

Minutes
Retiree Benefit Trust of St. Mary's County
March 19, 2009

Members Present: John W. Savich, County Administrator
Elaine M. Kramer, Chief Financial Officer
Susan Sabo, Human Resources Director
Daniel Raley, county commissioner
Jack Candela, Community Representative

Others Present: Jeannett Cudmore, Plan Administrator

CALL TO ORDER

The meeting was called to order at approximately 2:10 p.m.

AGENDA

John Savich provided some opening comments for this initial meeting and then reviewed the agenda. Dan Raley moved and Susan Sabo seconded the approval of the agenda as presented. The motion was approved with a 5-0 vote.

OVERVIEW OF OPEB

Elaine Kramer provided an overview of GASB45, explaining how this pronouncement set the requirement for governments to recognize the liability that they have for post-retirement benefits, and to formally address it in their audits as well as in funding, much like a pension plan. She talked about the fact that the rating agencies had been asking about the County's post-retirement benefits and how it would be dealt with.

Elaine then reviewed the actuarial report that was included in the materials. This was the very first report done on the County's post-retirement health benefit plan. She reviewed the report page by page, highlighting the material presented and responding to questions. Susan Sabo participated in the discussion and questions as they related to the benefits.

With respect to financial information, Elaine noted the full liability as of the valuation date was approximately \$60 million. Dan Raley commented on the County's revision of its benefits, especially in terms of the vesting schedule, and how that significantly reduced the liability and the annual payments. Elaine then added that the County also used some fund balance to pay down the opening liability and that there was another \$6 million identified for the same purpose in FY2009. Generally, this brought the required annual payments to something in the \$4 to \$5 million range, which will be adjusted based on future reports. There was discussion about the process and challenges of getting to the County's decision to make full funding of the ARC (annual required contribution) an assumption in its annual budget.

Responding to questions and comments from Jack Candela, Sue Sabo profiled the County's retiree health benefits and how favorably it compares to most employers. She then offered to provide some materials outlining the benefits.

Sue Sabo asked a question about the determination of benefits to be offered, and whether that was within the purview of this board. Elaine clarified that it is not a part of this board's responsibilities, but remains with the Board of County Commissioners. This board addresses the actuarial requirements and the investment of funds placed into the trust. While they may advise the BOCC about whether the ARC amount increases or not, it is the BOCC that would have to consider whether there needs to be a change in benefits, funding methodology, etc.

Elaine indicated that the actuarial report is currently in the process of being updated, and it will indicate the County's budget funding requirements for FY2010 and FY2011. She indicated concern in light of the current investment environment.

OVERVIEW OF THE TRUST

Dan Raley explained how the Board of Education has a separate trust, which is invested in a pool with MABE. Additionally, the Library and MetCom have their own trusts. He noted that there is consideration and authority for those to be pooled with this trust, but that decision is down the road. A pooled trust can bring other trusts like Metcom and Library in to earn better investment returns and to reduce somewhat the administration.

Elaine noted that at this time, our funds were invested in MLGIP (Md Local Government Investment Pool), which is generally a short-term investment strategy. The trustees were in general agreement that the funds should stay there, as the returns are positive, and that we should working toward a long-term investment approach over the next 6 months.

Generally, it was noted that a funding ratio of more than 50% was desirable, but Dan Raley commented that our 23% was pretty high compared with others, and that St. Mary's County is one of the few in the State meeting their obligations. He also noted that the BOE will need to address its responsibility to take care of their employees, and not just assume that the County will fund it. Jack Candela asked whether the County plans on keeping up or will with the economy make it difficult to fund. Elaine indicated that the FY2010 draft budget is based on fully funding the ARC, but we still need to look at what the State does to us in FY2010. Dan Raley indicated that this is on top of the list of what is budgeted, and any BOCC would be hard-pressed not to fund the ARC.

Elaine reviewed the trust documents, noting we had a consultant and law firm working with us on these documents. She highlighted page 6, which addresses the authority of the trustees, noting it revolves around the investments and the ability to appoint an investment manager. The responsibility of the board is to review the investments, retain and monitor the activities of the investment manager, and generally making sound investments of the trust funds. It was noted that the current balance invested is \$18 million as of February 2009.

Discussion about the retention of an investment advisor/managers ensued. Dan Raley asked if this needs to follow County policy and be put out to bid? Elaine Kramer noted that a solicitation needs to be completed, and that staff would prepare a draft and bring it back to the next meeting for discussion. Elaine provided a sample from the SORP solicitation, highlighting the need to think especially about deliverables, expectations, and evaluation factors – samples of which were provided. The consensus was that staff would prepare most of the draft and bring it back for discussion. Then, staff would

finalize. The Board's involvement would be the setting of the deliverables and weighting factors, and then in the evaluation of submissions, presentations by the bidders, and final selection. Jack Candela talked about the difficulty of selection and whether you just base it on fees. Elaine and Sue reflected on their experience with SORP selection and that while fees are important, they are far less significant than the financial impact of good or bad investment/management performance, so the criteria will be weighted heavily toward performance compared to benchmarks. Elaine noted that at the level of trust funding, we should be considered a pretty sizable trust and get some good proposals.

Jack Candela asked why there are different plans for the Library and others. It was explained that these are separate legal entities with the ability to set their own benefits. But, it was also explained that there is intent to have a pooled trust down the road, so that all could take advantage of the best returns, etc. Elaine explained that if we didn't have the separate trust for each entity, then it would be seen as the liability of the County Government. As we go through the solicitation, we will look for a firm to represent the County as well as the potential for a pool. A Master trust is already in place.

After considerable discussion about the process and challenges for selecting investment firms, it was concluded to start the process with the goal of completing it in 6 months and this will also give the economy time to shake out.

APPOINTMENT OF PLAN ADMINISTRATOR

Dan Raley presented the motion to have Jeannett Cudmore be the plan administrator and was seconded by Elaine. The motion passed 5-0.

NEXT MEETING

The next meeting will be held on June 18, 2009, at 1:00 p.m. for the principal purpose of discussion of a draft of the solicitation.

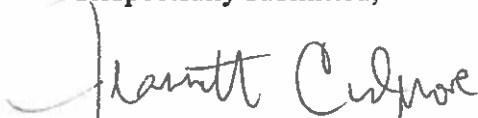
July 16th was also set as a meeting date, to begin at 1:00 p.m., in case it is needed to finalize the RFP.

Following that, meetings will be set to match the RFP schedule. On an ongoing basis, there would be quarterly meetings after the investment manager reports are available.

ADJORNMENT

The meeting adjourned at approximately 4:00 p.m.

Respectfully submitted,



Jeannett Cudmore
Plan Administrator

APPROVED:



John W. Savich
Chair