CECIL COUNTY PUBLIC SAFETY PENSION PLAN

BOARD OF TRUSTEES
200 Chesapeake Boulevard, Suite 2800
Elkton, MD 21921
(410) 996-5250

BOARD OF TRUSTEES

August 8, 2024

Present: Angela Blodgett, Stephen Brownhill, Steve Overbay, Wayne Tome, Shon McCollum, Paul Camponelli

Guests: Lazaro Guzman, Christian Sevier, Sandy Biggs, Timothy Dow, Michael Zack, Shawn Mahan Shannon Beaston

Presentations: Empower and Segal Marco Advisors.

Call to Order: 0901 by Angie Blodgett

Administrative Tasks/Old Business:

- Meeting Minutes – Approved May 9, 2024 meeting minutes

New Business:

- Discussion regarding possible new fee structure for investments.

Adjournment:

- Shon motioned at 1059 hours to adjourn the meeting, Capt. Brownhill seconded the motion. Meeting adjourned.

Next Meeting –Thursday , November 7, 2024 at 0900 hours. Department of Emergency Services

Respectfully entered,

Shannon Beaston
Major Matthew Carr,
Secretary

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Notes From Meeting
August 8, 2024

Empower Presentation

- Empower: Lazaro Guzman stated the economic data was slow in the first half of the year. Inflation is trending down. Labor markets showed a slow 2nd quarter. YTD returns are favorable, S&P 500 is at 4.3% , 1st and 2nd quarter showing mixed result. Federal government may be dropping rates 25-50 points in September 2024.
- **Opportunity for questions**
- No questions
- End of first half of 2024 assets are at 79.6 million, slightly below the previous 80 million. Again, there were a handful of names that contributed to the good return from the S&P 500 (i.e. Apple, Microsoft)
- **Opportunity for questions**
- No questions
- Fund performance 3-5 years is doing well. Prudential is doing very well with 1-, 2-, and 3-year returns. Core bond continues to track index. Equities, JP Morgan 3.5 year is slightly below index.
- **Opportunity for questions**.
- No questions
- Frontier Investment replaced with Westfield on 9/20/23, much stronger return and has been outperforming the index for the past 6 months. Integrity 3-5-10 year performance is strong. JP performed under benchmark over the past 12 months. 10-year outlook is looking good ,investment is worth keeping. Christian Sevier JP Morgan does well long term. Value versus benchmark. We will continue monitoring its performance through the end of the year.
- **Opportunity for questions**.
- No questions
- We have the potential to reduce total portfolio fees. Discussion of a different fee structure will take place. Currently, Empower has bundled the administration costs into the costs of the funds. Our proposal is to strip fees from the investments and pay a separate administration fee. I will have a formal proposal at the next meeting. We do expect your total fees to be reduced.
- **Opportunity for questions**.
- No questions

Segal Advisor Presentation

- Segall: Christian Sevier asset allocations last year saw a 12% return. 5-year net shows 6.75% return or 22.7 million. Relative performance is ½ point behind.
- **Opportunity for questions**
- Steve Overbay What is the market volatility pending the elections and what potential impacts do you see? Lazaro Guzman The last couple of years the markets did well except for 2022 and the first quarter of 2020. Looking at risks with the portfolio and we have a nice allocation so, no changes. Christian Sevier We are looking at inflation, oil, the overseas market. Rates are likely to drop.
- **Opportunity for questions**
- No questions
- Presentation concluded

Administrative Tasks/Old Business/New Business

- Meeting minutes of May 9, 2024. Motion to approve by Steve Overbay. Seconded by Stephen Brownhill. All in favor. Motion carried.

