

**HOWARD COUNTY POLICE AND FIRE
EMPLOYEES' RETIREMENT PLAN**

**FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2024 AND 2023

**HOWARD COUNTY POLICE AND FIRE
EMPLOYEES' RETIREMENT PLAN
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Retirement Plan Committee
Howard County Police and Fire Employee's Retirement Plan
Howard County, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Howard County Police and Fire Employee's Retirement Plan (the Plan), as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of June 30, 2024 and 2023, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

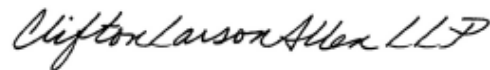
Retirement Plan Committee
Howard County Police and Fire Employee's Retirement Plan

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedules of Changes in the County's Net Pension Liability and Related Ratios, the Schedule of County Contributions, and the Schedule of Investment Returns, and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2024, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 21, 2024

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Introduction

The Howard County Police and Fire Employees' Plan (the Plan) is a single-employer defined benefit public employee retirement plan administered by Howard County, Maryland, which provides retirement benefits as well as death and disability benefits and cost-of-living adjustments.

Responsibilities for administration and operation of the Police and Fire Plan are vested in a Retirement Committee with seven members (Committee). The Committee has authority to establish and amend the respective benefit and contribution provisions.

Membership Data

	<u>07/01/2023</u>	<u>07/01/2022</u>	<u>07/01/2021</u>
Active	1011	969	968
Retired and beneficiaries	511	477	451
Disabled	37	36	35
Terminated vested	<u>28</u>	<u>32</u>	<u>24</u>
Total	1,587	1,514	1,478

Financial Highlights

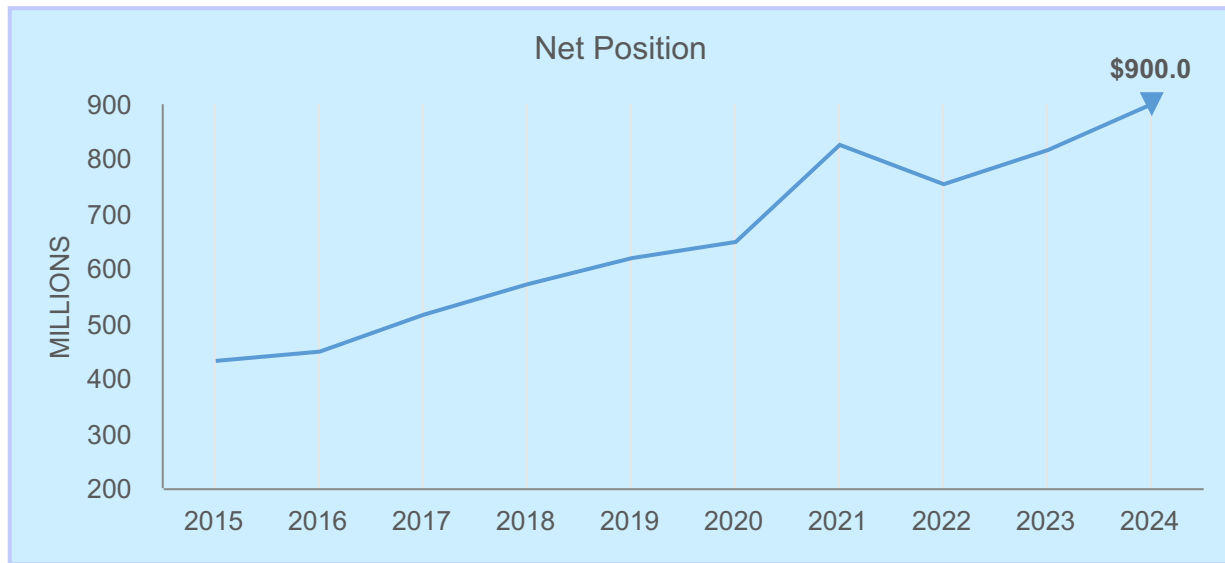
The financial statements of the Plan were prepared using the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Employee and employer contributions are recognized as revenues in the period in which employee services are performed and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investments are reported at fair value.

As of June 30, 2024, the net position was \$900.0 million as compared to \$816.3 million at June 30, 2023. The increase in net position of \$83.7 million can be attributed to falling treasury rates within fixed income, combined with a strong performance by equities, as the relative strength of stocks in technology and artificial intelligence has fueled the recent market strength. Real assets generated a negative return for the fiscal year while all other asset classes were positive. The Trust's performance was in line with the median public plans (All public plans greater than one billion dollars) for the fiscal year ending June 30, 2024.

	Fiscal Year*		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contributions	\$46.70	\$43.17	\$41.98
Benefit payments	\$42.46	\$43.06	\$35.13
Contribution rates	35.30%	34.80%	35.80%
# of benefit recipients	568	549	511

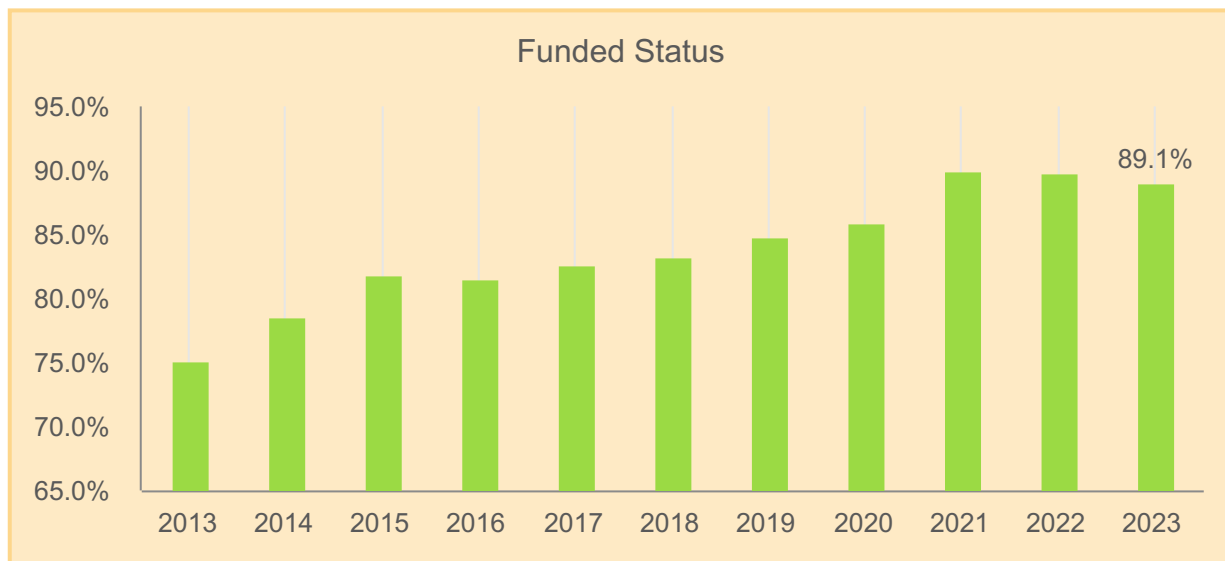
*\$ amounts in millions

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**



Funded Status

The plan's funding objective is to meet long-term benefit obligations through contributions and investment income. The funding ratio, which is the actuarial value of assets divided by the actuarial accrued liability is an estimate of how well the Plan is meeting that objective. A higher ratio indicates the Plan is better funded. The funded ratio of the Plan was 89.1% and 89.8% as of July 1, 2023 and July 1, 2022, respectively.



