



MEETING MINUTES – 1Q2021
Carroll County Defined Benefit Plans – Pensions, OPEB, LOSAP
Fri., May 7, 2021, 2:30pm
via Microsoft Teams

Marquette Associates (Investment Consultant)

Lauren Cellucci, CIMA, Vice President
Luis Sierra, Senior Client Analyst

Pension Committee Members present:

Charles Beckhardt, Technology Services
Rob Burk, Comptroller
Werner Mueller, Retirement Plans Manager
Ted Zaleski, Director of Management & Budget

Pension members unable to attend:

Tim Burke, County Attorney
Kimberly Frock, Director, Human Resources

OPEB members present:

Rob Burk, Comptroller
Werner Mueller, Retirement Plans Manager
Timothy A. League, Director of Fiscal Affairs of CCC

OPEB member unable to attend:

Chris Hartlove, CFO, Board of Education

Priority: To select an investment manager to manage an infrastructure core fund within the Carroll County Pension Plan and OPEB.

Candidate Lineup:

- IFM: IFM Global Infrastructure Fund – Christopher Falzon & Christopher Rahe
- JP Morgan: JP Morgan Infrastructure Investments Fund (IIF) – Dan Galinko and Ryan McNamara

Award: All four (4) pension committee members present and all three (3) OPEB members present selected **IFM** to manage the infrastructure core fund. Based on 5/7/2021 balances, the 4% infrastructure position would equate to an investment of app. \$ 5M in the County Pension Plan and \$ 7.2M in the OPEB Trust.



Members voting for IFM were impressed with the following:

- The impressive investment performance – both hedged (i.e., no noise from currency . fluctuations) and unhedged - over the past 3, 5, 7, and 10 years in comparison to JPM, with the caveat that it's generally more volatile than JPM. It has generated an 8.9% annualized return since inception (17 years), with nearly 6% in net cash yield.
- Comparatively lower fees and expense ratios.
- Most of IFM's pension fund owners also invest in their funds.
- \$ 32.3B in assets under management.
- 100 investment professionals with regional heads that have worked together for over 10 years.

The Fund's capital call is anticipated to be 12 – 18 months out and the call is all at once. Valuations are calculated on a quarterly basis. The distributions are semi-annually. Exit - quarterly liquidity.

Marquette will determine if our Investment Policy Statement needs to be amended to allow for this new position within the County Pension and OPEB portfolios. If so, the Committee will need to determine the revised asset allocation. Will the Committee opt to...?

- a) reduce US Equities and Core Real Estate to accommodate the 4% infrastructure position? If so, it'd result in a similar forecasted 10-year return, but with less risk.
- b) reduce fixed income/cash to accommodate the 4% infrastructure position? If so, it'd result in a higher potential 10-year return but with increased risk.

With the uncertainly lessening in a soon-to-be post-Covid environment, Marquette has recommended that future dividend and capital gain distributions in the RREEF (LO Plan) and Morgan Stanley Prime (County Pension and OPEB Plans) be reinvested back into the fund. Werner has signed the paperwork authorizing the reinvestments.

Prior to the infrastructure presentations, Lauren and Luis reviewed the 1Q 2021 market/ economy and our DB Plans investment performance. Specifically mentioned were:

Kimberly Frock, Director,
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- Value and small-caps maintained their outperformance from 4Q 2020. Small caps and developed markets are expected to do well in future. Growth stocks, after having a wonderful 2020, may encounter some headwinds re: increasing interest rates.
- President Biden's \$2T+ infrastructure investment plan may drive sustained growth both in the US and globally.
- While equities have been surging over the past year, the bond market has faltered a bit due to an increase in yields.
- The County Pension Plan has a net investment change of over \$34M (!) from 4/1/2020 – 3/31/2021. The cash balance is \$891k. There's some hesitancy in adding funds to the Baird Aggregate Bond Fund at this point due to its longer duration and possible backup in interest rates.
- Both Pension plans' total fund composite have outperformed their benchmarks over the past 12 months. Both Washington Mutual and Northern Small Cap Core had a particularly strong 1st quarter.
- Investment Management fees continue to be a very low annual percentage of 0.28%.

Finally, we are increasing the cash position within LOSAP from the current 2.2% to app. 5% of assets. Sales transactions have been furnished to M&T and the higher cash balance should be reflected by May 12th or so.

We will next meet sometime in August. Date and time TBD.