

Calvert County Employees Retirement Plan
Calvert County Sheriff's Office Pension Plan
Other Post-Employment Benefits Trust (OPEB)
Board of Trustees Quarterly Meeting
Open Meeting Conducted March 06, 2025, at 11 am
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Meeting Location:

Microsoft Teams Online Meeting

Members Present:

Employees Retirement Plan (ERP): Bruce Miller, Melanie Woodson, Julian Willis, Paul Murdoch.

Sheriff's Office Pension Plan: Bruce Miller, Melanie Woodson, Julian Willis, Joshua Underwood, Bobby Jones, Megan Sutphin, Suzanne Benedict.

Other Post-Employment Benefits Trust (OPEB): Bruce Miller, Melanie Woodson, Barbara Sikora, Sheldon Taylor.

Members Absent:

Employees Retirement Plan: None.

Sheriff's Office Pension Plan: None.

Other Post-Employment Benefits Trust (OPEB): Scott Johnson.

Others Present:

Don Ross, Wainwright Investment Counsel, LLC
Jeff Fabrizio, Wainwright Investment Counsel, LLC
Caleb Brannon, Acting Deputy Director of Accounting
Fleegle, Megan, Human Resources Deputy Director
Sherrie Myers, Benefits Specialist II
Nicole Harrod, Benefits Manager
Rebecca Fowler, Benefits Assistant
Amanda Halwick, Executive Administrative Aide II
Teresa Woo, Loomis Sayles
EJ, Loomis Sayles
Matt Sacks Loomis Sayles
Alan Torroella, Bolton
Ann Sturner, Bolton
Rebecca Trauger, Bolton
Mark Anderson, Bolton

Public Present: Attended virtually, no comment.

Bruce Miller called the Calvert County Employees Retirement Plan, the Calvert County Sheriff's Office Pension Plan and OPEB Trustees meeting to order at 11:04 a.m. Quorum was established for each board.

Bruce Miller introduced the new members Rebecca Fowler, Board Liaison, Bobby Jones, Sheriff's Office Pension Plan, Retiree, Suzanne Benedict, Sheriff's Office Pension Plan, Citizen, Megan Sutphin, Sheriff's Office Pension Plan, Citizen.

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MOTION: Julian Willis motioned to approve September 19, 2024 minutes for the Calvert County Employees Retirement Plan.

SECOND: Melanie Woodson seconded the motion for the Calvert County Employees Retirement Plan. All were in favor. None opposed.

MOTION: Julian Willis motioned to approve November 21, 2024, minutes for the Calvert County Employees Retirement Plan.

SECOND: Melanie Woodson seconded the motion for the Calvert County Employees Retirement Plan. All were in favor. None opposed.

MOTION: Julian Willis motioned to approve the November 21, 2024, minutes for the Sheriff's Office Pension Plan.

SECOND: Joshua Underwood seconded the motion for the Sheriff's Office Pension Plan. All were in favor. None opposed. Motion passed.

MOTION: Sheldon Taylor motioned to approve the November 21, 2024, minutes for OPEB.

SECOND: Melanie Woodson seconded the motion for OPEB. All were in favor. None opposed. Motion passed.

Presentations/Discussions

Don Ross, Wainwright Investments Counsel

Don Ross from Wainwright provided an overview of the firm's investment strategy and market outlook. Wainwright, a Boston-based advisory firm managing over \$5.5 billion, focuses on diversified, multi-asset portfolios. Large-cap tech stocks have driven recent returns, though value investing is gaining traction. Alternatives like private equity remain key but can be inconsistent short-term. Portfolio performance in 2024 has been strong: Employees' up 11%, Sheriff's up 11.3%, and OPEB up 12%. Asset reallocation is under review, including alternatives for the international manager slot. Bond holdings, managed by Loomis Sayles, have delivered solid returns despite inflation and rising interest rates. Market volatility persists due to inflation (3%), geopolitical risks, and U.S. economic factors. Corporate earnings are growing, but consumer confidence is down. The S&P 500's gains are concentrated in major tech stocks, pushing valuations high. Equities have performed well, with portfolio allocations at 73%-75% (80% including private equity), in line with targets.

