 70% for two years and drops to 58% after two years if the person does not meet the qualifications of total severe disability. Once the normal retirement was set to 70%, the medical retirement was not adjusted to reflect this change. A person who retires from a line of duty disability does not have their pension taxed, which is the benefit over a normal retirement. In the previous meeting

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documentation of the entire disability section was requested. David Carpenter provided the trustees with the disability section of the plan document as well as a comparison to St. Mary's County and Charles County plan allowances. The current allowances in the Calvert County Sheriff's Office Pension Plan are greater than allowances in the St. Mary's and Charles County plans. St. Mary's and Charles County plans are offset by Workers Compensation and Social Security payments. Tim Hayden stated he would not be in support of a change that would encourage members to seek disability retirement.

Prior Service Credit Amendment

Participants may purchase up to 3 years of prior service credit. The document states that once the 3-year probationary period is complete, participants must pay for the service over the amount of years being purchase. Purchase can be made via payroll deduction, lump sum, deferred compensation accounts, or the sale of annual or sick leave. A member has requested additional time. He is purchasing 3 years, and can not afford the amount in 3 years. David Carpenter stated that this means participants have a total of 6 years to save for the purchase. David Payne stated that most who have prior service take a pay cut in order to come to Calvert County Sheriff's Department and needed the funds from prior retirement to be able to take the pay cut. David Payne also stated that individuals with prior service save the county in that they are not sent to the academy and can bring other training and skills with them. Melanie Woodson suggested an approach outside of the plan, such as a signing bonus, that would allow individuals to purchase prior service credit. Julian Willis asked what change is being proposed. David Payne responded that giving an individual 10 years from start date to pay for the credit would put prior service credit in line with prior military service credit. Alphonso Hawkins stated he believes individuals need to be made aware and given an understanding of this program on their start date. Ann Sturner stated that this would not make a difference from an actuary and plan asset standpoint. Alphonso Hawkins stated this should be looked at from a retention standpoint as well. Tim Hayden asked if interest should be charged for the excess time. The other board members were not in favor of this.

MOTION: Alphonso Hawkins motioned to draft and amendment for the board to review to amend the plan to reflect prior service credit payment requirements to 10 years from date of hire with service applied at 25 years.

SECONDED: David Payne seconded the motion for the Calvert County Sheriff's Office Pension Plan.

All were in favor. None opposed.

Amendment for vested terminated participants who die prior to normal retirement date

The plan does not currently provide direction on what to do with a member's contributions when they have vested funds in the plan but dies prior to their normal retirement date. This situation has occurred, and a plan amendment needs to be done stating the money is to be returned to their spouse or beneficiary. David Carpenter asked the plan attorneys to draft an amendment that mirrors the Employees Retirement Plan. Michael Moore asked what the beneficiary is entitled to. David Carpenter responded that the beneficiary will receive a lump

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sum equal to contributions plus interest. Tim Hayden clarified that this is only the members contributions plus interest and does not impact other plan assets.

MOTION: Michael Moore motioned to present the amendment to the Board of County Commissioners.

SECONDED: Tim Hayden seconded the motion for the Calvert County Sheriff's Office Pension Plan.

All were in favor. None opposed.

MOTION: Tim Hayden motioned to adjourn the Calvert County Sheriff's Office Pension Plan meeting.

SECONDED: David Carpenter seconded the motion for the Calvert County Sheriff's Office Pension Plan.

All were in favor. None opposed.