

**ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN
BOARD OF TRUSTEES MEETING
January 26, 2017**

Members Present: Dr. Rebecca Bridgett, County Administrator
Jeannett Cudmore, Chief Financial Officer
Lt. Edward Evans, Sheriff's Office Representative
Sgt. Shawn Moses, Sheriff's Office Representative
Dr. Tracy Harris, Citizen Representative

Others Present: Catherine Pratson, Plan Administrator
Karen Gates, Recorder
Mark Kelbaugh/Kristopher Seets, Bolton Partners
Jeff Seibel, Morgan Stanley

CALL TO ORDER

The meeting was called to order at 1:05 p.m.

ACCEPTANCE OF THE AGENDA

The agenda was accepted as presented by Dr. Bridgett.

INTRODUCTION OF NEW SHERIFF'S OFFICE REPRESENTATIVE

Dr. Bridgett introduced Sgt. Shawn Moses as the new Sheriff's Office Representative.

APPROVAL OF MINUTES

Lt. Evans made a motion, seconded by Tracy Harris, to approve the October 27, 2016 meeting minutes.
Motion carried.

BOLTON PARTNERS PRESENTATION – SORP ACTUARIAL VALUATION

Mark Kelbaugh and Kristopher Seets from Bolton Partners presented the SORP Actuarial Valuation as of July 1, 2016. The actuarial valuation determines the County's contribution for fiscal years ending June 30, 2018 and June 30, 2019.

The Plan's total employer contribution as a percentage of payroll increased almost 2% from 37.8% as of July 1, 2014 to 39.7% as of July 1, 2016. The following factors affected the increase in County's contribution as a percentage of payroll:

- Investment returns during FY2015 and FY2016 were lower than expected since the last valuation;
- Bolton made an assumption change to use a more current mortality bases;
- Pay for returning employees increased approximately 17.3% over the prior valuation as of July 1, 2014;
- Total participant payroll increased by 9.45% since the last valuation; more than the assumption of a 3.74% increase per year.

Kristopher Seets recommended changing from the RP2000 Blue Collar table to the RP2014 Blue Collar table. These rates of current mortality and expectations for future improvements are representative of general mortality experienced by pension plans. Mr. Seets noted that a similar set of assumptions has been adopted by other Counties and the Maryland State Retirement and Pension System.

Mark Kelbaugh reviewed a summary of the Plan's actuarial accrued liability and of the future benefits expected to be paid from the Plan. Mr. Kelbaugh noted that the Plan owed contribution refunds to former non-vested members of \$214,810; up from \$113,692 as of July 1, 2014. Mr. Kelbaugh encouraged the Plan to pay out employee contributions to former non-vested members in order to lower the Plan's accrued liability. Mr. Seets noted that he is aware of some plans that stop interest accruing on former non-vested member contributions after one year.

Mark Kelbaugh presented a table summarizing the counts, ages and benefit information for plan participants used in the July 1, 2016 valuation.

Mr. Kelbaugh noted that an age/service scatter chart was added to the July 1, 2016 valuation. The chart shows the distribution of active participants based on age and service. The average participant age is 36.24 years and the average years of service are 11.14.

The Plan's fund investment return assumption is currently 7.25%. Kristopher Seets noted that the trend with some defined benefit plans is to lower the interest rate of return to an investment return assumption of 7%.

Tracy Harris made a motion, seconded by Lt. Edwards, to accept the assumptions and actuarial methods used to prepare the actuarial valuation of the St. Mary's County Sheriff's office Retirement Plan as of July 1, 2016. Motion carried.

MORGAN STANLEY UPDATE – 4th QUARTER 2016 FINANCIAL REPORT

Jeff Seibel from Morgan Stanley provided a Performance Measurement Report for the period ending December 31, 2016. The Combined Account portfolio was up 0.83% for the quarter, the Domestic Equity portfolio was up 3.19% for the quarter, the International Equity portfolio was down -2.71% for the quarter, the Fixed Income portfolio was down -1.39% for the quarter, the Real Estate portfolio was down -0.27% for the quarter, and the Hedge Funds & Private Equity portfolio was up by 3.59%. The beginning market value of the Plan was \$71,103,338 and the ending Market Value of the Plan was \$72,520,925.

Tactical Rebalance/Positioning

Jeff Seibel recommended the following fund rebalance/positioning:

- Decrease cash by 1% and increase the Clarkston Small/Mid Cap fund by 1%;
- Decrease cash by 1.2% and increase the iShares Emerging Markets ETF fund by 1.2%;
- Decrease the iShares Interim Government/Credit fund by 1.9% and increase the SPDR Inv Grade Floating Rate ETF fund by 1.9%.

Edward Evans made a motion, seconded by Tracy Harris, to accept Morgan Stanley's recommendation to rebalance the portfolio as indicated on the Morgan Stanley January 2017 agenda; Item No. 4. Motion carried.

Morgan Stanley Agenda for April 2017 SORP Meeting

- First quarter 2017 review

UPDATE – INCLUDING UNUSED SICK LEAVE ON SORP ANNUAL BENEFIT STATEMENTS

During a previous SORP board of trustees meeting, Capt. Black asked whether unused sick leave could be included on the annual SORP benefit statements when calculating the estimated retirement benefits. Tom Lowman from Bolton Partners does not recommend including unused sick leave on the SORP benefit statements because sick leave balances fluctuate and including unused leave accrual when determining a benefit estimate is not usually done.

DISCUSSION OF CONSULTANT COMMENTS DURING ACTUARIAL REVIEW

The Board expressed interest in further understanding the option to amend the plan to remove the interest accrual after one year for former non-vested participants as a method to reduce the future liability. At this point, the Board does not want to pursue lowering the Plan’s investment return assumption.

Administrator’s Report

BILLS PAID SINCE LAST MEETING:

DATE	PAYEE	TYPE SERVICE	AMOUNT
11/18/16	Bolton Partners	Professional services rendered through 10/31/16 - Retirement calculation - Valuation in progress - GASB 67/68	\$ 233.00 \$5,900.00 \$4,774.00
12/05/16	Whiteford, Taylor & Preston	Consulting services through 11/30/16. - Draft of 12 th Amendment.	\$ 455.00
12/20/16	Bolton Partners	Professional services rendered through 11/30/16. - Retirement calculations - Valuation in progress	\$ 706.00 \$4,193.00
TOTAL:			\$ 16,261.00

NEXT MEETING

The next meeting is scheduled for March 23, 2017.

ADJORNMENT

The meeting adjourned at approximately 3:20 p.m.

Respectfully submitted,

Karen Gates
SORP Plan Coordinator

APPROVED:

Dr. Rebecca B. Bridgett
Chair