

CITY OF ROCKVILLE
Retirement Board

DATE: May 19, 2023

LOCATION: Video/Teleconference on WebEx

TIME: 10:00 a.m.

Board Meeting
MINUTES

PRESENT: Board Members: Mike Walsh, Board Chair and Citizen Representative; Darryl Parrish, Citizen Representative; Paula Perez, AAME Representative; Sgt. Chris Peck, FOP Representative; Greg Satterfield, Union Representative; Craig Simoneau, Public Works Director representing the City Manager; Councilmember Beryl Feinberg, Mayor and Council Representative
Executive Secretary to the Board: Stacey Webster, City of Rockville CFO

ABSENT: None.

Also present: Ryen Sherman from Segal Marco Advisors; Jim Ritchie and Colin Slovenkay from Bolton Partners, Inc.; Andy Taglienti, Lieutenant with the Rockville City Police Department; Xiaojing Zhang and Tim Peifer, Finance; Daisy Harley and Colette Anthony, Human Resources; Leela Fireside, City Attorney's Office; Joe Ebisa, WithIntelligence.

Mr. Walsh called the meeting to order at 10:01 a.m.

I. Approval of Minutes

Mr. Walsh asked for a motion to approve the minutes. Councilmember Feinberg identified one typo and asked a question about the medical insurance language moving to the Personnel Policies and Procedures Manual. Mr. Simoneau asked that a note be included that he was not present for the first two votes at that meeting. Councilmember Feinberg made a motion to approve the minutes from February 24, 2023, with the edits. Mr. Simoneau seconded the motion. All members voted in favor (7-0-0).

II. Investment Performance Review

Following an overview of the market environment year-to-date, Mr. Sherman from Segal Marco Advisors presented the investment performance updates for the Pension Plan, Thrift/457 Plan, and Retiree Benefit Trust for the period ending March 31, 2023.

Mr. Sherman started with the Pension Fund, noting that the Pension Fund returned 3.7% for the first quarter of 2023, which outpaced the benchmark by 20 basis points. The plan returned 11.3% for the 3 year period, 1.8% ahead of the benchmark. The asset allocation is in compliance with the guidelines, although underweight large cap equities and fixed income. The managers are performing in line with expectations.

Mr. Sherman noted that investment grade fixed income has produced negative returns over the last three years as interest rates have increased. He noted that diversifying the fund's fixed income exposure into unconstrained bonds and Global Tactical Asset Allocation has helped protect the fund in the rising rate environment over the last few years.

Mr. Sherman discussed Segal Marco's 2023 capital market assumptions and that their return expectations for fixed income in particular are higher given the increase in interest rates over the past 15 months. He suggested conducting an asset allocation study for the next meeting on September 22, 2023.

For the Thrift and 457 review, the Thrift plan ended the quarter with assets of \$50.2M and the 457 plan had assets of \$37.4M. Both plans are up from the start of the year mostly due to investment gains but had positive cash flow as well. The American Funds target date series are the most utilized investment options for both plans. The stable value fund has the second highest allocation. Mr. Sherman then reviewed a fee analysis, which showed each of the investment options are below the universe median for their respective asset class.

For the Retiree Benefit Trust, the fund returned 5.1% for the first quarter, which was in line with the benchmark. The Plan ended the quarter overweight to equities but was rebalanced recently when we added funds with a new manager, PIMCO. Mr. Sherman again discussed putting together an asset allocation study for the September meeting. Mr. Walsh asked about the frequency of asset allocation studies and Mr. Sherman said every three years or when market conditions change.

III. Discussion on DROP for Police

Mr. Jim Ritchie from Bolton Partners discussed the background of the Board's request for a cost neutral DROP benefit for Police and reminded the Board of the discussion at the February 24, 2023, meeting. Bolton designed an additional option (Option 5), consistent with the February meeting, to discuss with the Board. The major elements of this option include a DROP period of 3 to 5 years, Police Officers first eligible at an early retirement date, and self-directed investment accounts.

Mr. Ritchie also provided comparative information for other DROP plans as requested by Councilmember Feinberg at the February meeting. Councilmember Feinberg requested that Bolton add City of Salisbury and City of Laurel to their list. She also asked Mr. Ritchie to confirm that the City of Frederick does not have a DROP program.

Ms. Webster told the Board that she and Mr. Ritchie will present the Board's recommendation to the Mayor and Council at a future meeting date. Councilmember Feinberg asked that one-on-one sessions be held with the elected body, if requested. Ms. Webster said that she preferred the Board's recommendation go to the Mayor and Council before any changes are drafted for the Pension Plan document.

Sgt. Peck made a motion to forward Option 5 to the Mayor and Council for their approval. Mr. Simoneau seconded the motion. All members voted in favor (7-0-0).

IV. Discussion on RFP for Pension Fund and Trust Investment Performance Evaluation and Consulting Services

Ms. Webster reported that the last time an RFP was performed for retirement plan investment and consulting services was in 2013. She mentioned that the RFP from 2013 was attached to the agenda for reference.

In 2013, one member of the Board participated in the RFP process with city staff. Ms. Webster recommended that one or two members of the Board be involved in this selection process. Responsibilities would include helping to draft the RFP, reviewing RFP responses from firms, meeting to discuss the RFPs with the selection team, interviewing the firms, and selecting a firm to forward to the Mayor and Council for approval. This process is somewhat lengthy due to the involvement with Procurement and the City Attorney's Office.

Councilmember Feinberg made a motion to proceed with an RFP for Pension Fund and Trust Investment Performance Evaluation and Consulting Services. Sgt. Peck seconded the motion. All members voted in favor (7-0-0).

Ms. Webster asked if there were any members interested in serving on the selection committee. Mr. Simoneau and Sgt. Peck offered to serve on the selection committee. Ms. Webster said that she would follow-up with them over the summer.

Ms. Webster announced that the next meeting will be held on September 22, 2023. This meeting will take place in the Black Eyed Susan Conference Room at City Hall.

Adjournment – Mr. Satterfield made a motion to adjourn. Councilmember Feinberg seconded the motion. All members voted in favor (7-0-0). The meeting adjourned at 11:19 a.m.