- Angie opened the floor for discussion of any topics

1) Steve O. I Wish to follow up with advisors regarding the bundled fees. Is Empower competitive? Why are they now separating fees? Have we shopped around for other plan managers? Angie Not to my knowledge. Stephen Brownhill We did a long time ago when Winston was finance director. Steve O. They do a great job, I just have some questions. The next meeting will be eye opening. What are the fees now? Stephen Brownhill We definitely should do that. Steve O. I'm sure fees escalate, we should check occasionally. Shon What is the fee structure? Total return? Mutual funds perform by themselves. Where is the value? Cost of fees is unclear. Steve O. I speculate the separation of fees will show a greater return on investments Angie Any additional discussions? Sandy Check with Bolton they are advisors on this committee. Shon Are you referring to the comparison study? Sandy Yes. Shon We can get it free from these guys. Sandy It won't be free, the cost is about $3,000. Shon We will ask for all fees for the past 5 years. Angie We will request that.
2) Steve O. Amendment 9 discussion is scheduled for Aug 20 or Sept 3 moving to county council. Angie you are welcome to join that discussion. Shon Want final confirmation about changing the verbiage we will reach out directly to Tom for the fiscal note.
3) Stephen Brownhill Drop letter received. We as a board agreed with Bolton about Amendment 9. It was forwarded to the County Executive who decided to budget for this. That is not what we asked. We agreed the enhancement would be funded by the plan. With it being a budgetary item now there's required information for it to go forward. The board did not ask for that. The county executives answer is, she's not going to sign that? Steve O. Yes. Stephen Brownhill What is the purpose of us as a board ? We vote on information learned in these meetings and discussions with Bolton. The plan attorney drafted this plan and the county Executive decides to change our submission which was not communicated to the board for months. This stalls the process, waiting on a budget. Why were we not advised earlier of the county executives wishes? We lost 4 years and nothing has passed. (Reading from letter) Board agreed on no limits, we can't lose 30 people. We lost 1 as soon as DROP didn't pass again. We have hope with the new administration coming in. The current administration brings no hope for change. Another comment was the Sunset clause only benefits 30 people. We did not ask for that clause. After 1 year the board can vote to change the Sunset. Without DROP public safety as we know it in Cecil County will be forever changed. Losing 30 experienced people would be the ultimate collapse. The union is on board we can request support letters. If we were given time, months went by, we could have had letters already. Plan attorney drafts language. County attorney interprets it differently. Just stalls progress. Steve O. I will offer a different perspective. Consider the cost of people leaving. DROP prolongs your career. DROP proposes the same problem 5 years later. Michael Zack You're saying existence of DROP is positive but it will make people leave but without DROP people have to stay employed because the market is horrible? Steve O. The opposite. The market is incredible these guys could be employed anywhere. Michael Zack Cecil County is only 1 of 2 counties not participating in DROP. Steve O. I misspoke, people have been approaching retirement for many years and we're still not recruiting to absorb their loss. DROP ensures within 5 years the plan pays out 7 million dollars and were in the same position. The belief is it develops a pot for payout..21, 25, 35-year-olds will pay more, should be split between contribution and county share. County Executives perspective with DROP is the worst case scenario and also the best. Employees stay 5 more years but we pay 7 million dollars out. 3 years would be a 4 million dollar payout. New recruits ask if the funds will be available to them. Stephen Brownhill That's incorrect it's a play on numbers. Steve O. How so? If 30 people leave tomorrow you're pulling the same money from the account. The money is going out regardless. Stephen Brownhill That contradicts Boltons actuarial . MSP has such success with DROP they increased their program from 5 years to 7. Steve O. They are well funded. Michael Zack Agencies on the DROP program are doing great. Stephen Brownhill Potential recruits see the other agencies have better pay, pension and DROP. In our eyes we do not have an administration that supports us. Steve O. County will need to offer salary enhancements possibly with a different county executive who can propose different funding. Current county exec says to go back to the bargaining table if you are taking money out of the plan and not funding it. Michael Zack Sunset language is misinterpreted, doesn't state DROP is done after 5 years. Steve O. That's the only reason to put a sunset clause there. Once a benefit is enacted it's nearly impossible to take it away. Shawn Mahan You created the sunset with the purpose of being able to take it away. Steve O. I believe sunset

