

**MINUTES OF THE  
MEETING OF THE PENSION OVERSIGHT COMMISSION  
March 22, 2019**

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 Friday, March 22, 2019 at 8:30 a.m. in the Pasadena room of the Ascend One Building at 8930 Stanford Blvd. Columbia, MD 21045. Members also participated via conference call. Present in person and on the phone for all or part of the meeting were the following voting members of the Commission:

Ken Barnes  
Jae Chon  
Todd Snyder

Also present in person and on the phone for all or part of the meeting were Scott Southern and Terry Reider from the Office of Human Resources, along with Ann Sturner and Michael Spadaro from Bolton. Mr. Snyder chaired the meeting and Mr. Southern served as secretary.

The meeting was called to order at 8:35 a.m. The commission wanted to begin the meeting by discussing the experience study and actuarial report of the Howard County Police and Fire Employees' Retirement Plan. Mr. Barnes questioned how the experience study impacted the cost of the plan. It was explained that based on the findings of the experience study, recommendations were made to adjust some of the plans assumptions. The changes did cause an increase to the recommended percentage of payroll which made the cost higher.

Mr. Snyder questioned who was responsible for choosing the assumptions the plan uses and if the current assumptions reflect what Bolton would choose. Ms. Sturner explained that the Retirement Plan Committees do have the final say on the assumptions that are used. She further clarified that there are a range of assumptions that could be used and that Bolton feels that the assumptions approved are reasonable.

The commission wanted to know the impact the recommended changes of 7.5% to 7.45% for the investment return assumption and the change from 2.75% to 2.70% for the inflation assumption on the Police and Fire Employees plan. The change was determined to be a .8% increase in the percentage of payroll or approximately \$700,000. The commission wanted to know if the committee could do a sensitivity study to see what the impact would be if the investments were 1% more or less than the assumption. Ms. Sturner advised that the committees could hire Bolton to conduct a sensitivity study for an additional cost to the plan. The exact cost would be dependent upon the number of variables that were examined. The commission members wanted to know what studies Bolton uses for setting the assumptions, in particular, the investment assumption. Ms. Sturner advised that Bolton does use return projections provided by the plans investment advisor, Summit Strategies. Summit has a projected 10-year return of 6.6% and a 30-year return of 7.3%. They also analyze the inflation assumptions impact on the expected return, Summit is factoring in a 2% inflation rate and Bolton's assumption reflect a slightly higher inflation rate. Another data point that Bolton presented was a survey conducted by NASRA depicting a trend in lowering the expected return.

Ms. Sturner reviewed Bolton's analysis of the impact to Police and Fire Employees plan if the investment return rate was lowered to 7.25%, as stated in their experience study. To make that change it would increase the county's annual contribution by approximately \$4 million. Mr. Barnes thought that there had been a discussion at one of the Retirement Plan Committee meetings about not being able to reduce the risk to the plan unless the return rate was lowered to 7%. Ms. Sturner stated that was not part of their report.

The commission wanted to know how the Plan would be able to reduce its unfunded liability and increase its funding percentage to the point where it would be fully funded. Ms. Sturner went over the how the Plans amortize their unfunded liability. Gains or losses are amortized over 15 years plan changes are amortized over 7 years. Mr. Snyder wanted to know why there was a difference between the unfunded liability of the police and fire Plan and the general employees plan. Ms. Sturner explained that from the beginning the police and fire plan had a much larger unfunded liability. When the plan began it was only 37% funded. The plan still has \$10.8 million of the original liability that will be paid off over the next 4 years. Also, the benefits for the police and fire plan are richer and can begin at an earlier date. The investments for both plans are the same but the liabilities of the police and fire plan are higher. The experience study is conducted every 5 years to help reduce gains and losses by adjusting assumptions accordingly.

The discussion changed to focus to the Howard County Retirement Plan. The funded ratio is very stable and Bolton recommended that the county contribution be increased slightly. It was expressed that benefits of this plan are not as rich as the police and fire plan. Mr. Chon wanted to have an explanation as to why the benefits were not as rich. Ms. Sturner explained that in the general employees plan a participant must be age 62 or have 30 years with the county to begin collecting a normal retirement benefit; whereas a participant in the police and fire plan can begin collecting a normal retirement benefit at 20 years of service with the county. A participant in the general plan age 62 with 20 years of service would get about 33% of their final average salary and participant in the police and fire plan at any age with 20 years of service would get 50% of their final average salary. The benefit amount would be greater for a longer period.

The commission and Ms. Sturner reviewed the gains of about 7.5 million to the Howard County Retirement Plan due to the assumption changes. The gains were partially attributed to lower than expected salary increases and lower than expected cost of living adjustments (COLAs).

The commission wanted to know if Bolton would approve of lowering the discount rate to 7%. Ms. Sturner reiterated that there was a range of acceptable rates, 7.5% is still an acceptable rate. The county would have a larger cost if they were to lower the rate to 7%. Some of the commission members expressed that they felt there is a hesitancy to lower the assumption because of the impact it will have on the funding level.

With no further issues to discuss, the meeting was adjourned at 9:45 a.m.

Respectfully Submitted,



Scott Southern

Office of Human Resources