

ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN

BOARD OF TRUSTEES MEETING

February 28, 2008

Members Present: John W. Savich, County Administrator

Elaine M. Kramer, Chief Financial Officer

Daniel L. Morris, Citizen Member

Lt. Terry L. Black

Sr. DFC William E. Raddatz

Others Present: Susan Sabo, Plan Administrator

Dee Snyder, Benefits Coordinator

Jeff Seibel, Morgan Stanley

CALL TO ORDER

The meeting was called to order at approximately 2:06 p.m.

ACCEPTANCE OF THE AGENDA

Bill Raddatz made a motion, seconded by Elaine Kramer, to accept the agenda as presented. Motion carried.

APPROVAL OF MINUTES

Bill Raddatz made a motion, seconded by Terry Black, to approve the minutes from the meeting of 01-24-08. Motion carried.

FINANCIAL REPORT FROM MORGAN STANLEY

Jeff Seibel from Morgan Stanley gave an overview of the Fund's Investment Performance Summary for the fourth quarter of 2007. Financial markets did not fare well during the fourth quarter and a choppy period is expected throughout 2008. Overall the Fund did grow by 10.47% for the year 2007 which was better than the median average of 8.29% from the Bank of New York Mellon. When questioned about the high cash allocation (8%), Mr. Seibel explained that the high cash allocation had actually helped save the Fund's higher earnings in 2007, but he expects they will reduce the cash allocation after the current quarter ends. The beginning market value of the Fund in

January 2007 was \$26,819,476. Contributions/Withdrawals equaled \$1,359,002. Realized/Unrealized Gains (Losses) equaled \$2,825,397. The ending market value on December 31, 2007 was \$31,003,875. Mr. Seibel confirmed that former Morgan Stanley Associate Daniel Iriarte was no longer with the firm. Mr. Seibel will return to the April meeting to report on the first quarter of 2008.

CLOSED SESSION

At 3:40 p.m., Bill Raddatz made a motion, seconded by Terry Black, to enter a closed session to discuss an issue pertaining to a personnel matter. Motion carried. At 3:52 p.m., Elaine Kramer made a motion, seconded by Terry Black, to reopen the meeting. Motion carried.

UPDATE ON ACCRUAL RATE

Sue Sabo reported that she had made the request to the Board of County Commissioners to set a Public Hearing on the subject of amending the plan to change the accrual rate from 2% to 2.5% retroactive by ten years. The Public Hearing was held on February 26, 2008 at 6:00 p.m. in Room 14 of the Governmental Center. Ms. Sabo expected the Board of County Commissioners to make a decision by March 25, 2008, the date of the completion of the Preliminary Budget.

DISABILITY RETIREMENT COSTS

John Savich opened the discussion regarding the high cost of disability retirements and linked the decision that is made to the likelihood of obtaining the accrual benefit change. Mr. Savich directed that a decision be made that is sustainable, in line with other plans and able to pay benefits appropriately. Sue Sabo distributed a chart comparing St. Mary's disability benefits to other plans for Board Members to review. The Board also reviewed a written report on the current status of the SORP retirees which indicated that there are currently 61 retirees, and 30 of them are retired on disability of one degree or another. A total of 19 are retired on 66-2/3% disability. Sue Sabo informed the Board that 50% of all the retirements being due to disability was very high compared to a normal average of only 25% according to the plan actuaries. Sue Sabo presented information indicating that other retirement plans were leaning toward the requirement that a retiree must qualify for Social Security Retirement benefits before being deemed eligible for catastrophic (66-2/3%) disability benefits. Ms. Sabo also offered a list of 4 possible options for disability retirement changes. The first option would be to redefine "catastrophic" as: "Severely limits one or more major life activities AND permanently prevented from engaging in any substantial gainful employment." Board Members had a lengthy discussion regarding the possibility of requiring disability retirees to become eligible for Social Security Disability benefits in order to qualify for catastrophic disability under the Sheriff's Retirement Plan and the four possible change options offered by Sue Sabo

Following the discussion, John Savich summarized the items on which he felt the Board had agreed. He stated that there was agreement to change the definition of catastrophic

disability as spelled out in the definition presented by Sue Sabo. He stated that there was agreement to require eligibility for Social Security disability in order to qualify for catastrophic disability from the Sheriff's Retirement Plan, and that retirees would be required to apply for benefits within three months and would have 18 months to complete the process unless there were extenuating circumstances that might allow for an extended period. No one objected to the summary. Mr. Savich then asked the Board Members to present a case for changing non-catastrophic disability from 33-1/3% to 50% as proposed by Bill Raddatz. That issue was also discussed at length. Bill Raddatz then made a motion, seconded by Elaine Kramer, to redefine a catastrophic disability as one that severely limits one or more major life activities and permanently prevents the engagement of any substantial gainful employment and to award a 50% benefit for all line-of-duty disability benefits initially, and increasing the benefit to 66-2/3% for any retiree becoming eligible for Social Security retirement benefits. Once the Social Security benefit is approved, the SORP benefit can be increased to 66-2/3% retroactively up to one year. Mr. Raddatz also included in the motion the stipulation that the recommendation be reviewed by the Actuary for costs and the Plan Attorney for legal review, and if no major issues were involved, Sue Sabo could take the recommendations to the Board of County Commissioners immediately thereafter. Motion carried.

Elaine Kramer asked the question whether the decisions just made would affect the future need of the affidavit being used for disability retirees to document continuing disability. Sue Sabo agreed that the need for the affidavit could change.

ADMINISTRATOR'S REPORT

Bills paid since last meeting:

1-31-08 - Bolton Partners for actuarial services through 12-31-07 - \$360.00

NEXT MEETING

The next meeting is scheduled for March 27, 2008.

ADJORNMENT

The meeting adjourned at approximately 4:15 p.m.

Respectfully submitted, APPROVED:

Dee Snyder

Recorder

John W. Savich

Chair