

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

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES
October 24, 2019

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, October 24, 2019 at 9:00 a.m. in the Columbia/Ellicott City Room at the George Howard Building, 3430 Court House Drive, Ellicott City, Maryland.

Police and Fire Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Director of Finance: Janet Irvin
Budget Administrator: Holly Sun
Representative, International Association of Firefighters, Local 2000:
Richard Ruehl

Members Absent

Chief Administrative Officer: Lonnie Robbins
Representative, Police Department Supervisory Employees:
Jason Luckenbaugh (Voting Member in Fiscal Year 2020)
Representative, Fire and Rescue Supervisory Employees:
Vincent Baker (Non-Voting Member in Fiscal Year 2020)
Representative, Howard County Police Officers' Association, Lodge 21:
Nicolas Holocker

Employees Plan:

Members Present:

Human Resources Administrator: Wanda Hutchinson
Director of Finance Designee: Deputy Director of Finance: Angie Price
Budget Administrator Designee: Janssen Evelyn
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

Members Absent

Chief Administrative Officer: Lonnie Robbins

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

Owen Clark, County Auditor's Office
Lori Buchman, Department of Finance
Sima Taghavi, Department of Finance
Margaret Belmondo, NEPC, LLC
Will Forde, NEPC, LLC
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Scott Southern, Retirement Assistant, Office of Human Resources
Jamar Herry, Office of Law
Ken Barnes, Pension Oversight Commission

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

A correction was made to the September 26, 2019 meeting. After the correction, the minutes were unanimously approved by members of both Committees.

Members of the Committees reported on conferences that they recently attended. Dale Chase reported on the Public Funds Forum. Dale noted that a particular focus of this conference was ESG (Environmental Social Governance) investing. The keynote speaker was John Kasich. Jeff Bronow reported on the Funding Forum sponsored by NCPERS. He and Dale Chase attended. This was a small conference with a technical focus. The conference had 50 to 60 attendees. This discussion focused on the meaning of "fully funded" and the trend of lowering discount rates.

Holly Sun reported on the conference sponsored by the International Foundation of Employee Benefit Plans in San Diego. She attended sessions dealing with training for new trustees, governance and legal issues, investment issues, mental health issues and technology. Lonnie Robbins and Jason Luckenbaugh also attended this conference.

Next, Sima Taghavi reported on the Statement of Revenues and Expenses, Budget vs. Actual as of June 30, 2019 for the Howard County Retirement Plan. Sima noted that operating revenues were close to budget. On the expense side, there was an increase in the fee for performance manager services following the hiring of NEPC to replace Summit/AndCo. Attorneys' fees were higher than expected because of a higher number of alternative investments. Sima made similar observations for the Police and Fire Plan. Sima noted that the combined assets for the Plans reached \$1.1 billion as of October 23.

Next, Will Forde of NEPC presented the September Performance Report. In general, the performance for equities was solid but soft, while the performance of fixed income was weak. The September return for the Master Trust was 1.3%. Will noted that value managers have continued to underperform on a year-to-date basis but they are investing in a manner that is consistent with their style. On the fixed income side, Colchester has done a good job. Will noted that Commonfund Natural Resources XI shows significant negative performance. This is the result of this fund being in the J-curve. It is not a matter of concern.

Next, Margaret Belmondo reviewed the Private Equity Pacing Plan prepared by NEPC. NEPC's recommendations include the following:

- Howard County should consider another \$7 million in commitments for 2019.
- NEPC's modeling suggests commitments in the range of \$40 to \$45 million per year to private equity to maintain the target allocation of 10%

NEPC indicates that the second recommendation may change after the asset liability study.

Next, Mark Capstick of Colchester Global Investors provided a company update of Colchester and discussed the performance. Colchester is a value-oriented global fixed income manager. Colchester invests primary in high quality sovereign bonds that offer attractive yields and sound finances. The Master Trust has invested approximately \$45 million in the Colchester Emerging Local Markets Debt Fund. Since the inception date of October 1, 2015, the annualized return for the Fund has been 8.33% which outperformed the benchmark by 194 basis points. Performance in 2019 is 7.29% which trails the benchmark by 57 basis points. Mr. Capstick indicated that Colchester is looking for performance of 200 basis points over the benchmark. Colchester's strategy is fairly simple, buy high quality sovereign bonds and, where appropriate, hedge currency by buying currency forwards. The Fund has very significant over-weights and under-weights vs. the benchmark. All of the bonds purchased are very liquid. Mr. Capstick pointed to the 2015 underperformance of the Fund where Brazil contributed significantly to the underperformance. In 2016, Brazil made a comeback and contributed to the outperformance for 2016. After addressing questions from the Committee and consultants, Mr. Capstick left the meeting.

At 11:00 a.m., a motion was made by Dale Chase and seconded by Janssen Evelyn 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 disclosures about a particular matter or proceeding. Wanda Hutchinson, Angie Price, Janssen Evelyn, Jeff Bronow, Dale Chase and Kim Drennon all voted in favor of the motion. Lonnie Robbins was absent. There were no negative votes or abstentions. Lori Buchman, Margaret Belmondo, Will Forde, Paul Madden, Scott Southern and Sima Taghavi were invited to participate in the closed session. During the closed session the Committees discussed a potential investment in the Greenspring Opportunities VI Fund.

At 11:00 a.m., a motion was made by Richard Ruehl and seconded by Holly Sun 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 disclosures about a particular matter or proceeding. Wanda Hutchinson, Janet Irvin, Holly Sun and Richard Ruehl voted in favor of the motion, Lonnie Robbins, Jason Luckenbaugh, Vincent Baker and Cole Holocker were absent. There were no negative votes or abstentions.

Lori Buchman, Margaret Belmondo, Will Forde, Paul Madden, Scott Southern and Sima Taghavi were invited to participate in the closed session. During the closed session the Committees discussed a potential investment in the Greenspring Opportunities VI Fund.

The meeting reopened at 11:45 a.m.

Upon motion duly made, seconded and unanimously approved it was

RESOLVED that the Joint Committee accepts the recommendation of NEPC to commit \$7 million to the Greenspring Opportunities VI Fund, subject to due diligence and legal review.

The Joint Committee authorized the Chair to participate in a NCPERS survey; participation in the survey will give the Plans access to potentially valuable data.

There being no further business, the meeting adjourned.

Respectfully submitted,

Paul Madden

Paul W. Madden
Secretary of the Meeting

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**EXHIBITS
TO
MINUTES OF HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT
PLAN
AND HOWARD COUNTY RETIREMENT PLAN
JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES**

October 24, 2019

1. Statement of Revenues and Expenses, Budget vs. Actual as of June 30, 2019 for the Howard County Retirement Plan.
2. Howard County Employees Retirement Plans Estimated Revenues and Expenditures for Fiscal Year Ending 2020.
2. Statement of Revenues and Expenses, Budget vs. Actual as of June 30, 2019 for the Police and Fire Employees' Retirement Plan.
3. NEPC's September Performance Report, October 24, 2019.
4. Private Equity Pacing Plan and Private Equity Appendix
5. Representation by Colchester Global Investors, 24 October 2019.