

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

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

July 27, 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, July 27, 2017 at 9:00 a.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins (arrived 9:15)
Director of Finance: Stanley Milesky (arrived at 9:45; left at 10:20)
Budget Administrator: Holly Sun
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Voting Member in Fiscal Year 2018)
Representative, Howard County Police Officers' Association, Lodge 21:
 Mark Thomey
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl

Member Absent

Representative, Fire and Rescue Supervisory Employees:
 Vincent Baker (Non-Voting Member in Fiscal Year 2018)

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 (left at 11:25)

Members Absent

None

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

Steve Peters, County Auditor's Office
Sima Taghavi, Department of Finance
Eric Ralph of Summit Strategies Group
Mary Claire Chesshire, Whiteford, Taylor & Preston L.L.P.
Teresa M. Reider, Retirement Coordinator
Scott Southern, Retirement Assistant, Office of Human Resources
Janssen Evelyn, Office of Law

Wanda Hutchinson acted as Chair of the Meeting and Mary Claire Chesshire acted as Secretary.

The meeting was called to order at 9:05 a.m.

The Committees unanimously approved the minutes of the June 29, 2017 Joint Meeting of the Committees.

Wanda Hutchinson advised the Committees that Council Bill 56 containing the amendment to remove the "remarriage penalty" under the Police and Fire Employees Retirement Plan was passed by the County Council.

The Committees thanked Rafiu Ighile for his past service on the Committee and wished him well in his new position with Howard County Public Schools.

The Committees then discussed the report of the Pension Oversight Commission issued June 29, 2017. The Committees noted that the funding levels noted on page 2 of the report are switched as between the Employees Plan and the Police and Fire Plan and Jeff Bronow noted that the funding levels reflect only the market value, and omit the funding levels based on the actuarial value of assets. Eric Ralph noted that he was misquoted on page 10 of the report. Specifically, Eric had noted that Plans have a higher probability of achieving an investment return of 6.6% than 7.5% based on the current asset allocation and Summit's forward looking capital markets analysis. The POC report states that Eric provided that 6.6% was a "more realistic return assumption" than 7.5%.

Terry Reider noted for the Committees that the Master Trust earned a rate of return of 12.5% for the year ending June 30, 2017 and that the five year average return is nine percent.

The Committee noted that the POC's report recommends that the Plans maintain an independent capability to assess areas of investment allocation and investment management advice; the Committees already assess areas of investment allocation and management advice. On page 5 of the POC's report, the POC recommended that managers of alternative investments provide annual financial statements audited by a reputable accounting firm. The Committee does receive audited financial statements from the alternative investment managers. Page 7 of the POC's report included a recommendation that the Plans adopt certain procedures to document their processes and procedures, and findings. The Committees' procedures are fully documented by the minutes of the Committees' meetings.

Finally, the POC report states that the POC was not provided sufficient information to review and assess the fees and expenses for alternative and illiquid investments, particularly the fees paid by underlying funds in fund of funds investments. Eric reviewed for the Committees the process by which the Committees evaluate the fees paid to fund of funds managers and reminded the Committees that analysis of these fees is an integral part of the due diligence when a fund of funds manager is selected.

The Committees briefly discussed the process used by other plans to combine forces to make direct investments in assets versus investment in funds of funds to lower fees.

The Committees agreed that the materials provided by Eric to the Pension Oversight Commission will be put on SharePoint.

Eric Ralph then provided an overview of the due diligence process employed by Summit Strategies Group, including the general due diligence process from initial review to recommendations presented to Summit's Investment Committee. While Summit does retain a "high conviction" strategy list, Summit initially screened over 5,000 equity and 2,200 fixed income strategies.

Eric also reviewed for the Committees the fees paid to the managers (or that they pay themselves) in addition to the stated fee and how Summit negotiates offsets to the stated fees paid to the manager.

Eric reviewed for the Committees the monitoring and de-selection guidelines used by Summit, in particular, the process Summit undertook when Bill Gross left PIMCO and the resulting decision to remain in PIMCO notwithstanding Bill Gross's departure.

Also as part of the due diligence presentation, Eric provided the Committee an example of the last search conducted in April, 2015 for a Local Currency Emerging Markets Debt Manager.

Stan Milesky advised the Committees that he receives approximately six requests per year to vote proxies for various investments in the Master Trust. The Committee agreed that a procedure for voting proxies should be discussed and adopted. In addition, if proxy voting is delegated to managers, the managers' proxy voting should also be

reviewed. The Committee agreed that the right to vote proxies is an asset of the Master Trust and that proxy voting is a fiduciary function. The Committees also agreed that any meeting to discuss the proxy voting, whether the "meeting" is by e-mail or telephone, is subject to the requirements of the Open Meetings Act.

Dale Chase noted that, to the extent proxy voting is delegated, the Committees should monitor the results.

Eric Ralph then provided an update on the private equity investments of the Master Trust. Since 2007, the Master Trust has committed \$157,500,000 of which over \$97,000,000 has been drawn down. Eric highlighted for the Committees that the amount of "dry powder" in the private equity market is a reason to be cautious in making more investments in any of the alternative disciplines. "Dry powder" is money raised, but yet to be invested. An excessive amount of uninvested funds makes managers more likely to invest for the sake of investing, not because the investment is optimal.

The total value of the private equities is \$128,000,000 representing a 1.32x of the capital drawn, including distributions to the Master Trust of \$34,000,000. The net market value, excluding distributions, as of March 31, 2017 was \$94.2 million with a 12.78% internal rate of return.

At 10:40 a.m., a motion was made by Dale Chase and seconded by John Peterson to close the meeting pursuant to General Provisions Article § 3-305(b) to consider the investment of public funds and to comply with a specific constitutional, statutory or judicially imposed requirement that prevents public disclosure about a particular matter or proceeding. Wanda Hutchinson, John Peterson, Rafiu Ighile, Holly Sun, Jeff Bronow, Dale Chase and Kim Drennon all voted in favor of the motion, there were no negative votes, abstentions or absences.

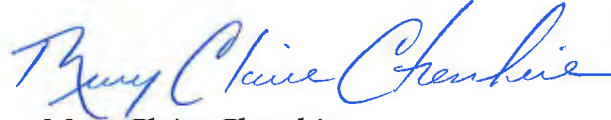
At 10:41 a.m., a motion was made by Jason Luckenbaugh and seconded by Richard Ruehl to close the meeting pursuant to General Provisions Article § 3-305(b) to consider the investment of public funds and to comply with a specific constitutional, statutory or judicially imposed requirement that prevents public disclosure about a particular matter or proceeding. Wanda Hutchinson, Holly Sun, Jason Luckenbaugh, Mark Thomey, and Richard Ruehl voted in favor of the motion. Stanley Milesky, Lonnie Robbins, and Vincent Baker were absent, there were no abstentions or negative votes.

Janssen Evelyn, Sima Taghavi, and Scott Southern were invited to stay during the closed meeting.

During the closed session, Aberdeen Asset Management and Neuberger Berman representatives discussed the investment philosophy and performance of funds that they manage.

At 12:05 p.m., upon motion duly made and seconded, the meeting members voted unanimously to adjourn the meeting.

Respectfully submitted,



Mary Claire Chesshire
Secretary of the Meeting

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