

MINUTES OF THE
MEETING OF THE PENSION OVERSIGHT COMMISSION
April 14, 2016

A meeting of the Pension Oversight Commission (POC) for the Howard County Retirement Plan and the Howard County Police and Fire Employees' Retirement Plan was held Thursday, April 14, 2016 at 10:00 a.m. via conference call. Present on the phone were the following voting members of the Commission:

Toshie Kabuto
Peter Hong
Vanzano Eaton
Todd Snyder

Commission member Mitchell Stringer was absent. Also present for all or part of the call were Sima Taghavi, Rafiu Ighile, and Stanley Milesky from the department of finance, Scott Southern, Terry Reider and Wanda Hutchinson from the department of human resources, Lonnie Robbins Chief Administrative Officer, Ann Sturner and Tom Lowman from Bolton Partners and Eric Ralph from Summit Strategies. Mr. Snyder Chaired the meeting and Mr. Southern served as Secretary.

For the first half of the call the commission members wanted to discuss their concerns with the retirement plans investment consultant, Summit Strategies. Mr. Snyder had some questions about the current asset allocation.

Terry Reider advised that the Retirement Plan Committee adopted a new asset allocation policy that was effective February 26, 2015. The new allocation would provide a 5% allocation to emerging market debt. It was discussed that before making a change to the asset allocation Summit educates the trustee on the asset class and how it will affect to total plan portfolio.

The commission wanted to know why the real estate portion of the plans portfolio was doing so poorly while real estate in general was doing well. Mr. Ralph explained that a large portion of the real assets portfolio was tied up in investments with T/A Realty who is a core real estate manager. The committee has been monitoring their performance and has made more recent investments with Partners group. The committee has also recently made investments with two other investment managers Commonfund and Aether. The investment will focus on other real assets such as energy, minerals and mining.

Mr. Snyder wanted to know why the implementation index underperformed others in the peer group. Mr. Ralph explained that the primary reason for the trailing 5 year number was

because the fund was very diversified and the best performers were not very diversified. The plan has a higher allocation in Emerging Markets and DFA underperformed in that asset class. The higher diversification gives the fund less risk than the peer set. The average fund has about 60% in equities and the Howard County plans have 46% in equities. This gives the plans less exposure to equity risk.

Ms. Kabuto wanted to know how the investment return target was set. She feels the plan is near achieving the return. Mr. Ralph explained the low expected rate of return for the next ten years is about 6.8% over the next ten years. He expressed that this question would be better addressed by the actuaries in the second part of the call.

The commission had a brief discussion about the fees and expenses of the investment managers. Having no further topics for the investment consultant Eric Ralph left the call.

Tom Lowman and Ann Sturner from Bolton Partners joined the call to discuss the actuarial valuation.

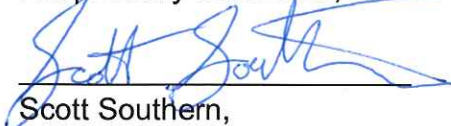
Ms. Kabuto asked about the process for coming up with the discount rate. She noted that Summit is not expecting a rate of return of 7.5%.

Mr. Lowman explained that the rate was set after the last experience study. He expressed the plan does conduct an experience study every four years with the last study taking place in 2013. Bolton did recommend that the plan lower the assumption with the last study, which they did, and depending on the next study they may recommend another change. Mr. Lowman did state that most pension plans are at 7% or 7.5% but he has seen a plan as high as 9.2%.

Ms. Kabuto wanted to discuss the unfunded liability of the Police and Fire employees plan. Mr. Lowman explained how unfunded liabilities grow if you have more investment losses. They also factor in the active employees making contributions versus the number of retirees collecting a pension. Mr. Lowman went over the amortization period to pay the unfunded liabilities as being 15 years and that was model practice. Mr. Lowman also discussed some of the different assumptions used in their report.

With no other issues to discuss, the meeting was adjourned at 11:58 a.m.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Scott Southern". The signature is written in a cursive style and is positioned above a horizontal line.

Scott Southern,
Office of Human Resources