is the best choice without identified funding. If the plan was presented with contributions for long term finding the sunset would not be needed. Stephen Brownhill You either enter DROP or continue contributing 8%. After months the county executive has questions. I believe this is a stall tactic and was never going to happen. The only optimism is with a change of county executive. Next spring if the new county executive gives us the run around, remember this day, I bet we will have 20 people gone. Steve O. As a board, do we wait 3 months and present DROP as is or address the items? Stephen Brownhill Placing money in the budget was not the boards request. Shon Are you saying the county won't contribute a single dollar? Stephen Brownhill The board agreed, Shon you included. Shon My understanding was 250k out of county contributions over the years going into the fund. This is a new understanding to me. Now you're saying the cost is neutral to the county and employee will only contribute. Stephen Brownhill That's not what I'm saying right now. That was presented in the actuarial and we all agreed on it. Michael Zack You made a motion that it come out of pension plan. The vote was unanimous to approve. That is not what the county exec wanted to do. Shon Have you decided what each members additional contribution will be? Stephen Brownhill You're bringing up new numbers. Steve O. Shon, that's not what they're saying. Do we wait and present DROP as is to next administration? Michael Zack I don't know what else to do. We have answered all of her questions, I don't know if the communication is different from here to her office. Unions don't negotiate pensions but will provide support letters. Steve O. I had conversations with Fran and Adam Streight about DROP. Perception isn't simply a letter of agreement. Stephen Brownhill We could send an email stating DROP won't end in 5 years and change sunset language. Steve O. That's 1 piece of it. Stephen Brownhill Months have been lost due to lack of communication. I don't believe the sunset reads that way. I am in favor of removing Sunset, that was your doing Steve O.. Steve O. Are you willing to put something into the pot that grows for all? Stephen Brownhill Back to the drawing board now, the county executive wants the employees to pay more? Steve O. I think that's what she is saying. You could take contributions from the county also . At this point after 25 people benefit, the plan will sunset. Angie I suggest clarifying with the county executive exactly what she wants before any amendment changes and before spending more money with the plan attorney. Steve O. (reading letter from County Executive) she states the program remains in effect for those not currently eligible. Invest in future employees as opposed to payout for tenured employees. Stephen Brownhill Contributions made for the past 25 years. Without drop an 8% contribution is required. Steve O. Bolton is saying 0 people would do that. Why would they stay? Stephen Brownhill Increased Salary. Angie Were going to take amendment 8 away stating you didn't pay into plan after 25 years, was part of DROP. Stephen Brownhill You enter Drop or start paying. Shawn Mahan I'm 1 of those people. I would pay in 8% . My 8% will be significantly higher than less tenured employees. You mention sunset component and 8% , to say young employees don't have something waiting for them after 25 years is totally incorrect. This isn't a foreign concept, like social security. People today pay for the people that were here and vice versa. If you didn't want to do it, just say that. Stephen Brownhill Can't imaging telling unions county wants them to increase their contribution, won't go over well. Steve O. Maybe I'm off, go to union and state you have DROP program that falls off in 5 years and 7 million dollars exits plan. Stephen Brownhill Not going away, Will be reassessed, board has right to reassess anytime. Steve O. Thinking County executive thought the way it's written it states there's no money coming in. Stephen Brownhill Plan funds itself, actuarial states it's a non-issue. Steve O. We can agree money going out of plan is the plan for payment. No money coming in . All the money comes out upon people retiring with no additional revenue incoming. Michael Zack 8% coming in. Stephen Brownhill If the holdup is language, we will change it. You're using the negative side. 30 employees leave ,that's money going out of plan into an account. That's how your get your numbers. Steve O. When 25 people leave in 5 years, each get a check for $281,000, No money incoming to replace the 7 million. Angie, how many people are in our plan, realistically your plan can support 79 million going out today. It needs revenue whether it's shared between member and county . Stephen Brownhill Large number of people at retirement status now. There's one or two a year for the next 10 years. Michael Zack You're assuming 7 million will be the constant payout, new recruits will contribute also. Stephen Brownhill MSP and Elkton PD went to DROP, did they increase contribution percentage or age? No, they did not. It's not a new plan, historically successful for every other county. Asking officers to contribute more is not going to go well. Cost neutral benefit we voted on and actuarial shows as working. Language needs changed on sunset. Angie If we remove sunset and DROP becomes true benefit and we decide as a board its negatively impacting plan we have to fund it differently. DROP would be comparable to health insurance benefit wise. Steve O. Good point Angie. People not contributing to a program makes it go away, reason for sunset. Angie They're contributing. The benefit will become part of plan . Can you take that away with employee contributing 8%? DROP is part of pension. Michael Zack Health insurance we have been paying for years , that had a sunset and county had no problem taking that away. Shawn Mahan What about cost security