

**CITY OF ROCKVILLE
Retirement Board**

DATE: November 14, 2025
LOCATION: Black Eyed Susan Conference Room
TIME: 10:00 a.m.

**Board Meeting
MINUTES**

PRESENT: Board Members: Councilmember Barry Jackson, Mayor and Council Representative; Jeff Mihelich, City Manager; Darryl Parrish, Citizen Representative; Paula Perez, AAME Representative; Greg Satterfield, Union Representative; Mike Walsh, Chair and Citizen Representative
Executive Secretary to the Board: Stacey Webster, City of Rockville CFO

ABSENT: Sgt. Chris Peck, FOP Representative

Also present: Christian Sevier, Segal Marco Advisors; Daisy Harley, City of Rockville Benefits Manager; Susan Seling, City of Rockville Director of Human Resources; Jim Ritchie, Jordan McClane, and Tom Vicente, Bolton

Mr. Walsh confirmed the quorum and called the meeting to order at 10:00 AM.

I. Approval of Minutes

Mr. Satterfield made a motion to approve the minutes from September 12, 2025. Mr. Walsh seconded the motion. All members voted in favor (4-0-0; Mr. Mihelich and Mr. Jackson arrived after this vote).

II. Quarterly Investment Performance Review

Following an overview of the market environment from the third quarter of calendar year 2025, Mr. Sevier from Segal Marco Advisors presented the investment performance updates for the Pension Plan, Thrift/457 Plan, and Retiree Benefit Trust for the period ending September 30, 2025.

Mr. Sevier began by presenting the Pension Plan's performance, noting that the Plan returned 4.6% for the third quarter of 2025, underperforming the Policy Index return of 5.3%. This was also the Plan's first quarter of its fiscal year. The Plan returned 11.3% for the calendar year to date period ended September 30, 2025, trailing the Policy Index return of 12.1%.

Mr. Sevier noted that in early October the Plan's annual contribution (\$5.8M) was allocated to the Principal Large Cap Stock Index, which should bring that allocation in-line with the new target for U.S. Large Cap Equity of 20.0%. He also noted that the State Street Small Cap Equity investment had underperformed the Russell 2000 Index by a significant margin year to date, but that additional slides were included the materials addressing the common theme of underperformance of actively managed U.S. small cap equity managers vs that Index over the last few quarters.

Next, Mr. Sevier presented the Thrift and 457 Plans review. The Thrift Plan ended the quarter with \$72.5M and the 457 Plan had assets of 49.2M. Mr. Sevier noted that the American Funds Target Date Funds remain the most utilized investment options for the combined plans with over 42% of total assets. The Lincoln Stable Value fund (14.9% of assets) and the Vanguard S&P 500 Index (14.3% of assets) are the largest individual investment fund holdings for the combined Thrift and 457 Plans. Mr. Sevier then provided performance commentary for several of the funds within the Plan. The JP Morgan SMID Cap Equity fund continues to experience inconsistent performance relative to its benchmark. After some discussion regarding the merits of conducting a replacement US mid cap equity fund search vs terminating JP Morgan SMID Cap Equity and not seeking an actively managed US mid cap fund replacement, the Board opted for the latter approach.

Mr. Mihelich made a motion to terminate the JP Morgan SMID Cap Equity fund and any participants that do not move their investment to a different investment by the to-be-announced effective date will have their allocations mapped to the Plans' Vanguard Mid Cap Equity Index fund. Mr. Parrish seconded the motion. All members voted in favor (6-0-0).

With respect to the year-to-date underperformance for actively managed US small cap equity funds relative to the Russell 2000 Index, specifically the State Street Small Cap Equity fund in the Pension Plan portfolio and the Boston Trust Walden Small Cap fund in the Thrift/457 Plans, Mr. Sevier reviewed a detailed analysis of the significant outperformance of low quality stocks in recent months. The analysis included data points for the Boston Trust Walden fund portfolio relative to the Russell 2000 Index, showing that despite having more favorable fundamentals than the Index, stocks of companies with negative and/or less earnings growth and predictability, and high levels of debt on their balance sheets, have performed much better this year. The analysis also showed similar past experience following the pandemic and offered a potential glimpse of how higher quality and more attractively priced stocks could rebound and once again outperform lower quality peer stocks as the market environment normalizes. Mr. Sevier concluded the Thrift/457 Plans' review noting that the Plans' investment funds remained competitive from a fee perspective relative to peer universe median fees.

