

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

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

January 28, 2021

(Revised February 25, 2021)

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 28, 2021 at 9:00 p.m. via a WebEx conference.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Director of Finance: Rafiu Ighile
Chief Administrative Officer: Lonnie Robbins
Budget Administrator: Holly Sun
Representative, Howard County Police Officers' Association, Lodge 21:
Nicolas Holocker
Representative, Fire and Rescue Supervisory Employees:
Vincent Baker (Voting Member in Fiscal Year 2021)
Representative, Police Department Supervisory Employees:
Jason Luckenbaugh (Non-voting Member in Fiscal Year 2021)
Representative, International Association of Firefighters, Local 2000:
Richard Ruehl

Member Absent

None.

Employees Plan:

Members Present:

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

Member Absent

Representative, American Federation of State, County and
Municipal Employees Local 3080: Melanie Avery

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

Margaret Belmondo, NEPC
Will Forde, NEPC
Francesca LoVerde, NEPC
Thomas Lowman, Bolton
Ann Sturner, Bolton
Jordan McClane, Bolton
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Jamar Herry, Office of Law
Nike Yahaya, Retirement Assistant

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

The minutes of the December 3, 2020 and January 19, 2021 meetings of the Joint Committees were unanimously approved by the members of each Committee.

Ann Sturner, Thomas Lowman and Jordan McClane presented the actuarial valuation results as of July 1, 2020. Ann Sturner presented the results of the Police and Fire Plan. The July 1, 2020 valuation provides the County's recommended contribution for fiscal year 2022. Bolton's report provided a participant's summary, historical Howard County contribution rates and a history of the funded ratio.

Ms. Sturner 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 7.40%, the County contribution as a percentage of payroll will be 34.9% and the funded percentage will be 86.6%. If the Committee adopts the recommendation of Bolton to reduce the investment return assumption to 7.35%, the employer contribution will increase to 35.8% of payroll and the funded percentage will be 86.0%.

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 0.05% reduction.

Jordan McClane presented the actuarial valuation for the Employees Plan. As with the Police and Fire Plan, the July 1, 2020 valuation provides the County's recommended contribution for fiscal year 2022. Mr. McClane 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 7.40%, the County contribution as a percentage of payroll will be 11.5% and the funded percentage will be 96.9%. If the Committee adopts the recommendation of Bolton to reduce the investment return assumption to 7.35%, the employer contribution will increase to 11.7% of payroll and the funded percentage will be 96.7%.

Bolton recommends reducing the investment return assumption from 7.40% to 7.35% and reducing the inflation/COLA assumption from 2.70% to 2.65%, effective July 1, 2020. The changes will impact the County contributions for the fiscal year ending June 30, 2022.

Margaret Belmondo reviewed NEPC's recommended changes to the investment allocation for the Master Trust. The impact of the changes (described as Mix A in NEPC's report) is to increase the 10-year expected return from 5.3% to 5.9% and the 30-year expected return from 6.4% to 6.9%. Margaret noted that the expected returns do not include the premium for potential active management (alpha) that can range between 0.2% and 0.5%, on an annualized basis. Tom Lowman also noted that the difference in the long term inflation assumptions used by Bolton (2.6%) and NEPC (2.2%) would narrow the gap between the expected returns and the assumed long term rate of return by an additional 0.4%. If the expected returns are adjusted to include the ranges of potential alpha and to account for the difference in inflation assumptions, the expected long-term rates of return could be between 0.6% to 0.9% higher (i.e., Mix A could have a 30-year expected return between 7.5% and 7.8%).

Margaret also noted that Mix A has a higher expected volatility (13.8%) than the current allocation (11.9%), but that the higher volatility is in line with peers.

After discussion, Dale Chase requested a roll call vote on the following motion:

RESOLVED: that each Committee adopts the investment allocation presented by NEPC (Mix A).

Upon motion duly made and seconded, the Committee members voted as follows: Employees Plan: Wanda Hutchinson, John Peterson, Angie Price, Janssen Evelyn, and Jeff Bronow voted in favor of the motion, Dale Chase opposed the motion, and Melanie Avery was absent. Police & Fire Plan: Wanda Hutchinson, Lonnie Robbins, Jason Luckenbaugh, Vincent Baker, Cole Holocker, and Rafiu Ighile and Richard Ruehl voted in favor of the motion. Holly Sun was absent; there were no negative votes or abstentions.

Dale Chase requested a roll call vote on the following motion:

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

- Decrease the investment return assumption from 7.40% to 7.35%
- Decrease the inflation/COLA assumption from 2.65% to 2.60%
- Revisit these assumptions next year and consider further reductions

Upon motion duly made and seconded, the Committee members voted as follows: Employees Plan: Wanda Hutchinson, John Peterson, Angie Price, Janssen Evelyn, and Jeff Bronow voted in favor of the motion, Dale Chase opposed the motion, and Melanie Avery was absent. Police & Fire Plan: Wanda Hutchinson, Lonnie Robbins, Jason Luckenbaugh, Vincent Baker, Cole Holocker, and Rafiu Ighile and Richard Ruehl voted in favor of the motion. Holly Sun was absent; there were no negative votes or abstentions.

Will Forde presented the December 2020 Flash Report. The total fund returned a positive 2.5% for the month. The fiscal year to date return is strong at 12.8%. The market value of the fund as of December 31 was \$1.28 billion.

At 11:21 a.m., a motion was made by Richard Ruehl and seconded by Cole Holocker to close the meeting pursuant to General Provisions Article § 3-305(b) to consult with legal counsel to obtain advice on a legal matter and to consult with staff, consultants, or other individuals about pending or potential litigation. Wanda Hutchinson, Lonnie Robbins, Jason Luckenbaugh, Vincent Baker, Cole Holocker, Richard Ruehl and Rafiu Ighile voted in favor of the motion. Holly Sun was absent; there were no negative votes or abstentions.

At 11:22 a.m., a motion was made by Dale Chase and seconded by Janssen Evelyn to close the meeting pursuant to General Provisions Article § 3-305(b) to consult with legal counsel to obtain advice on a legal matter and to consult with staff, consultants, or other individuals about pending or potential litigation. Wanda Hutchinson, John Peterson, Angie Price, Janssen Evelyn, Jeff Bronow, Dale Chase all voted in favor of the motion. Melanie Avery was absent. There were no negative votes or abstentions

Jamar Herry, Margaret Belmondo, Will Forde, Francesca LoVerde and Paul Madden and participated in the closed session. During the closed session the Committees discussed the class action securities litigation against Boston Scientific

The Committees took no action during the closed session. The meeting reopened. There being no further business, the meeting adjourned at 11:44 a.m.

Respectfully submitted,

Paul Madden

Paul W. Madden
Secretary of the Meeting

11638800

**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 28, 2021**

1. Bolton July 1, 2020 Actuarial Report Highlights – Police & Fire Plan
2. Bolton July1, 2020 Actuarial Report Highlights – Employees Plan
3. NEPC Meeting Materials:
 - Market Update
 - NEPC Assumptions
 - Asset Allocation Review
 - December 2020 Flash Report