Teresa Wu & EJ Tadosian, Loomis Sayles

Teresa Wu and E.J. Tadosian provided a bond market update on Loomis Sayles. Loomis, an affiliate of Natixis Investment Managers, is unaffected by Natixis' joint venture with Generali, which will enhance resources without altering portfolio management autonomy. As of early 2024, Loomis manages ~\$398 billion in assets,

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with strong inflows and a solid pipeline. The portfolio outperformed the benchmark by 121 basis points, maintaining long-term returns within its target alpha range (50-100 bps). Loomis follows a disciplined investment approach, avoiding speculative interest rate bets and using only 0-25% of its risk budget. The portfolio is diversified across 300+ issuers, focusing on corporate bonds, ABS, CMBS, and agency mortgages. Performance in 2024 was driven by sector allocation and bond selection, particularly in securitized credit markets. Loomis aligns interest rate sensitivity with the benchmark to limit volatility and remains cautious due to tight credit spreads. The team continues to emphasize security selection and measured risk-taking, adjusting exposure based on market valuations while avoiding large macroeconomic bets.

Don Ross, Wainwright Investments Counsel

Don Ross provided an update on portfolio balances: the employee plan stood at \$100M and the Sheriff's plan at \$152M as of December, both aligning closely with their 80% equity and real estate targets. Slight overweight positions in large growth resulted from fund reallocations. The employee plan had a YTD return of 10.9%, with equities returning 14.2%. A large-cap value manager underperformed in a rising market, while small-cap growth lagged, though Kane Anderson outperformed its index by 5 percentage points. The Sheriff's plan had an 11.3% YTD return, with equities at 14.8%. Private equity underperformed its benchmark, leading to a recommendation to switch to Cambridge Associates' time-weighted index for better evaluation. Since 2010, the employee plan's private equity IRR ranged from 14% to 21.6%, expected to outperform public markets. January's market volatility impacted balances slightly, but they remained stable. A recommendation was made to increase the cash allocation by \$1M to cover upcoming distributions, raising funds from well-performing and underperforming portfolios for balance. Discussions on international exposure adjustments are ongoing.

MOTION: Melanie Woodson motioned to approve Don's recommendation to move \$1 million from total public equity to cash for the Employee Retirement Plan

SECOND: Julian Willis seconded the motion for the Employee Retirement Plan.
No discussion. All were in favor. None opposed. Motion passed.

MOTION: Melanie Woodson motioned to approve Don's recommendation above to put \$1.5 million into large value and the other \$250,000 into cash for the Sheriff's Office Pension Plan.

SECOND: Julian Willis seconded the motion for the Sheriff's Pension Plan.
No discussion. All in favor. None opposed. Motion passed.

Don Ross made recommendations for the OPEB Plan. Looking at rebalancing growth. Growth has done a lot better than value. Don recommends taking \$2 million out and putting it into the large value fund.

MOTION: Barbara Sikora motioned to approve Don's recommendations above for the OPEB Plan to take \$2 million from growth and putting it into the large value fund.

SECOND: Melanie Woodson seconded the motion for the OPEB Plan.
No discussion. All in favor. None opposed. Motion passed.

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Don Ross addresses Slight target adjustments for the OPEB plan. I'm recommending we would keep the public equities targeting 72%, total equities 82% and fixed income targeting still 18%, but reducing. International to 10% and adding 2% to the large value and 2% to large growth. A little bit of a risk reduction measurement, US oriented investing is going to. Still looks pretty good relative to foreign. There may be a time when international is doing a little bit better than. Domestic, but I think this takes a little less risk, a little risk out of the portfolio.

MOTION: Sheldon Taylor motioned to approve Don's recommendations above for the OPEB Plan to reduce international to 10% and adding 2% to the large value and 2% to large growth.

SECOND: Melanie Woodson seconded the motion for the OPEB Plan.
No discussion. All in favor. None opposed. Motion passed.

Don Ross looks at the targets for the Sheriff's Office Pension Plan with the same approach. Reducing international to 10%, taking that 4% and slitting that and adding them to the growth and large value. Then take 1% out of the fixed income and putting that towards cash so that would have 80% in equities and 19% in fixed income with 1% in cash.