**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

Overview of the Basic Financial Statements

In this financial report, the basic financial statements consist of the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position with accompanying notes as of and for the year ended June 30, 2024 with comparative information as of and for the year ended June 30, 2023 and June 30, 2022. The financial position is comprised of assets, which primarily consist of investments less liabilities, including accounts payable and investment commitments payable.

The Statement of Changes in Fiduciary Net Position presents the additions to and deductions from the Plan's net position during the year. The Plan receives contributions from participants and the County, as well as income or losses from investments and related activities. The primary deductions are the payment of benefits, which are the Plan's primary objectives. Deductions also include refunds to members who leave the Plan as well as administrative expenses.

Notes to the Basic Financial Statements

The Notes to Financial Statements contain disclosures and discussions which support the data presented in the financial statements. The notes present information about the administration of the Plan, significant accounting policies, and investments. The notes are an integral part of the financial statements and should be considered in conjunction with any review of the financial statements.

Required Supplementary Information (RSI)

The RSI section provides actuarially determined information about the Plan and displays changes for the Plan's Net Pension Liability (NPL) and related ratios, contributions related to payrolls by the Plan, and money-weighted investment returns.

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

The following Condensed Statements of Fiduciary Net Position and Changes in Fiduciary Net Position present financial information for the Plan and compares fiscal years 2024, 2023 and 2022.

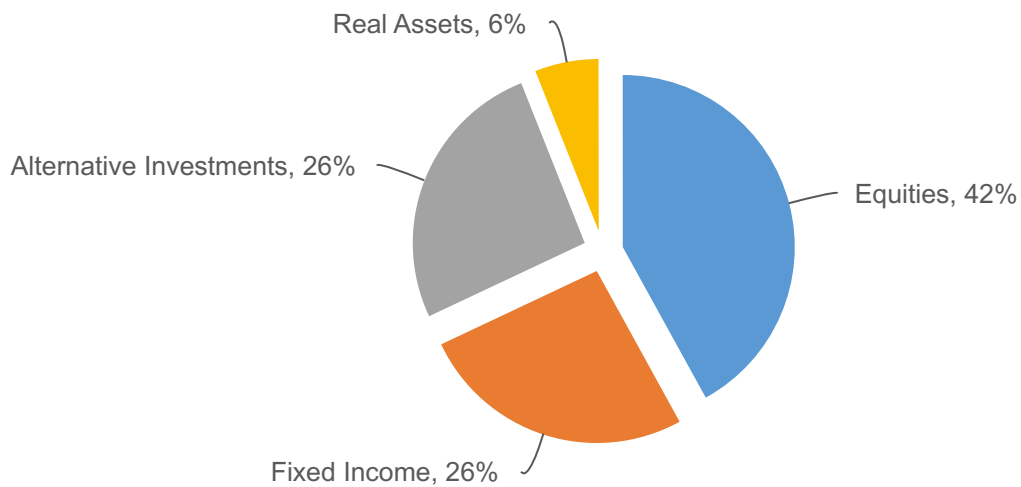
	2024	2023	2022	2024 Percentage Change	2023 Percentage Change
Assets					
Receivables	\$ 2,933,546	\$ 5,252,624	\$ 5,271,181	(44)%	—%
Investments	899,081,709	811,831,514	752,331,748	11%	8%
Prepaid Insurance	29,879	29,871	29,346	—%	2%
Total Assets	902,045,134	817,114,009	757,632,275	10%	8%
Liabilities					
Investments Purchased	1,558,520	417,357	3,173,383	273%	(87)%
Accounts Payable	498,661	424,559	301,473	17%	41%
Total Liabilities	2,057,181	841,916	3,474,856	144%	(76)%
Net Position Held in Trust for Pension Benefits	\$ 899,987,953	\$ 816,272,093	\$ 754,157,419	10%	8%
Additions					
Employer Contributions	\$ 36,750,837	\$ 33,884,709	\$ 33,225,833	8%	2%
Employee Contributions	9,944,756	9,286,782	8,749,312	7%	6%
Net Investment Income (Loss)	80,086,024	62,545,758	(78,058,819)	28%	180%
Total Additions	126,781,617	105,717,249	(36,083,674)	20%	393%
Deductions					
Benefit Payments and Refunds	42,459,762	43,061,140	35,133,855	(1)%	23%
Administrative Expenses	605,995	541,435	458,765	12%	18%
Total Deductions	43,065,757	43,602,575	35,592,620	(1)%	23%
Net Change	83,715,860	62,114,674	(71,676,294)	35%	187%
Net Position Held in Trust for Pension Benefits:					
Beginning of Year	816,272,093	754,157,419	825,833,713	8%	(9)%
End of Year	\$ 899,987,953	\$ 816,272,093	\$ 754,157,419	10%	8%

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

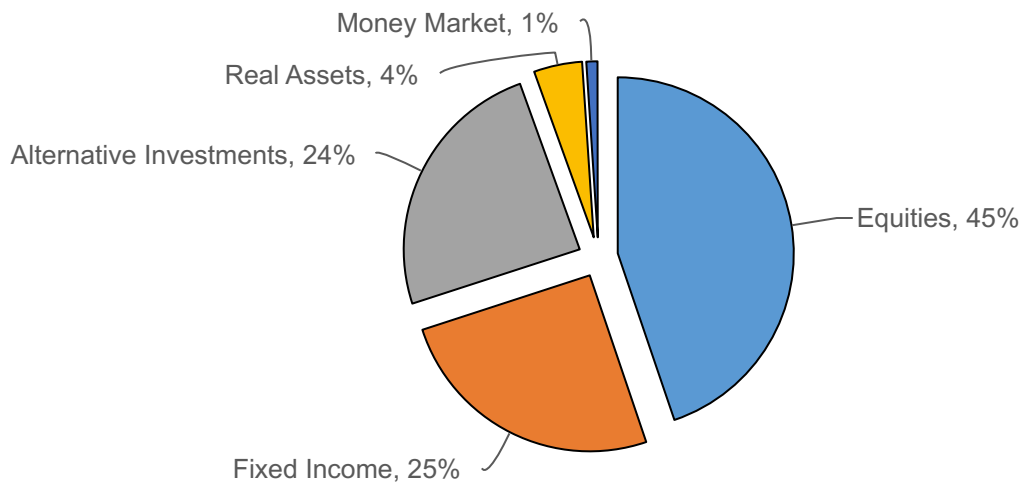
Investments

Investments consist of U.S. equities (large cap and non-large cap), international equities (international developed markets and international emerging markets), fixed income, real assets, money market and alternatives (private equities and hedge funds). The Plan is a participant in a combined pension investment pool and it does not own an undivided interest in specific assets of the Pool. The investments presented by category are the Plan's proportionate share of the investments by category of the Pool that are reported at fair value.

