

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD
AGENDA**

DATE: November 21, 2019
Black Eyed Susan Conference Room, 3rd Floor City Hall
TIME: 6:30 p.m.

- I. Call to Order at 6:30 p.m.
- II. Approve Agenda
- III. Approve Minutes
 - Attachment: Minutes from October 17, 2019
- IV. Reports
 - Beryl L. Feinberg, Mayor and Council Liaison
 - Stacey Webster, City Staff Liaison
 - FAB Member Reports – See Action Plan
- V. Old Business
 - Follow-up from Last Meeting – Wright
 - Other
- VI. Review of FY 2019 Comprehensive Annual Financial Report
- VII. New Business
- VIII. Future Agendas and Meeting Dates
- IX. Good of the Board
- X. Adjourn

**CITY OF ROCKVILLE
FINANCIAL ADVISORY BOARD**

DATE: October 17, 2019

LOCATION: Black Eyed Susan Conference Room, 3rd Floor City Hall

TIME: 6:30 p.m.

**Board Meeting
MINUTES**

PRESENT: Board Members: Jack Kelly, Corey Orlosky, Darryl Parrish, Bob Wright (Board chair)
Staff Liaison: Stacey Webster, Deputy Director of Finance
Staff: Gavin Cohen, Chief Financial Officer/Director of Finance
Guests: Rob DiSpirito, City Manager; Jack Rodgers, Chair of the Retirement Board

ABSENT: Board Member: Andrew Brammer, Kuan Lee
Mayor and Council Liaison: Beryl Feinberg

I. Call to Order

Mr. Wright called the meeting to order at 6:32 p.m.

II. Approve Agenda

Mr. Wright asked the Board if they had any changes to the agenda; there were no changes.

III. Approve Minutes

Mr. Kelly made a motion to approve the minutes from September 4, 2019. Mr. Orlosky seconded the motion. All members voted in favor.

IV. Reports

- FAB Member Reports
 - FY 2020 Board Action Plan – Mr. Wright reported that he presented the FY 2020 Action Plan to the Mayor and Council on September 16, 2019. Mr. Wright said that the elected body voted to approve the Action Plan with the addition of the Board’s review of the Supplemental Employee Contribution (SEC) to the Pension Plan.
 - Boards and Commissions Task Force – Mr. Kelly discussed the Boards and Commissions Task Force and one of their observations/recommendations to the

Mayor and Council is that Boards and Commissions should present annual action plans to the elected body. He discussed the value of the work plan and how it can be a great communication tool.

V. Old Business

Mr. Wright reviewed the following items from the last meeting:

- Mr. Kelly asked Mr. DiSpirito if the City's performance program was included in the Compensation and Classification Study. Staff responded that it was not included because it was included in the last full study. Mr. Kelly encouraged staff to review this component in the next study.
- Mr. Orlosky briefly discussed the Financial Management Policy language on replenishing contingency and reserve levels and decided that his comments are too minor to make any formal changes at this point (maybe in the future).
- Ms. Webster confirmed the CAFR would be available prior to the November 21, 2019, meeting (the accompanying letters might not be available, but the PAFR will likely be available).

VI. Presentation from the City's Retirement Board

Mr. Wright and Mr. Parrish said they were interested in the history of the Supplemental Employee Contributions (SEC) and the past discussion. They both mentioned they are not second guessing the actuary's report.

Mr. Kelly questioned the funded ratio and assumptions of the Pension Plan ("Plan") and if the SEC would help to increase the funded ratio, i.e., move it closer to 100 percent.

Mr. Cohen explained how the employee contributions are currently captured in the Plan. He went on to explain how the Mayor and Council already determined when employees should contribute, and they are choosing not to implement Section 3.1 of the Plan. The purpose of the SEC is to share more equality, between the City and the employees, the cost of the defined benefit part of the retirement plan. To increase the level of the funded ratio is a separate issue.

Mr. DiSpirito said that the Mayor and Council have a role in determining if SEC should be implemented because there is an appropriations component.

Mr. Rodgers stated that the Retirement Board's policy is for the Plan to be at 100 percent funded status. He also mentioned that the employee contribution rates are established in the Plan.

Mr. Rodgers said that since inception the Plan has earned over 5 percent. He discussed how the projections are based on a 7 percent rate of return. Mr. Cohen explained how an actuarial experience study is performed every 5 years and that the results of the study inform the actuary's assumptions. The last study was performed in 2017 and the 7 percent was a recommendation of the actuary. Mr. Orlosky said that the County uses 7.5 percent.

Mr. Wright asked if anyone has ever recommended SEC to the elected body. Mr. Cohen said that the Financial Advisory Board recommended it in the past. The Retirement Board has generally stayed away from recommendations that impact employee benefits.

Mr. Wright asked if the City ever contributed more than the Actuarially Determined Contributions (ADC). Mr. Cohen said that the Mayor and Council have not chosen to do so even though it is allowable via unassigned fund balance per the City's Financial Management Policies.

Mr. Wright asked if the elected body would need to reimplement SEC every year. Mr. Cohen explained the timing of the actuary's report and the timing of the Mayor and Council's annual budget decision. He said the Mayor and Council could implement one year or multiple years, at the SEC Plan rates or at a lesser value, or some combination of the two. He also said that another way to reach 100 percent funded status is to increase the permanent employee contributions (AFSCME's permanent contribution is 0 percent for example). Mr. Cohen explained that SEC allows flexibility for the Mayor and Council and employees as compared to permanent increases.

Mr. Cohen explained the two components of the ADC, the normal costs and the unfunded actuarial liability. He also explained that subsequent to the last recession, the City investigated other retirement benefit options, such as fully defined contribution plans.

Mr. DiSpirito said that it is not a question of "if we do it," but "how we do it." He said that the City is not ready to implement SEC because employees are not fully educated about it.

Mr. Wright concluded the discussion by asking the Board for a volunteer to assume responsibility for future analysis on the SEC topic. The Board decided it will wait to act on any SEC recommendations to the Mayor and Council.

VII. New Business

Mr. Kelly said that Mr. Lee was working on performance measures, but that project has stalled. Mr. Kelly hopes this project will pick up after the election.

VIII. Future Meeting Dates and Future Agendas

The next meeting will be held on **November 21, 2019**, at 6:30 p.m. in the Black Eyed Susan Conference Room and will include the following:

- I. Call to Order
- II. Approve Agenda
- III. Approve Minutes
- IV. Reports
- V. Old Business
- VI. Review of the FY 2019 Comprehensive Annual Financial Report
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- IX. Good of the Board
- X. Adjourn

The next meeting after that will be held on January 7, 2020, at 6:30 p.m. in the Red Maple Conference Room.

IX. Good of the Board

X. Adjourn

Mr. Kelly made a motion to adjourn. Mr. Orlosky seconded the motion. All members voted in favor. The meeting adjourned at 8:21 p.m.

Summary of follow-up items:

- Mr. Wright will contact the Mayor after the election regarding the vacant Board member appointment.
- Ms. Webster will email the Board the CAFR (and accompanying letters and the PAFR if they are available) prior to the November 21, 2019, meeting.