

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

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

May 21, 2015

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Thursday, May 21, 2015 at 1:30 p.m. in the Columbia Room at the Ascend One Building, 8930 Stanford Boulevard, Columbia, Maryland 21045.

**Police and Fire Plan:**

**Members Present:**

Director of Finance: Stanley Milesky  
Chief Administrative Officer: Lonnie Robbins  
Representative, Police Department Supervisory Employees:  
    Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2015)  
Representative, Fire and Rescue Supervisory Employees:  
    Joseph L. Calo, II (Voting Member in Fiscal Year 2015)  
Representative, International Association of Firefighters, Local 2000:  
    Richard Ruehl

**Members Absent:**

Acting Human Resources Administrator: Wanda Hutchinson  
Budget Director: Holly Sun  
Representative, Howard County Police Officers' Association, Lodge 21  
    Mark Thomey

**Employees Plan:**

**Members Present:**

Chief Administrative Officer: Lonnie Robbins  
Deputy Director of Finance: Rafiu Ighile  
Employee Representative: Jeff Bronow  
Representative, American Federation of State, County and Municipal  
    Employees Local 3085: Dale R. Chase

**Members Absent:**

Acting Human Resources Administrator: Wanda Hutchinson  
Budget Director: Holly Sun  
Representative, American Federation of State, County and  
Municipal Employees Local 3080: Kim Drennon

Also present for all or a portion of the meeting were:

Steve Peters of the County Auditor's Office  
Sima Taghavi, Department of Finance  
Eric Ralph, Summit Strategies Group  
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.  
Teresa M. Reider, Retirement Coordinator  
Scott Southern, Retirement Assistant, Office of Human Resources  
Chuck Lindenberg, Representative of Local 3085  
Lizzie Rice, Intern, Department of Finance

Lonnie Robbins acted as Chair of the meeting and Paul Madden acted as secretary.

Some corrections were made to the minutes of the April 23, 2015 meeting of the Joint Committee. The minutes, as corrected, were unanimously approved.

Next, Eric Ralph provided the Investment Performance Review for periods ending March 31, 2015. Eric noted that for the trailing 12 months, all U.S. assets performed well and non-U.S. assets and global energy did not perform well. Accordingly, the Master Trust's higher than peer allocation to international equities provided a drag on relative performance. Eric also noted that European growth was a plus for the most recent quarter.

As of March 31, 2015, the market value of the Master Trust is \$775 million dollars. Over the past year, the total fund returned 6.40%, ranking in the 73<sup>rd</sup> percentile of the peer group. The Master Trust also underperformed the total policy index of 7.17% over the same period.

Eric noted that DFA, the Plans' emerging markets manager, has underperformed over the last five years. DFA has over-performed since inception. DFA's fiscal year to date underperformance is 440 basis points. Eric noted that DFA, which selects companies with higher value and smaller capitalization than the index, tends to have cyclical performance. Eric suggested that the Joint Committee should look at replacing DFA once it has rebounded.

Eric noted that Westfield is starting to gain some traction. Westfield has underperformed the benchmark since inception (7/1/2010) by 50 basis points.

Eric indicated that the performance of TA Realty and DFA are worrisome. There has been a change in leadership at Brown Capital Management, but this is not a cause for concern. Summit is not concerned with any of the other managers.

Next, Graeme Daykin and Arash Rebek joined the meeting to discuss the performance of Magnitude Capital. Magnitude manages \$3.6 billion in multi-strategy funds of hedge funds and related vehicles. Magnitude has been focused on this business since 2002. It has a 44 person team with deep and varied hedge fund management experience. Each of the five Magnitude partners has an equity stake in the business.

Mr. Daykin noted that hedge fund investing is valuable primarily for the diversification it offers. Passive equity, credit and fixed income market exposures are better sourced outside hedge funds because the fees will be lower. Magnitude's goal is to deliver attractive risk-adjusted returns with limited exposure to passive risk factors.

Magnitude International Class A has generated a 7.2% annualized return with a Sharpe Ratio of 1.2% since inception. This is significantly better than the index which has been basically flat since 2008. Magnitude, because of its manager selection, has generated positive returns over the same period. After addressing questions from the Committee and consultants, Messrs. Rebek and Daykin left the meeting.

Next, Ryan Thackston, representing Blackstone Alternative Asset Management, L.P. (BAAM) provided on the performance of the Blackstone Partners Offshore Fund.

BAAM was founded in 1985 and went public in 2007. It has more than 2,000 employees and 24 offices globally. BAAM has A+ ratings from Standard & Poor's and Fitch. BAAM has more than \$300 billion in assets under management, including \$60 billion in hedge fund solutions.

The Blackstone Partners Offshore fund, in which the Howard County Master Trust invests, is a broadly diversified commingled fund designed to produce attractive long-term, risk adjusted returns. The fund was created in 1996. Annualized net returns since inception are 7.9%. Since inception, the fund has outperformed global equities by 1.2% and global credit by 2.1% with volatility of approximately 27% of that of equities. After responding to questions from the Committee and consultants, Mr. Thackston left the meeting.

In response to a question, Eric Ralph indicated that the County's hedge fund managers, Magnitude and Blackstone, are doing what Summit expected.

Next, Sima Taghavi presented the financial statements for the Employees Plan and the Police and Fire Plan as of March 31, 2015. Sima noted that the investment income for each Plan has been significantly less than the budget, which is based on the Plan's actuarially assumed rate of return of 7.5%. Benefit payments and investment expenses are close to budget. Administrative expenses are generally on budget, but attorneys' fees have

exceeded budget because of the number of alternative investments the Master Trust has made during the fiscal year.

Lonnie Robbins reported that Milliman made a proposal to him regarding risk management for the funds. Lonnie has asked Summit Strategies to review and comment on the Milliman proposal.

There being no further business, the meeting adjourned.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Paul W. Madden".

Paul W. Madden  
Secretary of the Meeting

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