TARGET ALLOCATION



INVESTMENT POOL



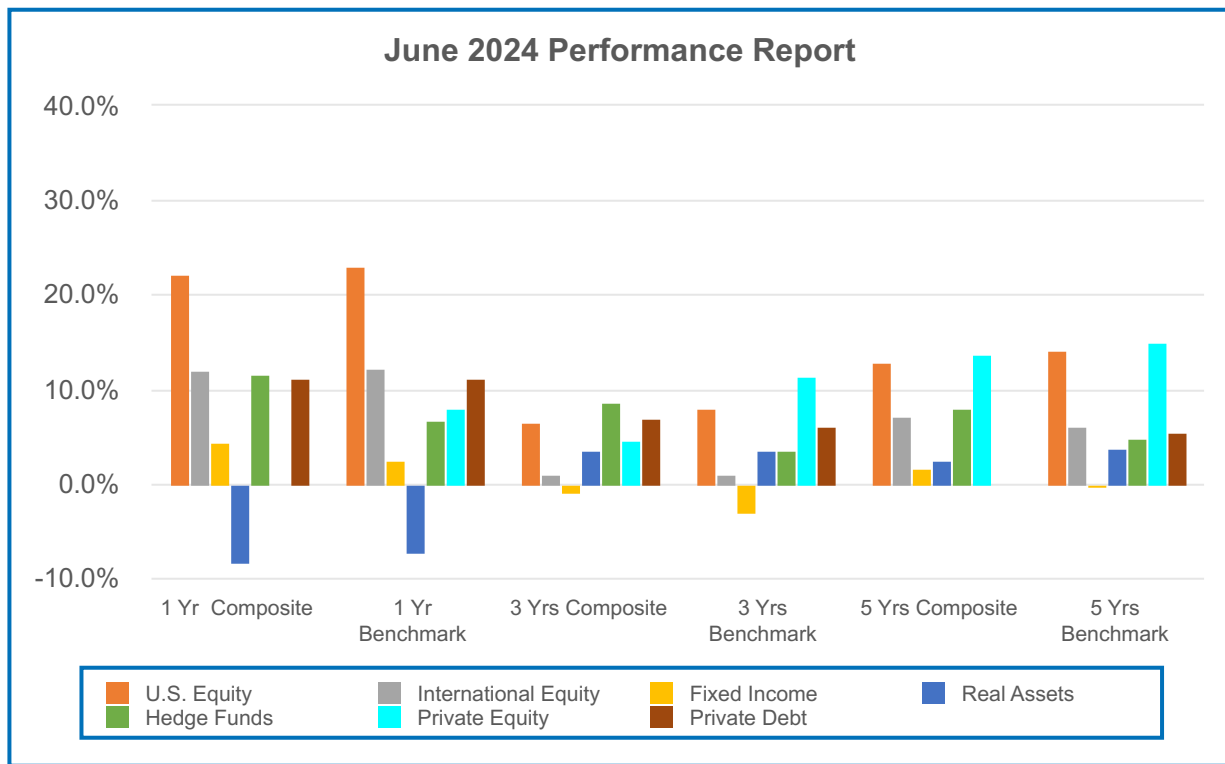
Note: Due to rounding, % may not add up to 100%.

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

LONG TERM EXPECTED RATE OF RETURN	
Equities	4.52 %
Fixed Income	2.70 %
Alternative Investments	6.33 %
Real Assets	5.17 %

Investment Performance Summary

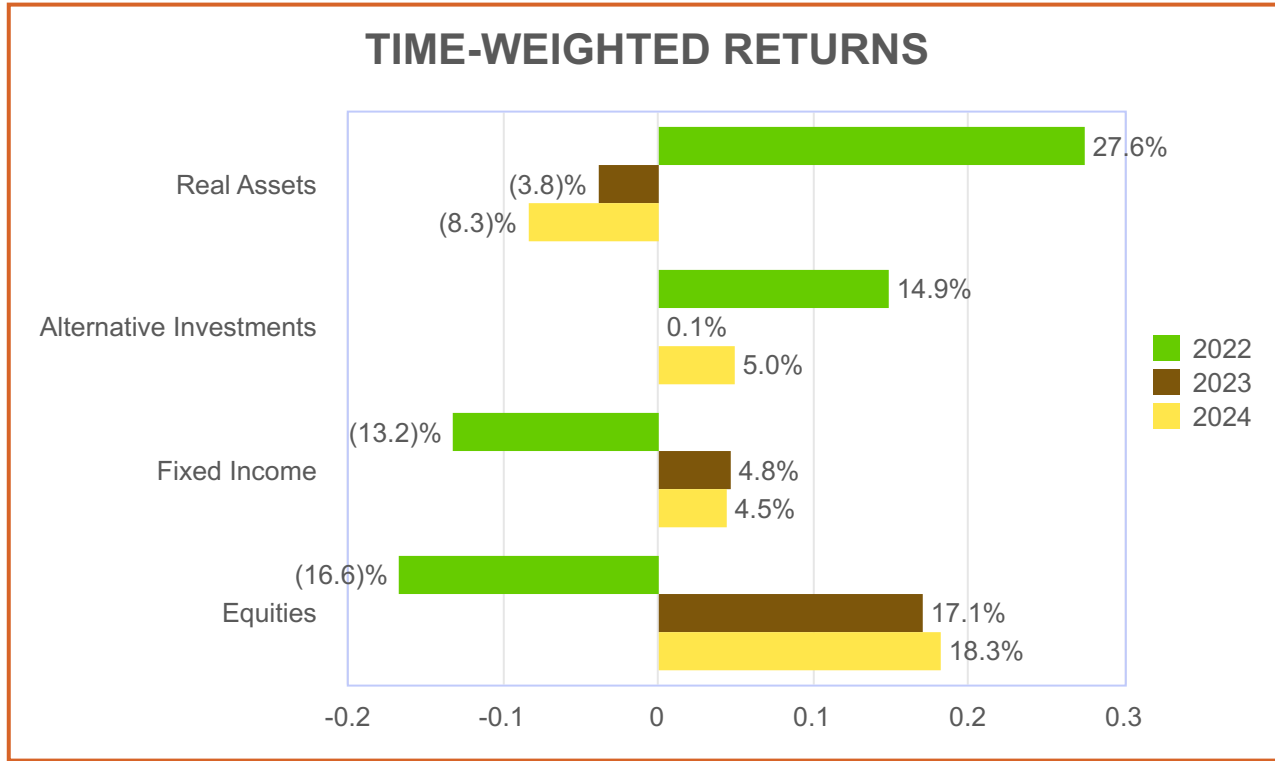
The retiree's benefit is paid from investment earnings and contributions. Displayed below is a comparison of the portfolio's returns (composite) to its policy benchmark in one year, three years and five years:



Note: The performance listed may not reflect final returns as of the date listed as private markets report investment returns on a quarter basis lag.

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024 AND 2023**

The investment Pool's time-weighted returns (gross of fees) are displayed by investment type in the following table.