MOTION: Melanie Woodson motioned to approve Don's recommendation above to reduce international to 10% and adding 2% to the large value and 2% to large growth. Then take 1% out of the fixed income and putting that towards cash.

SECOND: Megan Sutphin seconded the motion for the Sheriff's Pension Plan.
No discussion. All in favor. None opposed. Motion passed.

Don Ross looks at the targets for the Employee Retirement Plan with the same approach. Reducing international to 10%, taking that 4% and slitting that and adding them to the growth and large value. Then, reducing fixed income from 20% to 17% and putting that 3% into a cash bucket of cash as a yield.

MOTION: Julian Willis motioned to approve Don's recommendation to move Reducing international to 10%, taking that 4% and slitting that and adding them to the growth and large value. Then, reducing fixed income from 20% to 17% and putting that 3% into a cash bucket of cash as a yield for the Employee Retirement Plan

SECOND: Melanie Woodson seconded the motion for the Employee Retirement Plan.
No discussion. All were in favor. None opposed. Motion passed.

Jeff Fabrizio, Wainwright Investments Counsel

Jeff Fabrizio discussed replacing the underperforming Polaris Fund, which follows an international value mandate with small- and mid-cap stocks. MFS, a GARP manager, has outperformed Polaris with more stable returns, making it the preferred replacement.

Brandis, a deep value manager, offers long-term outperformance but with sector-driven volatility, while DFA, a quantitative fund, focuses on profitability and low debt for steadier, modest gains. The team compared portfolio characteristics, sector weightings, and peer rankings, with MFS ranking highest over the long term.

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MOTION: Julian Willis motioned to approve Don's recommendation above to replace the Polaris Fund with MFS for the Sheriff's

SECOND: Melanie Woodson seconded the motion for the Sheriff's Pension Plan.
No discussion. All in favor. None opposed. Motion passed.

MOTION: Sheldon Taylor motioned to approve Don's recommendations above for the OPEB Plan to replace the Polaris Fund with MFS

SECOND: Melanie Woodson seconded the motion for the OPEB Plan.
No discussion. All in favor. None opposed. Motion passed.

MOTION: Julian Willis motioned to approve Don's recommendation above to replace the Polaris Fund with MFS for the Employees Retirement Plan.

SECOND: Melanie Woodson seconded the motion for the Employees Retirement Plan.
No discussion. All in favor. None opposed. Motion passed.

New Business Discussion Employees Retirement Plan, Sheriff's Office Pension Plan and OPEB

Melanie Woodson outlined a 12-month timeline for plan amendments, starting with stakeholder proposals due by March 31, followed by Board of Trustees review (April-May), financial and legal analysis (June-August), and Board recommendations by September 30. The BOCC reviews and votes (October-December), with approved amendments submitted for budget consideration by mid-January and implemented by July 1.

Bruce Miller clarified that while an 18-month timeline was initially mentioned, 16 months is more accurate, with the group's responsibility ending once amendments advance to the BOCC. Melanie agreed and proposed refining the process to a 12-month cycle, with proposals submitted by July implemented the following July. The administrative team will refine the timeline further and present updates in a special meeting.

Bruce asked for a motion to adjourn OPEB.

MOTION: Sheldon Taylor motioned to adjourn OPEB.

SECOND: Barbara Sikora seconded the motion to adjourn OPEB.
No discussion. None opposed. All in favor. Motion passed.

Adjournment: OPEB Plan meeting is adjourned at 1:20 p.m. on March 06, 2025.

Old Business Discussion Employee Retirement Plan and Sheriff's Office Pension Plan

Ann Sturner, Bolton

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Ann Sturner stated that adding a special line-of-duty death benefit would have minimal financial impact. She will provide a comparison chart within two weeks, reviewing current benefits against six other counties. A special meeting will be scheduled to assess the data and align decisions with the county's budget process.

Regarding the actuarial rate of return, Ann and Alan reviewed the employees' plan. If the discount rate remains at 7.25%, the FY 2026 contribution would be \$1.25M with a 95% funded status. Lowering it to 7% would increase contributions to \$1.5M and slightly reduce the funded status to 93%. Ann noted that reducing the rate enhances financial security. Bruce Miller supported adopting 7%, aligning with best practices and ongoing pension board discussions.