Next, Mr. Sevier reviewed the Retiree Benefit Trust. The Trust ended the quarter with assets valued at approximately \$10.8M and returned 2.6%, which underperformed the benchmark return of 4.9%. The Trust returned 6.7% for the trailing one-year period, underperforming the Policy Index return of 10.3%. The asset allocation remains in compliance with the stated

investment guidelines. Mr. Sevier provided additional commentary for Harding Loevner's underperformance relative to its global equity benchmark and continued to recommend that he and the Board monitor performance through the end of the calendar year before potentially considering alternative investment funds.

III. Adoption of Investment Policies

Mr. Sevier reviewed Segal Marco's final edits to the Pension, Thrift/457 Savings Plan, and Retiree Benefit Trust Investment Policy Statements. He reminded the Board of their discussion at the last meeting in September regarding the changes and requested that the Board approve.

Mr. Walsh made a motion to approve all changes to the Pension Plan Investment Policy Statement. Mr. Parrish seconded the motion. All members voted in favor (6-0-0).

Mr. Walsh made a motion to approve all changes to the Thrift and Savings Plan Investment Policy Statement. Mr. Parrish seconded the motion. All members voted in favor (6-0-0).

Mr. Walsh made a motion to approve all changes to the Retirement Benefit Trust Investment Policy Statement. Mr. Parrish seconded the motion. All members voted in favor (6-0-0).

All Board members signed and dated the three Investment Policy Statement documents.

IV. Pension Actuarial Valuation Presentation

Mr. Ritchie provided a detailed overview of the City of Rockville Pension Plan, Actuarial Valuation as of July 1, 2025, to determine the city's contribution for the fiscal year ending June 30, 2027.

Mr. Ritchie stated that the actuarially determined contribution (ADC) increased this year as a nominal amount but decreased as a percentage of participant payroll. The increase to the ADC dollar amount is primarily the result of the increase in participant payroll. The FY 2027 contribution of \$6,127,530 is assumed to be paid by October 1, 2026.

The following factors affected the City's contribution as a percentage of payroll: plan assets and investment performance – investment returns during FY 2025 were about \$3.3 million higher than expected; payroll changes – pay for returning employees increased approximately 6.6% over the prior year and total covered payroll increased by 7.5% over the prior year; and plan changes – there were two plan changes: (1) DROP was implemented and (2) a 1% cost-of-living adjustment (COLA) was provided to members in receipt of annuity pension benefits.

Mr. Ritchie also briefly covered the funded ratio projections, the estimate of supplemental employee contributions, the estimate of an additional 1% retiree COLA, historical investment returns, and plan participant information.

Mr. Walsh made a motion to accept the annual Pension Plan Actuarial Valuation Report. Ms. Perez seconded the motion. All members voted in favor (5-0-0; Mr. Mihelich stepped out).

V. OPEB Actuarial Valuation Presentation

Mr. Tom Vicente from Bolton provided an overview of the City of Rockville Other Post-Employment Benefits (OPEB) Actuarial Valuation to determine the City's contribution for the fiscal years ending June 30, 2027, and June 30, 2028.

Based on the assumptions and methods disclosed in the OPEB report, the OPEB Plan remains over 100% funded for FY 2027. The amortization portion of the policy is a fixed declining recognition period (currently 13 years). As the period shortens it may lead to unintended volatility in the annual contribution. Mr. Vicente recommended reviewing the policy and adding layers to offset the volatility for the next valuation.

As of July 1, 2025, assets in the OPEB Plan are valued at \$10,240,611 and the funded status is at 117% so there is \$0 required from the City for FY 2027. The next valuation will be performed in November 2027.

Mr. Walsh made a motion to accept the OPEB Actuarial Valuation Report, Mr. Satterfield seconded the motion. All members voted in favor (6-0-0).

Mr. Walsh announced the next meeting will be held on February 20, 2026, at 10:00 AM in the Black Eyed Susan Conference Room.

Adjournment – Mr. Walsh made a motion to adjourn. Mr. Parrish seconded the motion. All members voted in favor (6-0-0). The meeting adjourned at 11:15 AM.