Additional Information

The Plan's financial statements are presented in accordance with accounting principles generally accepted in the United States of America and are available at Howard County's web page at www.howardcountymd.gov/finance/finance-audits.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF FIDUCIARY NET POSITION
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Receivables:		
Employer Contributions	\$ 1,482,876	\$ 1,149,664
Member Contributions	390,959	309,002
Interest and Dividends	471,611	425,884
Due from Sales of Investments	572,187	3,354,186
Other	15,913	13,888
Total Receivables	<u>2,933,546</u>	<u>5,252,624</u>
Investments:		
Money Market	8,734,058	5,696,813
Equities	402,985,664	356,692,062
Fixed Income	226,827,845	199,012,255
Alternative Investments	220,382,755	207,345,555
Real Assets	40,151,387	43,084,829
Total Investments	<u>899,081,709</u>	<u>811,831,514</u>
Prepaid Insurance	<u>29,879</u>	<u>29,871</u>
Total Assets	<u>902,045,134</u>	<u>817,114,009</u>
LIABILITIES		
Investments Purchased	1,558,520	417,357
Accounts Payable	498,661	424,559
Total Liabilities	<u>2,057,181</u>	<u>841,916</u>
Fiduciary Net Position Held in Trust for Pension Benefits	<u><u>\$ 899,987,953</u></u>	<u><u>\$ 816,272,093</u></u>

See accompanying Notes to Financial Statements

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
ADDITIONS:		
CONTRIBUTIONS		
Employer	\$ 36,750,837	\$ 33,884,709
Member	<u>9,944,756</u>	<u>9,286,782</u>
Total Contributions	46,695,593	43,171,491
INVESTMENT INCOME		
Net Change in Fair Value of Investments	67,261,092	47,832,157
Interest and Dividend	14,349,571	16,162,871
Other, Net	<u>168,040</u>	<u>215,538</u>
Total Investment Income	81,778,703	64,210,566
Less: Investment Expense	<u>1,692,679</u>	<u>1,664,808</u>
Net Investment Income	<u>80,086,024</u>	<u>62,545,758</u>
Total Additions	<u>126,781,617</u>	<u>105,717,249</u>
DEDUCTIONS:		
BENEFITS		
Annuities	41,753,116	42,370,456
Refunds of Contributions	<u>706,646</u>	<u>690,684</u>
Total Benefits	42,459,762	43,061,140
ADMINISTRATIVE EXPENSES	<u>605,995</u>	<u>541,435</u>
Total Deductions	<u>43,065,757</u>	<u>43,602,575</u>
NET CHANGE	83,715,860	62,114,674
FIDUCIARY NET POSITION HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of Year	<u>816,272,093</u>	<u>754,157,419</u>
End of Year	<u><u>\$ 899,987,953</u></u>	<u><u>\$ 816,272,093</u></u>

See accompanying Notes to Financial Statements.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 PLAN DESCRIPTION

Plan Administration

The Howard County Police and Fire Employees' Retirement Plan (the Plan) is a single-employer defined benefit public employee retirement system established and administered by Howard County (the County), Maryland, to provide defined pension benefits for career firefighters and sworn police officers. The Plan is considered part of the County's financial reporting entity and is included in the County's financial statements as a pension trust fund. The accompanying financial statements present only the operations of the Plan and are not intended to present the financial position and results of operations of the County.

Plan Membership

At July 1, 2023 and 2022, the Plan's membership consisted of the following:

	2023	2022
Active	1011	969
Retired and Beneficiaries	511	477
Disabled	37	36
Terminated Vested	28	32
Total	<u>1,587</u>	<u>1,514</u>

The Plan was established, is operated, and may be amended under the provisions of Sections 1.400 and 1.401A to 1.478A of the Howard County Code. All of the County's full-time career firefighters and sworn police officers are eligible to participate in the Plan. The Retirement Plan Committee established by Howard County Code Section 1.455A has full power and authority to administer and operate the Plan in accordance with its terms and in particular the authority contained in subsection 1.454A. The Pension Oversight Commission established by Howard County Code, Section 1.482 provides ongoing assessment and evaluation of the Plan's operations.

Benefits Provided

All of the County's full-time career police and fire officers hired on or after July 1, 1990 must enroll in the Police and Fire Plan. The Plan provides retirement benefits as well as death and disability benefits and cost-of-living adjustments.

Participants become vested after 5 years of eligibility service and are entitled to a benefit beginning at age 62. Terminated vested employees with less than 20 years of service will receive a benefit equal to 2.5% of average compensation times the number of years of creditable service, payable at age 62. If an employee leaves employment or dies before 5 years of eligibility service, accumulated employee contributions plus interest are refunded to the employee or the designated beneficiary. A participant who becomes totally and permanently disabled may retire prior to normal retirement and receive a benefit. Both disability and death benefits vary if incurred in the line of duty.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 PLAN DESCRIPTION (CONTINUED)

Benefits Provided (Continued)

Employees who attain the age of 62 with at least 5 years of eligibility service and employees who have completed 20 years of eligibility service, if at least 10 years were served as a covered employee, are entitled to a normal retirement benefit. The amount will vary, based on the number of years of creditable service, from 50% (with 20 years of service) to 80% (with 30 years of service) of average compensation for police; and from 50% (with 20 years of service) to 70% (with 30 years of service) of average compensation for firefighters.

Benefits in pay status are adjusted annually for a post retirement cost of living adjustment (COLA). The Plan uses the Consumer Price Index (CPI-U) for the Baltimore-Columbia-Towson area as published by the Bureau of Labor Statistics to calculate the change in retiree allowances each July. The maximum annual COLA is 2%.

Contributions

The Plan is authorized to establish or amend the obligations to make contributions under the provisions of the Howard County Code, Sections 1.423A and 1.465A. The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Participant contributions are 11.6% of base pay for participating Police Department Employees and 7.7% of base pay for participating Fire and Rescue Department Employees. The County funds the remainder of the cost of employees' participation in the Plan, which was 35.30% of covered payroll in fiscal year 2024 and 34.80% in 2023. The County contribution to the Plan is determined through an actuarial valuation performed by Bolton Partners, Inc. for each fiscal year. In fiscal year 2023, the County contribution to the Plan was in excess of the actuarially determined contribution. This increase in contribution was adopted in order to maintain stability from year to year. Expenses incurred in the administration and operation of the Plan are funded by the Plan.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Method Used to Value Investments

The Plan's investments are maintained in a combined investment pool. The Plan does not own an undivided interest in specific assets of the Pool. The investments presented by category are the Plan's proportionate share of the investments by category of the Pool and are reported at fair value. Short-term investments such as money market investments are reported at amortized cost, which approximates fair value. Securities traded on a national or international exchanges are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis. The fair values of real estate investments are based on net asset values (NAV) provided by the investment managers. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS
(CONTINUED)**

Method Used to Value Investments (Continued)

The Plan invests in assets measured at NAV and include private equity, private credit, hedge funds, real assets and real estate funds funds, which are collectively considered alternative investments. Alternative investments include interests in limited partnerships and limited liability companies invested in venture capital, private equities, and other investments. These investments are recorded based on net asset value amounts established by the respective fund managers as a practical approximation of fair value. Because alternative investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ materially from the amount reported.

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Employer and employee contributions are recognized as revenue in the period in which employee services are performed and expenses and refunds are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Benefits are due and payable in accordance with the benefit terms.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Taxes

The Internal Revenue Service issued a determination letter on September 28, 2016, which stated that the Plan and its underlying trust qualify under the applicable provisions of the Internal Revenue Code and therefore are exempt from Federal income taxes.

NOTE 3 INVESTMENTS

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and administered by the Retirement Plan Committee. Specific investment goals stated in the policy are reviewed at least annually and, when appropriate, new goals and standards are adopted by the Retirement Plan Committee. The policy is expected to provide diversification of assets in an effort to maximize investment return to the Plan consistent with prudent market and economic risk. All of the Plan's assets are to remain invested at all times in the asset classes as designated by the policy.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Investment Policy (Continued)

The following strategic asset allocation policy was adopted by the Plan on March 2002, last amended on April 2021 and April 2023.