Bruce Miller asked for a motion from the employee retirement plan to accept the 7% rate recommendation.

MOTION: Mark Willis motioned to accept decreasing the discount rate from 7.25% to 7% for the Employee Retirement Plan.

SECOND: Melanie Woodson seconded for the Employee Retirement Plan.
No discussion. All in favor. None opposed. Motion passed.

Ann Sturner reviewed the sheriff's plan, noting key differences from the employees' plan. The ADC for FY 2025 is \$5.6M, increasing to \$6.3M for FY 2026, primarily due to higher-than-expected salary increases. Despite this, the contribution rate as a percentage of payroll remains stable.

The funded status declined slightly to 85%, still a healthy level. Lowering the discount rate to 7% would increase contributions to \$7.2M (32.6% of payroll) with a modest funded status decrease. Ann emphasized maintaining required contributions to move toward full funding and reduce risk. She then opened the floor for questions.

Bruce Miller asked for a motion to recommend the adoption of the 7% discount rate for the sheriff's plan.

MOTION: Megan Sutphin motioned to accept decreasing the discount rate from 7.25% to 7% for the Sheriff's Office Pension Plan.

SECOND: Melanie Woodson seconded for the Sheriff's Office Pension Plan.
No discussion. All in favor. None opposed. Motion passed.

Ann Sturner continued. The board reviewed studies on a proposed one-time 1% COLA adjustment for retirees in both the employees' and sheriff's plans. Ann Sturner explained that the cost impact, based on a 7.25% discount rate, would be approximately \$113,000 annually for the employees' plan and \$103,000 for the sheriff's plan, amortized over 10 years. The adjustment aims to address inflation gaps caused by the 3% COLA cap, particularly during high-inflation years like 2022 and 2023. The board discussed potential alternative increases (e.g., 2% or 3%), noting costs would scale accordingly. Melanie Woodson emphasized the importance of considering both plans together before making a decision. The discussion concluded with an acknowledgment that the financial impact is similar for both plans, with a total estimated cost of \$2 million over a decade. Sherrie Myers asked if this year's CPI was estimated at 2.5%, to which Sturner clarified that 2.5% is just the actuarial assumption used for long-term projections—actual figures may vary year to year. Myers wanted to know if retirees would be capped below the CPI, expressing concern about shortchanging them. Sturner noted that for

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another plan, it was around 3% and expected theirs to be similar. Myers was curious if they'd hit the cap again if CPI exceeded 3%.

Bobby Jones asked where the 1% figure came from—whether it was arbitrary or based on affordability. Sturmer explained that 1% serves as a simple baseline that can be scaled up depending on the final decision. Bruce Miller confirmed that the initial request, particularly from the Sheriff's plan, was for a 1% COLA, but both plans were analyzed. Miller explained that the next step would be to make a motion recommending a percentage for board approval, after which it would move to the Board of County Commissioners for consideration in the fiscal year 2026 budget process.

Bobby Jones sought clarification on whether different percentages had been considered, and Bruce Miller confirmed that 1% was the proposed figure. Julian Willis explained that 1% served as a base for calculating other percentages, such as 2.5%. Sherrie Myers inquired if the BOCC could change the recommended percentage, and Julian confirmed they could adjust it based on funds and public input. He reassured Sherrie that the commissioners make the final decision. Melanie Woodson raised concerns about the potential risks to the fund in market downturns or with increased liabilities, emphasizing the board's responsibility to make fiscally sound recommendations. Bruce Miller agreed, warning that approving additional benefits could lead to underfunding and increased future costs. Both Melanie and Bruce stressed the importance of the board's fiduciary duty to act in the best interests of plan beneficiaries without shifting the responsibility to the BOCC.

Ann Sturmer then reviewed recent cost-of-living adjustments (COLAs), noting that for the July 1, 2024 increase, the actual CPI was 3.82%, but it was capped at 3% per plan provisions. The same occurred in prior years: 8.46% CPI in 2023 was capped at 3%, and 5.26% CPI in 2022 was also limited to 3%. Prior to 2021, CPI increases were lower and did not reach the cap. She explained that while ad hoc increases could be approved occasionally, establishing a pattern of such increases would require them to be factored into actuarial valuations. Bruce clarified that the plan provides the lower of CPI or 3%, and Ann confirmed this.

