



CECIL COUNTY PUBLIC SAFETY PENSION PLAN

BOARD OF TRUSTEES
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BOARD OF TRUSTEES

November 4, 2021

Present: Angie Blodgett, James Appel, Stephen Brownhill, Ashley Ewing, Steve Overbay, Wayne Tome and Mary Allen

Guests: Sandy Biggs; Christian Sevier, Segal Marco Advisor (via zoom) and Lazaro Guzman, Prudential (via Zoom), and Mike Zack

Presentations: Prudential, and Segal Marco Advisors.

Meeting called to order at 0830 by Angela Blodgett

Investment Performance Presentations:

- Prudential: Lazaro Guzman presented the Economic Review. He advised both the U.S. and global economies experienced a considerable loss of momentum during the third quarter due to the direct and indirect impact of the fourth wave of the COVID-19 pandemic. Within the domestic economy, the significant deterioration in public health conditions resulted in sharply reduced growth rates in aggregate spending, output, and job creation. Household sector spending has been impacted most severely by the surge in new cases and hospitalizations. As a result of these various disruptions, the estimate for third quarter GDP has been revised downward from 6.5% to 4%. Annualized growth in consumer spending is likely to decelerate from an average of 11.5% in the first two quarters of this year to less than 3% in the third quarter. Lazaro continued that the Financial Market Return, following a strong risk on investment climate during the first five months of the year, risk and uncertainty associated with virtually all critical variables affecting financial markets were accentuated during the summer months. World financial markets consolidated in the third quarter, moving sideways with only minor changes in index values across all asset classes, as global investors paused to assess the directions of key economic, government policy, geopolitical and public health trends. Lazaro confirmed that on Domestic Equity Style Returns, large cap stocks outperformed both mid and small caps as investors showed a strong preference for higher quality assets during the quarter. Small cap stocks were the weakest, as nearly 90% of the component stocks in Russell 2000 suffered a decline of more than 10%. Lazaro explained that on International Index Returns the international developed equities were flat for the quarter, but still up over 8% for the year. Japanese equities are the best performing segment as stocks soared in September on hopes for new political leadership and improving COVID-19 conditions. Throughout the pandemic, Japan has experienced a different trajectory relative to other developed nations with a slower spread of the coronavirus. Lazaro informed that on Fixed Income Returns, bonds experienced mixed performance over the quarter as the Bloomberg Barclays U. S. Aggregate Bond Index eked out a small gain. The third quarter began with a rally as the prospect of a slower recovery pushed yields lower, but after a higher-than-expected inflation forecast and an increasing prospect of a near term policy shift from the Federal Reserve, yields rose higher, pushing down bond prices. Lazaro reported that the U.S. Treasury Yield Curve, in the face of rising inflation and improving employment data, the Federal Reserve left rates unchanged at its most recent meeting in September but signaled it could start tapering its \$120 billion monthly asset purchases as soon as November. Additionally, new projections showed a faster rate hiking schedule with expectations of an increase by the end of 2022. Lazaro additionally added the Economic and Market Outlook that the domestic economy is poised to strengthen significantly over the next year as the adverse effects of the pandemic fade. U.S. real GDP is expected to increase by 5.5% in 2022. The Delta variant is unlikely to derail the expansion but rather trigger a shift in spending from this year to next year. The most important driver of the economy over this period will be health growth in household income and employment. Following a decade of balance sheet deleveraging, households are in extremely strong financial health. Purchases of consumer goods

will be sparked by resolved supply bottlenecks, while consumer services will benefit from improved public health conditions. **No questions were asked from the trustees.**

- Segal Marco Advisors: Christian Sevier, recapped Lazaro review and noted that the portfolio balance during this quarter was \$76.1 million this is a \$5 million increase since September, up 25% averaging 10% a year. **No questions were asked from the trustees.**
- **Administrative Tasks/Old Business:**
 - Angie Blodgett – Approved August 12, 2021 meeting minutes.
 - James Appel – 1st to accept the new amendment
 - Wayne Tome – Second to accept the new amendment, the motion carries, and all members agreed
 - James Appel – No new financial items.
 - Angie Lawson – Human Resources reminder that open enrollment is going on and all active employees are required to fill out the new forms for calendar year 2022, No late enrollment will be excepted.
 - Angie Blodgett – Continued discussion on the amendment. The board agreed to move 6.4 out of the plan.
 - James Appel – Added that the CPI needed to be discussed, specifically which time frame what number will be used. The suggestion was to budget the percent change of the CPI from February to February. The CPI comes out in early March and shows a screen shot of the CPI and the accurate percent change of the CPI. Additionally, James advised the board, and the board agrees that this language will be sent back to Cheryl Guth to clarify the language in 6.4.
 - James Appel – James continued to explain why we are removing section 3.3 of the amendment. He confirmed that early retirement currently shows that a ½ percent reduction per month. He explained that Prudential Financial analysis of how many employees would be available for early retirement and what the financial impact would be on the plan for those that would take the early retirement.
 - Mike Zack – Asked if this would just be for early retirement?
 - James Appel – Informed yes.
 - Sandy Biggs – Reported this language confusion has been going on for years. She advised that it was understood that Prudential was calculating the early retirement. That was the interpretation of the board.
 - Angie Blodgett – Stated that there are people that have retired without penalty before reaching the age of 55.
 - Sandy Biggs – Added that Prudential is basing the retirement on age 55 and that the plan was put in place in 2002.
 - James Appel – Additionally he asked how many have retired early? Did they get time in service not age? He advised that an analysis needs to be done.
 - Sandy Biggs – Continued that where the confusion is that there are people that have left early that they did not get penalized if they were not at the age of 55.
 - James Appel – Confirmed that if we make a change there could be a large financial impact therefore his recommendation is to remove section 3.3.

New Business:

- No new business

Adjournment:

- James Appel motioned at 0925 to adjourn the meeting, seconded by Angelia Lawson, and approved by the Trustees.

Next Meeting – Thursday, February 10, 2022 @ 8:30 am, Department of Emergency Services

Respectfully submitted,
Mary Allen