<u>Asset Class</u>	<u>Target Allocation</u>
Equities	42.0 %
Fixed Income	26.0
Alternative Investments	26.0
Real Assets	6.0
Total	<u>100.0 %</u>

Concentrations - Fiscal Year 2024

The Plan held investments in the following organizations that represent 5% or more of the pension plan's fiduciary net position: BlackRock (9%), Dodge and Cox (5%), LSV (8%), Mondrian (6%), U.S. Aggregate Bond Index (5%), U.S. Treasury Non Refundable Index (5%), and Westfield (8%).

Concentrations - Fiscal Year 2023

The Plan held investments in the following organizations that represent 5% or more of the pension plan's fiduciary net position: Baillie Gifford (5%), BlackRock (8%), Blackstone (5%), Dodge and Cox (5%), LSV (7%), Magnitude (5%), Mondrian (5%), U.S. Treasury Index Non Lending (5%), and Westfield (8%)

Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, foreign currency and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Risks and Uncertainties (Continued)

Interest Rate Risk

The Plan's investment policy does not place any limits on the professional investment managers with respect to the duration of investments for the Plan. The Plan's fixed income investments by maturity and type at June 30, 2024 were as follows:

Investment Type	Fair Value/ NAV	Weighted Average Maturity (in Years)
Corporate Bonds	\$ 15,181,097	11.67
U.S. Government - Sponsored Enterprises	17,103,446	25.54
Government Issued/Treasuries	5,920,121	26.80
Other Asset-Backed Securities	2,077,996	28.69
Collateralized Mortgage Obligations	2,116,578	35.91
Municipal Securities	558,277	11.92
Commingled Funds and Preferred Stock		
Identified as Fixed Income for Reporting Purposes	183,870,330	Not Applicable
Total	<u>\$ 226,827,845</u>	
Portfolio Weighted Average Maturity of Available		21.14

The Plan's fixed income investments by maturity and type at June 30, 2023 were as follows:

Investment Type	Fair Value/ NAV	Weighted Average Maturity (in Years)
Corporate Bonds	\$ 16,072,256	13.45
U.S. Government - Sponsored Enterprises	14,414,421	25.65
Government Issued/Treasuries	4,075,808	25.70
Other Asset-Backed Securities	1,945,331	26.71
Collateralized Mortgage Obligations	1,997,086	38.81
Municipal Securities	713,043	14.28
Commingled Funds and Preferred Stock		
Identified as Fixed Income for Reporting Purposes	159,794,310	Not Applicable
Total	<u>\$ 199,012,255</u>	
Portfolio Weighted Average Maturity of Available		21.17

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Risks and Uncertainties (Continued)

Credit Risk

The demand deposit accounts (DDA's) held by State Street Bank are unrated, as are the mutual funds used by the plan. At fiscal year-end, the Plan's fixed income investments had the following risk characteristics in fiscal years 2024 and 2023:

	Fiscal Year 2024
<u>Standard & Poor's Rating or Comparable</u>	<u>Fair Value</u>
AA to A-	\$ 3,482,197
BBB to BB-	13,599,042
Not Rated	209,746,606
Total	<u>\$ 226,827,845</u>

	Fiscal Year 2023
<u>Standard & Poor's Rating or Comparable</u>	<u>Fair Value</u>
AA to A-	\$ 3,928,255
BBB to BB-	14,115,922
Not Rated	180,968,078
Total	<u>\$ 199,012,255</u>

Concentration of Credit Risk

The Plan's investment policy does not establish any limitation on the percentage that the Plan may have with any one issuer, other than to state that the Plan's assets are to be diversified in accordance with Modern Portfolio Theory. At June 30, 2024 and June 30, 2023, the Plan's investments did not exceed 5% with any one issuer other than as identified on page 16.

Custodial Credit Risk

State Street Bank invests in interest bearing DDA's in the name of the Plan for all accounts and pays interest equal to the effective Federal Funds rate, which is included in money markets on the Statements of Fiduciary Net Position. At June 30, 2024 and 2023, the amount in this fund at amortized cost which approximates fair value was \$8,734,058 and \$5,696,813 which was partially used for settlement of open purchases of \$1,558,520 and \$417,357, respectively. All other investments of the fund are held by State Street Bank as trustee in the Plan's name.

Credit Risk - Currency Forward Contract , Futures and Options

One of the Plan's investment objectives is to diversify assets in accordance with the Modern Portfolio Theory (MPT) in order to reduce overall risk. Consistent with this objective, the Plan invested in some funds that hold currency forward contracts and invests in warrants, options and futures. The strategy is undertaken to protect the dollar value of underlying international investments. The Plan's share of market value/gain or losses from currency forward-contracts, warrants and futures were \$42,324, \$30 and \$189,407, respectively for the fiscal year ended June 30, 2024. The Plan's share of market value/gain or losses from currency forward-contracts, warrants, options, futures and cash were (\$34,311), \$16,074, (\$113), \$228,694 and \$217,478, respectively for the fiscal year ended June 30, 2023.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 INVESTMENTS (CONTINUED)

Risks and Uncertainties (Continued)

Derivatives - Interest Rate Swaps

In accordance with the investment policy, during fiscal year 2024, the private debt fund invested in swaps. In fiscal year 2024, the private credit fund reported \$26,321 in credit default swaps, \$2,938 in interest rate swaps and \$627 in return swaps.

Foreign Currency Risk

The Plan's exposure to foreign currency risk derives from its investments in foreign currency or instruments denominated in foreign currency. Investments in such securities are limited to a maximum net currency exposure of 34.5% at any given time. These pool of assets may also include hedged assets, therefore, reducing the overall currency risk. The Plan was exposed to foreign currency risk through the Pools investment in Euro denominated alternative investments. The Pool total of these investments was \$14,282,728 and \$16,341,761 at June 30, 2024 and June 30, 2023, respectively. The Plan's proportionate share was \$8,253,956 and \$9,398,053 at June 30, 2024 and June 30, 2023, respectively.

Rate of Return

For the fiscal years ended June 30, 2024 and June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, were 9.8% and 8.2%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amount actually invested.