for those not participating in DROP? Millions of dollars that will be contributed by some will not be paid out to those who contributed, I am 1 of 35 people that applies to. Angie Is the 1st lump sum payment different for an employee who retires today and takes payment versus one who stays in plan and starts contributing the 8% who then leaves in 5 years? If person who leaves today dies 5 years sooner than someone in DROP, is that taken into consideration? Stephen Brownhill The actuarial did take that into consideration. Angie They said it cost more money. What's the consideration for that? You're saying they get a payment twice , the lump sum while working and DROP. Stephen Brownhill Not received while working, it goes into an account. Angie Is payout calculated for leaving at 25 years and again for leaving at 30? So, they receive 35 payments , not 30? Shon Difference is time, value, money, it's a compounding impact, can take 10-15 years to make up the 7 million dollar payout. Steve O. My interpretation, If DROP doesn't sunset and becomes a perpetual benefit the County Executive requires the board to identify either sole funding, a combination of funding or the board can suggest the county fully funds it. Dependent upon who is in power at the time will the county absorb the burden or share cost of it? Will public safety assume cost? Is 67% ok? By law the police aren't coming after us , were not at 100%. Fiduciary responsibility of county executive and board to ensure plans fully funded. Stephen Brownhill Never going to happen. Actuarial at 96%, 94% shows fund drops only to 92% after large payout. We take a hard hit one time. Steve O. Is the goal 100% or just to take money out? Theoretically its great right now for these people. Not for the next group. Stephen Brownhill You are saying how its proposed we all agreed on. Sent out to county executive and now the proposal need changed because of a difference in opinion? It's never getting done. Steve O. Do we create perpetual benefit or wait and resubmit as is? Angie I suggest asking plan members. County executive wont pass unless sunset clause is removed and employees agree to contributing more of their money. If they disagree, we should wait. Michael Zack What do they want now as a contribution, were at 8%. Theres no proposed number. Angie I don't have a good solution. Steve O. Shon, from actuarial perspective would Bolton give that number? Shon Impact is to have it paid by members, have to see what increase needs to be for a member born expense. Steve O. Ask union if benefit should be added or just take 7 million out of plan and it goes away in 5 years. Michael Zack Won't present it like that. You 're stating we take care of 30 people and the rest of the officers are betrayed. Steve O. That's exactly how it reads. Michael Zack that's your interpretation. Steve O. The board can only suggest extending the plan. Stephen Brownhill County executive can take stuff away from us, it has happened. Steve O. If I'm a union member and you present me with current DROP it reads that you can't take advantage of the program. Michael Zack As we stated several times, language can be changed. Stephen Brownhill Is there any benefit we have now that's guaranteed in 5 years? If that's the reason it won't pass I 100% recommend clarifying it and resubmitting it. Michael Zack The board in it's sole discretion can recommend the continuation of DROP. Steve O. You have to tell union how it reads, after 5 years no one can take advantage of DROP and it's paid out of the pension fund until sunset. Stephen Brownhill Let's do it we will also relay to them as a board we recommend continuation of DROP by the county executive if it's going well. Angie We can change it to read the county executive can review and take it away after 5 years. Michael Zack I wouldn't give county executive that right. Angie County executive has that right. Steve O. We're all interpreting it the same way. I likely won't be here and someone else will need to vote on an unfunded liability moving into perpetuity . Stephen Brownhill For the record, I do not want the sunset clause at all. You demanded that it be put in. Steve O. Steve O. Overbay's view of the world is it's a smart fiscal move. Shon All about pipeline, point of measurement to determine benefit of DROP. It's a completely different conversation now. Steve O. Shon, county executive stated DROP should not be short term. Stephen Brownhill Can resolve in 2 ways. Eliminate sunset Steve O. If sunsets eliminated it becomes perpetual unfunded liability. Stephen Brownhill Your interpretation. Steve O. What other interpretations can be made? Angie What revenue stream are you interpreting? 8% is the revenue stream. Steve O. That covers pensions for all members. Angie Plan becomes less funded. Steve O. A fully funded plan maybe isn't the intent of this board. Michael Zack DROP has been utilized for 24 years without ever being fully funded. Shon Not fully funded due to additional revenue sources from employee or county . We're proposing removing money from the pot with no additional incoming funds . Other agencies may be in a better financial position than us. Stephen Brownhill With that thought process we should never enhance anything. After 10 years on the board, we have always been in the top 3 of pension plans. Shon For now. If we have more years like 2022 and the portfolio shrinks we will wonder how to make payments. God help us if there's a market downfall. Don't assume anything. From a numbers perspective, you are pulling out faster than you're putting in. Stephen Brownhill Not assuming anything. We could have World War 3 in ten years. Michael Zack I don't know how to move forward.

4) Angie Any motions?

No

Adjournment

- Angie called for a motion for adjournment. Shon made a motion to adjourn at 1059. Stephen Brownhill seconded. All in favor.

Respectfully submitted,

Shannon Beaston

For Major Matthew Carr, Secretary