

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

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

January 26, 2017

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, January 26, 2017 at 9:00 a.m. in the Columbia Ellicott City Room of the George Howard Building, 3430 Courthouse Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Director of Finance: Stanley Milesky
Budget Administrator: Holly Sun
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2017)
Representative, Fire and Rescue Supervisory Employees:
 Vincent Baker (Voting Member in Fiscal Year 2017)
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl
Representative, Howard County Police Officers' Association, Lodge 21:
 Mark Thomey

Members Absent

None

Employees Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer's Designee: John Peterson
Deputy Director of Finance: Rafiu Ighile
Budget Administrator: Holly Sun
Employee Representative: Jeff Bronow

Representative, American Federation of State, County and
Municipal Employees Local 3080: Kim Drennon
Representative, American Federation of State, County and Municipal
Employees Local 3085: Dale R. Chase

Member Absent

None

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

Steve Peters, County Auditor's Office
Sima Taghavi, Department of Finance
Thomas Lowman and Ann Sturner of Bolton Partners
Eric Ralph of Summit Strategies Group
Paul W. Madden, Whiteford, Taylor & Preston L.L.P., Counsel to the Committees
Teresa Reider, Office of Human Resources
Scott Southern, Retirement Assistant, Office of Human Resources
Nike Yahaya, Retirement Aide, Office of Human Resources
Janssen Evelyn, Office of Law

Wanda Hutchinson acted as Chair of the meeting and Paul Madden acted as Secretary.

Tom Lowman of Bolton Partners, Inc. presented the actuarial valuation for the Police and Fire Plan as of July 1, 2016. Tom Lowman reported that the County contribution for fiscal year ending June 30, 2018 will be 32.5% of payroll. This represents an increase from the contribution for fiscal year ending June 30, 2017 which was 30.6% of payroll. Tom explained that the reasons for the rate change were the fiscal year 2016 actuarial rate of return which was 5.9% and an increase in average pay from the prior year. Offsetting the rate change and the pay increase was the retiree COLA which was 0.97% but assumed to be 2%. The funded ratio for the Police and Fire Plan of July 1, 2016 is 81.6%, a slight decline from the funded ratio as of July 1, 2015 (81.8%).

Ann Sturner of Bolton Partners presented the actuarial valuation results for the Employees Plan as of July 1, 2016. The contribution for fiscal year ending June 30, 2018 will be 11.7% of payroll, up slightly from the contribution for the fiscal year ending June 30, 2017 (11.6%). The change in the contribution rate was attributable to investment return which was 6.0% on an actuarial basis. Offsetting the less than expected investment return rate was the retiree COLA which was 0.97% but assumed to be 2.75%. Ann noted that the funded ratio for the Plan as of July 1, 2016 was 94.4%, a slight improvement for the funded ratio as of the prior year which was 93.8%.

Tom noted that there are investment losses of \$19.6 million not recognized in the Police and Fire Plan and \$15.7 million of losses not recognized in the Employees Plan. These investment losses will be recognized in future years.

There was a discussion concerning the current trends in discount rates for governmental defined benefit plans both locally and nationally. Locally, the discount rates for governmental defined benefit plans range from 6.75% to 7.75%. Nationally, the median is 7.5%. Tom noted that the investment return assumptions have been decreasing for governmental plans over the past 15 years.

Holly Sun noted that the fiscal year 2018 recommended contributions will be included in the upcoming budget.

Eric Ralph provided a private equity summary and update. Eric noted that Greenspring has started a new venture capital fund of funds, Greenspring VIII. Greenspring VIII is expected to have a single closing during February of 2017. The Fund is already oversubscribed but Howard County would have the ability to make a capital commitment of \$5 million to the fund.

Eric noted that all of the Greenspring funds in which the Master Trust has invested have had very strong performance. Greenspring IV has an internal rate of return of 19.74%, Greenspring VI has an internal rate of return of 15.13% and Greenspring Secondaries Fund I has an internal rate of return of 20.77%.

For 2017, Summit proposes a \$10 million commitment budget and recommends a \$5 million allocation to Greenspring Fund VIII. Eric noted that Greenspring remains in Summit Strategies' top tier along with Aberdeen. After discussion, and upon motion duly made, seconded and unanimously carried, the Master Trust approves Summit Strategies' recommendation of a \$5 million allocation in Greenspring Fund VIII.

Discussion of the Standards of Professional & Ethical Conduct for Members of the Retirement Plan Committee was tabled to give counsel the opportunity to review Professional Standards promulgated by NCPERS.

Justin Moscardelli and Ethan Meyers of Westfield Capital Management provided a review of the Large Cap Growth Equity portfolio which Westfield manages on behalf of the Master Trust. Westfield is a Boston-based asset management firm with \$11.8 billion in assets under management as of December 31, 2016. Westfield has 61 employees and specializes in growth equities across the market capitalization spectrum. Westfield is a GARP manager; unfortunately, GARP has been out-of-favor for the past few years. Mr. Meyers indicated that GARP outperforms both growth and value over the long term and expects GARP stocks to perform well in 2017. The Master Trust's portfolio with Westfield as of December, 2016 was \$50.9 million. The Master Trust has a

performance-based fee of 0.25% base fee with an 18% participation rate and a 1.05% maximum. Since inception, the portfolio has returned 14.31% as compared with the Russell 1000, growth index which has returned 15.50%. Westfield has underperformed the benchmark over the past three years with a return of 6.51% as compared with the benchmark return of 8.55%.

After completing their presentation and addressing questions from the Committee and consultants, Messrs. Moscardelli and Meyers left the meeting.

There was further discussion about the retirement portal. The feedback continues to be very positive. Bolton Partners indicated that the DROP program could be added to the portal for an additional \$4,500 per year plus \$3.00 per participant. The Committee for the Police and Fire Plan approved that expenditure.

There being no further business, the meeting adjourned.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Paul W. Madden".

Paul W. Madden
Secretary of the Meeting

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