Investments Purchased and Due from Sales of Investments

Investment transactions are recorded on a trade plus three days or less timetable resulting in an amount due to and due from State Street Bank (the "Plan's Trustee") at year-end.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 FAIR VALUE MEASUREMENT

The Plan investments are reported at fair value. The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- *Level 1* – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- *Level 2* – Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation of other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The table below reflects the Plan's proportionate share of the Pool's investments by type and fair value hierarchy established by accounting principles generally accepted in the United States of America as of June 30:

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

	June 30, 2024	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Debt Securities:				
Collateralized Mortgage Obligations (Fannie Mae and Freddie Mac and GNMA)	\$ 2,116,578	\$ —	\$ 2,116,578	\$ —
Corporate Bonds	15,181,097	—	15,181,097	—
Commingled Funds (Fixed Income)	57,519,302	34,027,549	23,491,753	—
FHLMC and FNMA Bonds	17,103,446	—	17,103,446	—
U.S. Treasury Securities	5,920,121	—	5,920,121	—
Municipal Bonds	558,277	—	558,277	—
Other Asset Backed Securities	2,077,996	—	2,077,996	—
Preferred Stock	590,336	590,336	—	—
Total Debt Securities	101,067,153	34,617,885	66,449,268	—
Equity Securities:				
Common Stocks	250,286,925	250,286,925	—	—
Emerging Market/ Inter Equity Portfolios	67,849,791	67,849,791	—	—
Real Estate Investment Trusts (REITS)	1,164,970	1,164,970	—	—
Total Equity Securities	319,301,686	319,301,686	—	—
Total Investment by Fair Value Level	<u>\$ 420,368,839</u>	<u>\$ 353,919,571</u>	<u>\$ 66,449,268</u>	<u>\$ —</u>
Investments Measured at the Net Asset Value (NAV):				
Private Equity Funds	117,144,753			
Private Credit Funds	30,679,371			
Hedge Funds	72,558,632			
Real Assets Funds	40,151,387			
International Equity Funds	49,693,239			
Commingled Fund within International Equities	33,990,739			
Commingled Fund within International fixed Income	19,274,141			
Commingled Fund within domestic fixed Income	106,486,550			
Total Investments Measured at the NAV	<u>469,978,812</u>			
Total Investments Measured at Fair Value*	<u>\$ 890,347,651</u>			

*Net of money market funds totaling \$8,734,058 which includes securities that have maturities of less than one year and may be measured at amortized cost.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

		Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2023			
Investments by Fair Value Level				
Debt Securities:				
Collateralized Mortgage Obligations (Fannie Mae and Freddie Mac and GNMA)	\$ 1,997,086	\$ —	\$ 1,997,086	\$ —
Corporate Bonds	16,072,256	—	16,072,256	—
Commingled Funds (Fixed Income)	61,891,308	31,339,425	30,551,883	—
FHLMC and FNMA Bonds	14,414,421	—	14,414,421	—
U.S. Treasury Securities	4,075,809	—	4,075,809	—
Municipal Bonds	713,043	—	713,043	—
Other Asset Backed Securities	1,945,331	—	1,945,331	—
Preferred Stock	571,215	571,215	—	—
Total Debt Securities	101,680,469	31,910,640	69,769,829	—
Equity Securities:				
Common Stocks	219,902,070	219,902,070	—	—
Emerging Market / Inter Equity Portfolios	65,241,998	65,241,998	—	—
Real Estate Investment Trusts (REITS)	1,179,440	1,179,440	—	—
Total Equity Securities	286,323,508	286,323,508	—	—
Total Investment by Fair Value Level	<u>\$ 388,003,977</u>	<u>\$ 318,234,148</u>	<u>\$ 69,769,829</u>	<u>\$ —</u>
Investments Measured at the Net Asset Value (NAV):				
Private Equity Funds	113,039,018			
Private Credit Funds	16,444,583			
Hedge Funds	77,861,954			
Real Assets Funds	43,084,829			
International Equity Funds	44,606,881			
Commingled Fund within International Equities	25,761,672			
Commingled Fund within International Fixed Income	19,184,688			
Commingled Fund within Domestic Fixed Income	78,147,099			
Total Investments Measured at the NAV	<u>418,130,724</u>			
Total investments Measured at Fair Value*	<u>\$ 806,134,701</u>			

* Net of money market funds totaling \$5,696,813 which includes securities that have remaining maturities of less than 1 year and may be measured at amortized cost.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 FAIR VALUE MEASUREMENT (CONTINUED)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy refers to securities not traded on an active market but for which observable market inputs are readily available. Fixed income securities are priced on a daily basis, market to market, using a variety of third-party pricing sources, market data and methodologies.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table as of June 30, 2024:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity Funds	\$ 117,144,753	\$ 50,571,549	Illiquid	N/A
Private Credit Funds	30,679,371	13,566,178	Illiquid	N/A
Hedge Fund 1	37,709,628	—	Quarterly	65 days
Hedge Fund 2	34,849,004	—	Semi Annually	95 days
Real Assets Funds	40,151,387	9,496,032	Illiquid	N/A
International Equity Funds	49,693,239	—	Monthly	15 days
Commingled Fund within International Equities	33,990,739	—	Weekly	3 days
Commingled Fund within International Fixed Income	19,274,141	—	Bi-monthly	5 days
Commingled Fund within Domestic Fixed Income	106,486,550	—	Daily	1 day
Total	<u>\$ 469,978,812</u>			

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table as of June 30, 2023:

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Private Equity Funds	\$ 113,039,018	\$ 44,027,700	Illiquid	N/A
Private Credit Funds	16,444,583	13,640,941	Illiquid	N/A
Hedge Fund 1	40,843,474	—	Quarterly	65 days
Hedge Fund 2	37,018,480	—	Semi Annually	95 days
Real Assets Funds	43,084,829	11,181,925	Illiquid	N/A
International Equity Funds	44,606,881	—	Monthly	15 days
Commingled Fund within International Equities	25,761,672	—	Weekly	3 days
Commingled Fund within International Fixed Income	19,184,688	—	Bi-monthly	5 days
Commingled Fund within Domestic Fixed Income	78,147,099	—	Daily	1 day
Total	<u>\$ 418,130,724</u>			

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4. FAIR VALUE MEASUREMENT (CONTINUED)

Private Equity Funds: Private equity investment strategies include buyout, venture capital, growth capital, and special situations. The Private Equity portfolio seeks to deliver long-term, risk-adjusted returns superior to those of comparable public markets. Investments in the asset class are achieved primarily through commingled, closed-end funds and may also include fund of funds, direct and co-investment opportunities. Exposures are diversified by manager, region, strategy, and vintage year. Private equity investments are illiquid, and distributions are received over the life of the investments, which can range between 10 and 15 years. These investments do not have set redemption schedules therefore options for exit are limited to sale on the secondary market. Capital commitments are made to these types of investments and funds are invested through a call down structure. The fair value of the partnership interest is based on NAV provided by the General Partner. The partnership's financial statements are audited annually as of December 31 and the NAV is adjusted quarterly by additional contributions to and distributions from the partnership, the net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partner.

Private Debt Funds: Private credit investment strategies will focus on identifying market dislocations and credit-intensive assets, specifically in loan portfolios, corporate securities, structured credit, hard assets and special opportunities. The Private Credit portfolio invests in commingled funds. The objective of the fund is to provide income from the premium yields along with a return over Liquid Credit over the life of the fund, which can range between 6 and 8 or more years. The fund employs a flexible and opportunistic mandate allowing for investments in a variety of strategies irrespective of market conditions and geographies. These investments do not have set redemption schedules therefore options for exit are limited to sale on the secondary market. Capital commitments are made to these types of investments and funds are invested through a call down structure. The fair value of the partnership interest is based on NAV provided by the General Partner. The partnership's financial statements are audited annually as of December 31 and the NAV is adjusted quarterly by additional contributions to and distributions from the partnership, the net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partner.