Melanie Woodson asked if there were any other votes impacting the Actuarially Determined Contribution (ADC), and Bruce Miller confirmed that the only vote today was on the 1% recommendation. Ann Sturmer reminded the board of the ADC increase due to the prior reduction in the discount rate. Sherrie Myers noted that despite high CPI in previous years, healthcare costs remained stable, and Social Security recipients saw increases, unlike pension plan retirees. Bruce Miller summarized that the board needed to decide whether to recommend the 1% COLA for the sheriff's plan or defer the decision to a future meeting.

MOTION: Bobby Jones motioned to take the retiree COLA to the County Commissioners for a one-time 1% increase for the Sheriff's Office Pension Plan.

SECOND: Julian Willis seconded for the Sheriff's Office Pension Plan.
No discussion. All in favor. None opposed. Motion passed.

MOTION: Melanie Woodson motioned to take the retiree COLA to the County Commissioners for a one-time 1% increase for the Employee Retirement Plan.

SECOND: Julian Willis seconded to adjourn the Employee Retirement Plan.
No discussion. All in favor. None opposed. Motion passed.

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Bruce Miller asked if there is a motion to adjourn the Employee Retirement Plan.

MOTION: Melanie Woodson motioned to adjourn the Employee Retirement Plan.

SECOND: Julian Willis seconded to adjourn the Employee Retirement Plan.

No discussion. All in favor. None opposed. Motion passed.

Adjournment: Employee Retirement Plan meeting is adjourned at 2:18 p.m. on March 06, 2025.

Old Business Discussion Sheriff's Office Pension Plan

Ann Sturner, Bolton

Ann Sturner presented a study on extending the Deferred Retirement Option Program (DROP) from five to seven years, allowing members to stay employed for an additional five years. The study found that extending DROP would increase the accrued liability by about \$1 million. The impact on the Annual Required Contribution (ADC) included an annual increase of \$65,000 in normal costs and an additional \$120,000 in amortization payments over 12 years to cover the liability increase. The study also assumed that participants might retire or enter DROP earlier than under the previous three-year option.

MOTION: Bobby Jones motioned to take the extension of the DROP from three years to five years to the County Commissioners for the Sheriff's Office Pension Plan.

SECOND: Julian Willis seconded for the Sheriff's Office Pension Plan.

No discussion. All in favor. None opposed. Motion passed.

Ann Sturner presented two options for increasing the Sheriff's Plan retirement benefit to 70% at 25 years of service. One option offers 2.8% per year for 25 years, and the other offers 2.9% for the first 20 years and 2.4% for the next five. The impact on county contributions was analyzed, showing a \$2.7 million increase annually if employee contributions remain at 8%, or a \$2.3 million increase if raised to 10%. A second alternative showed similar increases, with the county contribution rising by \$3 million at 8% or \$2.6 million at 10%. The analysis also compared Calvert County's benefits to those of other jurisdictions. However, due to concerns about affordability and the impact on the funding ratio, the board paused the decision and is considering whether to recommend the changes to the county commissioners.

MOTION: Bobby Jones motioned to take the information presented by Bolton to the County Commissioners through the County Administrator's Office on a future work session for the Sheriff's Office Pension Plan.

SECOND: Julian Willis seconded for the Sheriff's Office Pension Plan.

No discussion. All in favor. None opposed. Motion passed.

Bruce Miller: Is there a new business discussion for SOPP? No.

Bruce Miller asked for a motion to adjourn the Sheriff's Office Pension Plan.

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MOTION: Melanie Woodson motioned to adjourn the Sheriff's Office Pension Plan.

SECOND: Suzanne Benedict seconded the motion to adjourn the Sheriff's Office Pension Plan. No discussion. All in favor. None opposed. Motion passed.

Adjournment: Sheriff's Office Pension Plan meeting is adjourned at 2:45 p.m. on March 14, 2024.