

MINUTES OF THE
MEETING OF THE PENSION OVERSIGHT COMMISSION
August 18, 2015

A meeting of the Pension Oversight Commission (POC) for the Howard County Retirement Plan and the Howard County Police and Fire Employees' Retirement Plan was held Tuesday, August 18, 2015 at 4:00 p.m. in the Office of Human Resources, Reisterstown Room located in the Ascend One Building, Columbia, MD. Present in person were the following voting members of the Commission:

Todd Snyder
Toshie Kabuto
Peter Hong

Commission members Mitchell Stringer and Vananzo Eaton were absent. Also present in person were Lonnie Robbins Chief Administrative Officer, Terry Reider Retirement Coordinator, Wanda Hutchinson HR Administrator, Tom Lowman from Bolton Partners and Scott Southern Retirement Assistant. Mr. Snyder chaired the meeting and Mr. Southern served as Secretary.

The POC meeting was called to order at 3:59 p.m. Terry Reider began the meeting by providing introductions of the parties that were present. Ms. Reider then began a discussion of the Maryland Open Meetings Act. The commission was reminded that they were required to be compliant with the regulations of the Open Meeting Act. Therefore any discussions that take place with a quorum of commission members concerning county business need to be recorded in minutes that are open to the public. This applies to electronic communication and conference calls.

Mr. Snyder was not sure that the act applied to this commission. Mr. Southern read from the "Rules of Procedure of the Pension Oversight Commission" article III section 3.5 concerning Open Meetings detailing that all meetings of the commission shall be open to the public. Mr. Snyder requested that the commission members be sent a link to the Open Meetings Act training.

The next order of business was to elect a Chairperson for the commission since the position was recently vacated at the expiration of Jeff Huber's term. Ms. Kabuto nominated Todd Snyder and Mr. Hong seconded the nomination.

Mr. Snyder motioned that every member of the Pension Oversight Commission take the Maryland Open Meetings Act training within 60 days of being appointed or from this date. The commission members voted to approve the motion.

Mr. Snyder then asked Lonnie Robbins to present the next item on the agenda concerning the amendment to the DROP Program of the Police and Fire Employees' Retirement Plan.

Mr. Robbins gave a brief description of the how the DROP plan works and provided a history of the recent changes to the plan that were implemented beginning January 1, 2015 (DROP II). He also explained that with DROP II, the Chief of Police and the Chief of Fire and Rescue could stay employed as Chief past his/her DROP participation period with written approval of the County Executive. Tom Lowman described the DROP II account balance as including annuity payments determined at the beginning of DROP II, the employees' contributions to the plan and interest (currently 3.5% annually.)

The commission wanted to know how the DROP Plan benefitted the county. Mr. Robbins explained that by having a set time frame in which the county knows they will have a group of police or fire employees retiring, the county can plan to initiate new academy classes.

Mr. Robbins then proceeded to review the proposed amendment to the DROP plan concerning the Chief of Police and the Chief of Fire and Rescue. The first part of the amendment relates to what happens to the DROP account balance if either Chief is asked to stay beyond their DROP participation period. Mr. Robbins explained that the Chief is unable to take the DROP account balance until he leaves employment with the county. As currently written, the plan does not allow for the DROP balance to earn additional interest after the participation period ends. He stated that this was missed in the original draft of the new DROP plan and that it would not be fair to the Chiefs to freeze the account balance if they continue to work.

Ms. Kabuto recalled that there was a concern that the commission had with the original legislation discussed last year. Mr. Robbins explained that the original legislation had a provision for the chiefs that would allow them to reset the final average salary at the end of DROP. This provision was removed from the final legislation.

Mr. Robbins addressed the second part of the amendment which would allow the Chief currently in DROP II as of July 1, 2015 to have his final average compensation determined using the compensation through July 1, 2015. The refresh of the salary

would not occur if the Chief voluntarily leaves employment prior to December 31, 2018. He explained that this would only affect the current Chief of Police since the Chief of Fire and Rescue is not currently in DROP.

Ms. Kabuto wanted to know if the amendments were comparable with other counties' DROP Plans. Mr. Lowman stated that the first part of the amendment was similar to what other counties offer but the second was unusual.

Mr. Robbins expressed that the current Chief was limited by the rules of the old DROP plan which only allowed three exact times to enter DROP. At the time that he entered DROP he was not yet the Chief of Police, so he did not have the benefit of having his higher salary factored into his retirement. DROP II does provide a much wider range of entry opportunities. Mr. Robbins further explained that in order to get the adjustment to the salary, the Chief could not voluntarily leave the county until at least 12/31/2018.

Mr. Snyder was concerned that the amendment did not address what would happen to the salary adjustment if the Chief was terminated for cause.

Mr. Lowman explained that the change would be a cost savings to the plan. The Chief would not be collecting his retirement annuity payment for another three years which would be a savings of about \$270,000. Mr. Lowman feels that without the amendment the Chief would not have the incentive to continue working since he could be making more money by obtaining a different job and collecting his retirement.

Ms. Kabuto wanted to know if other employees who were promoted during this period would receive the benefit of the salary refresh. Mr. Robbins explained that the amendment was being put into place to benefit only the Chiefs in order to retain continuity of management in the police and fire departments. He added that the amendment has the full support of the police and fire unions.

Mr. Snyder wanted to know why the county could not just give the Chief a bonus to retain him. Mr. Robbins stated that giving a bonus throws off the county pay scales for the positions below him. The pay scales are a Human Resources issue and not a pension issue.

Mr. Snyder wanted to know when the county would need the Commission's statement about the proposed amendment. Mr. Robbins stated the legislation would be introduced on September 8, 2015 with a legislative public hearing scheduled for September 21, 2015 so he would like their statement by that date.

Mr. Snyder had to leave the meeting to take a business call. He proposed that the commission set up a conference call to finish the meeting at a later date.

With no other issues to discuss, the meeting was adjourned at 5:13 p.m.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Scott Southern", written over a horizontal line.

Scott Southern,
Office of Human Resources