Hedge Funds: This represents investments in two Hedge FOF managers. Each FOF manager invests in underlying hedge funds to provide a broadly diversified portfolio. One invests with 10-20 underlying managers/funds to execute its global market strategy. The other invests in 20-40 underlying managers/funds in a relative value mandate. The hedge fund strategy is designed to diversify by manager/fund to reduce single manager/fund risk while offering portfolio diversification and provide a return profile that is uncorrelated to the rest of the assets in the portfolio. The fair values of the investments are determined using the NAV per share (or its equivalent) of the investments. These funds have liquidity restrictions of 3 to 6 months.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4. FAIR VALUE MEASUREMENT (CONTINUED)

Real Assets Strategies: This represents funds that invest in Private Real Estate and Private Real Assets. The objective of the portfolio seeks to provide portfolio diversification, current income, and protection against unanticipated inflation. Real Estate investments are often classified by core or non-core (value-added or opportunistic). The Real Estate strategies deployed include a U.S. focused property strategy (core/core plus) and a global Fund of Funds (FOF) strategy. The global FOF manager invests across Directs, Primaries, and Secondaries. Within Private Real assets, the natural resources investments are deployed through a FOF strategy and may invest in 10-25 underlying relationships as they build a diversified portfolio with exposure to oil, natural gas, agriculture, timber, and other natural resources. The infrastructure managers will invest in direct portfolio companies in communications, transportations, and energy transition sectors. Capital commitments are made to these types of investments and funds are invested through a call down structure. These funds have liquidity restrictions for the life of the investment, 7-10 years. Options for exit are limited to sale on the secondary market. The fair value of the partnership interest is based on NAV provided by the General Partner. The partnership's financial statements are audited annually as of December 31 and the NAV is adjusted quarterly by additional contributions to and distributions from the partnership, the net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partner.

International Developed Equity Funds: This represents investments primarily in equity securities of international developed markets (non-U.S. issuers) with the objective of achieving a long-term return above a passive benchmark (MSCI EAFE). The managers implemented are complimentary as one focuses on growth-oriented companies and the other has a value focus. Foreign securities are valued based on quotations from the primary market in which they are traded and translated at each valuation date from the local currency into U.S. dollars using current exchange rates. The Funds may enter forward foreign currency exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar-denominated investment securities.

International Emerging Equities (Commingled Fund): This represents investments within international markets to further diversify the developed market segments by investing in developing markets that have lower correlations with developed economies. The managers implemented are complimentary as one focuses on growth-oriented companies and the other has a value focus. Foreign securities are valued based on quotations from the primary market in which they are traded and translated at each valuation date from the local currency into U.S. dollars using current exchange rates. The Funds may enter forward foreign currency exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar-denominated investment securities. The objective of the international emerging equity portfolio is to achieve a long-term return above a passive benchmark (MSCI EM Index).

Emerging Market Debt Strategy (Commingled Fund): This represents investments primarily in a globally diversified portfolio of high-quality sovereign bonds and currencies in emerging markets (non-U.S. issuers). The objective of this fund is to generate income, preserve capital, and enhance principal above a passive benchmark (JP Morgan GBI-EM Global Diversified Index). NAV for the Fund is only calculated twice a month on the last business day and the 15th (or next business day if the 15th is a non-business day). The ownership interest is only in the units of the Fund, not the underlying holding or securities of the Fund.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4. FAIR VALUE MEASUREMENT (CONTINUED)

Core Fixed Income Strategies (Commingled Funds): This represents investments within US Investment Grade Fixed Income. The primary role of this portfolio is intended to provide income and downside protection to the portfolio in periods of financial market stress. Core fixed income is made up of US Treasuries and liquid credit. The primary role of the U.S. Treasuries portfolio is to provide capital preservation, liquidity, and to increase the diversification of the Plan as a whole. Treasuries and TIPS are passively managed. The primary role of the Liquid Credit strategy is to generate added yield compared to Treasuries over a full market cycle and provide diversification for the Plan. This manager will be well diversified, and may include, but is not limited to, investment grade and non-investment grade corporate debt, emerging market debt, and asset-backed securities. The objective of the Core Fixed Income portfolio is to achieve a long-term return above a passive benchmark (Bloomberg US Aggregate Bond Index).

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 5. DEFERRED RETIREMENT OPTION PROGRAM

The Plan offers a program called Deferred Retirement Option Plan (DROP). This is a voluntary benefit program which offers qualified active Participants, who would be entitled to retire and receive benefits, the option to continue working. An individual DROP record is created and is credited with the monthly retirement benefits that would have been paid during the DROP period had the participant actually retired. The record is also credited with the required employee contributions and interest. The DROP record is paid to the employee, in addition to the benefit payment entitled under the defined benefit plan based on the earlier years of service, when the employee eventually retires. Participating members may elect distribution as one lump sum payment, a rollover or in monthly payments. The balance held by the Plan as of June 30, 2024 and 2023 was \$13,378,542 and \$14,599,615, respectively.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6. NET PENSION LIABILITY OF THE COUNTY

The components of the net pension liability of the County at June 30 were as follows:

	2024	2023
Total Pension Liability	\$1,026,887,930	\$ 958,519,607
Plan Fiduciary Net Position	(899,987,953)	(816,272,093)
County's Net Pension Liability	<u>\$ 126,899,977</u>	<u>\$ 142,247,514</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.64 %	85.16 %

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation rolled forward to June 30, 2024 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Varies by service, 4.00% to 7.25%, including inflation for Police and 4.00% to 10.00%, including inflation for Fire.
Investment Rate of Return	7.15%, net of pension plan investment expense, including inflation
Mortality	Pub-2010 Safety Employees/Retirees/ Disables/Contingent Survivors Amount Weighted Mortality with generational projection from the 2010 base year using scale MP 2021

The total pension liability in the July 1, 2022 actuarial valuation rolled forward to June 30, 2023 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	Varies by service, 4.00% to 7.25%, including inflation for Police and 4.00% to 10.00%, including inflation for Fire.
Investment Rate of Return	7.25%, net of pension plan investment expense, including inflation
Mortality	Pub-2010 Safety Employees/Retirees/ Disables/Contingent Survivors Amount Weighted Mortality with generational projection from the 2010 base year using scale MP 2021

The actuarial assumptions used in this valuation, for GASB 67 purposes, were generally based on the 2022 Experience Study covering the period from July 1, 2017 through June 30, 2021. Economic assumptions and the demographic assumptions were updated to reflect the 2017-2021 experience study.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 NET PENSION LIABILITY OF THE COUNTY (CONTINUED)

(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and estimate of arithmetic real rates of return for each major asset class are reviewed no less frequently than every four years.

Best estimates of geometric real rates of return for each major asset class, included in the Plan's target allocation as of June 30, 2024 (see Note 3), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	4.52%
Fixed Income	2.70%
Alternative Investments	6.33%
Real Assets	5.17%

Best estimates of geometric real rates of return for each major asset class, included in the Plan's target allocation as of June 30, 2023 (see Note 3), are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Equities	4.87%
Fixed Income	3.06%
Alternative Investments	6.75%
Real Assets	4.35%

Discount Rate

The discount rate used to measure the total pension liability was 7.15% and 7.25% for the fiscal years ended June 30, 2024 and 2023, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the County contributions will be made at rates equal to the difference between total actuarially determined contribution rates and the employee rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 6. NET PENSION LIABILITY OF THE COUNTY (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As of June 30, 2024

The following presents the net pension liability of the County, calculated using the discount rate of 7.15%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.15)%	Current Discount Rate (7.15)%	1% Increase (8.15)%
County's Net Pension Liability	<u>\$ 259,098,309</u>	<u>\$ 126,899,977</u>	<u>\$ 11,773,388</u>

As of June 30, 2023

The following presents the net pension liability of the County, calculated using the discount rate of 7.25%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25)%	Current Discount Rate (7.25)%	1% Increase (8.25)%
County's Net Pension Liability	<u>\$ 272,734,264</u>	<u>\$ 142,247,514</u>	<u>\$ 34,823,220</u>

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE COUNTY'S NET PENSION LIABILITY AND RELATED RATIO
(DOLLAR AMOUNTS IN THOUSANDS)
LAST 10 FISCAL YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY										
Service Cost	\$ 28,072	\$ 26,091	\$ 25,875	\$ 24,446	\$ 23,123	\$ 22,278	\$ 21,109	\$ 19,163	\$ 18,974	\$ 17,708
Interest	67,954	62,587	58,775	56,037	53,578	50,713	46,900	43,426	39,998	36,208
Changes of Benefit Terms	—	636	—	—	—	—	—	—	(1,705)	—
Differences Between Expected and Actual										
Experience	1,949	16,760	(3,780)	(2,382)	(8,607)	(2,667)	13,530	6,319	7,599	(1,596)
Changes of Assumptions	12,854	10,707	10,802	5,066	4,770	3,936	—	—	—	16,621
Benefit Payments, Including Refunds of										
Member Contributions	(42,460)	(43,061)	(35,133)	(34,634)	(34,320)	(27,572)	(24,755)	(20,422)	(17,890)	(18,941)
Net Change in Total Pension Liability	68,369	73,720	56,539	48,533	38,544	46,688	56,784	48,486	46,976	50,000
Total Pension Liability - Beginning	958,520	884,800	828,261	779,728	741,184	694,496	637,712	589,226	542,250	492,250
Total Pension Liability - Ending (a)	\$ 1,026,889	\$ 958,520	\$ 884,800	\$ 828,261	\$ 779,728	\$ 741,184	\$ 694,496	\$ 637,712	\$ 589,226	\$ 542,250
PLAN FIDUCIARY NET POSITION										
Contributions - Employer	\$ 36,751	\$ 33,885	\$ 33,226	\$ 31,923	\$ 31,105	\$ 27,720	\$ 26,337	\$ 24,729	\$ 21,636	\$ 22,530
Contributions - Member	9,945	9,287	8,749	8,374	8,184	8,125	7,859	7,387	7,041	7,006
Net Investment Income	80,086	62,545	(78,059)	171,695	24,964	39,639	46,560	55,956	6,459	11,531
Benefit Payments, Including Refunds										
of Member Contributions	(42,460)	(43,061)	(35,134)	(34,634)	(34,321)	(27,571)	(24,755)	(20,421)	(17,889)	(18,941)
Administrative Expense	(606)	(541)	(459)	(401)	(413)	(457)	(355)	(344)	(327)	(368)
Net Change in Plan Fiduciary Net Position	83,716	62,115	(71,677)	176,957	29,519	47,456	55,646	67,307	16,920	21,758
Plan Fiduciary Net Position - Beginning	816,272	754,157	825,834	648,877	619,358	571,902	516,256	448,949	432,029	410,271
Plan Fiduciary Net Position - Ending (b)	\$ 899,988	\$ 816,272	\$ 754,157	\$ 825,834	\$ 648,877	\$ 619,358	\$ 571,902	\$ 516,256	\$ 448,949	\$ 432,029
County's Net Pension Liability - Ending (a)-(b)	\$ 126,901	\$ 142,248	\$ 130,643	\$ 2,427	\$ 130,851	\$ 121,826	\$ 122,594	\$ 121,456	\$ 140,277	\$ 110,221
Plan Fiduciary Net Position as a Percentage										
of the Total Pension Liability	87.64 %	85.16 %	85.23 %	99.71 %	83.22 %	83.56 %	82.35 %	80.95 %	76.19 %	79.67 %
Covered Payroll	\$ 104,110	\$ 97,370	\$ 92,810	\$ 90,179	\$ 87,868	\$ 83,746	\$ 81,037	\$ 80,814	\$ 72,121	\$ 70,406
County's Net Pension Liability as a										
Percentage of Covered Payroll	121.89 %	146.09 %	140.76 %	2.69 %	148.92 %	145.47 %	151.28 %	150.29 %	194.50 %	156.55 %
Expected Average Remaining Service Years of										
all Participants	8	8	9	9	9	9	9	9	10	10

Notes to Schedule:

Benefit changes: No Changes

Changes of Assumptions: The discount rate was changed from 7.25% to 7.15%

HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF COUNTY CONTRIBUTIONS
(DOLLAR AMOUNTS IN THOUSANDS)
LAST 10 FISCAL YEARS
(SEE INDEPENDENT AUDITORS' REPORT)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 33,419	\$ 33,300	\$ 33,226	\$ 30,841	\$ 31,105	\$ 27,720	\$ 26,337	\$ 24,729	\$ 21,636	\$ 22,530
Contributions in Relation to the Actuarially Determined Contribution	36,751	33,885	33,226	31,923	31,105	27,720	26,337	24,729	21,636	22,530
Contribution Deficiency (Excess)	<u>\$ (3,332)</u>	<u>\$ (585)</u>	<u>\$ —</u>	<u>\$ (1,082)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered Payroll	\$ 104,110	\$ 97,370	\$ 92,810	\$ 90,179	\$ 87,868	\$ 83,746	\$ 81,037	\$ 80,814	\$ 72,121	\$ 70,406
Contributions as a Percentage of Covered Payroll	35.30 %	34.80 %	35.80 %	35.40 %	35.40 %	33.10 %	32.50 %	30.60 %	30.00 %	32.00 %

ADC rate for FY 21 and FY 23 was 34.2%.

Notes to Schedule

Valuation Date and Actuarial Assumptions:

The actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the fiscal year immediately following the current fiscal year. Actuarial valuations are performed every year. The assumptions shown below are those used in the 7/1/2022 actuarial valuation to calculate the FY 2024 ADC. Assumptions used to determine contributions in the past may not have been the same.

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent of pay increasing 2.75% per year
Remaining Amortization Period	Remaining amortization periods range from 1 to 15 years.
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by service. 4.00% to 7.25%, including inflation for Police and 4.00% to 10.00%, including inflation for Fire.
Investment Rate of Return	7.25%, net of pension plan investment expense including inflation
Retirement Age	Rates vary by participant age and service.
Mortality	Pub-2010 Safety Employees/Retirees/Disabled/Contingent Survivors Amount-Weighted Mortality with generational projection from the 2010 base year using scale MP-2021
Cost of Living Increases	2.00%

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
LAST 10 FISCAL YEARS
(SEE INDEPENDENT AUDITORS' REPORT)**

<u>Fiscal Year Ending</u>	<u>Annual Money-Weighted Rate of Return, Net of Investment Expenses</u>
6/30/2024	9.75 %
6/30/2023	8.20 %
6/30/2022	(8.50)%
6/30/2021	25.92 %
6/30/2020	4.10 %
6/30/2019	7.50 %
6/30/2018	8.55 %
6/30/2017	12.18 %
6/30/2016	1.38 %
6/30/2015	2.95 %