



MEETING MINUTES
Defined Benefit Plans – Pensions, OPEB, LOSAP
August 22, 2018, 9:30am
Human Resources (Room 124C)

In attendance:

Bolton (Investment Consultant)

Clyde Randall, CFA, Chief Investment Officer
Alton D. Fryer, IV, Director of Client Services

Pension Committee Members

Charles Beckhardt, Technology Services
Rob Burk, Comptroller
Tim Burke, County Attorney
Werner Mueller, Retirement Plans Manager
Bruce Vanleuvan, Lieutenant, Sheriff's Department
Ted Zaleski, Director of Management & Budget

Unable to attend:

Kimberly Frock, Human Resources Director

- Economic review – economic indicators are generally positive and continue to signal a strengthening economy. GDP is up, the unemployment rate is down, consumer sentiment is up, interest rates are up, and oil prices are higher - all in comparison to one year ago. The strengthening US Dollar has impeded the performance of overseas equity markets, particularly amongst Emerging Market countries. The Emerging Market Index, per Clyde, is off 20% from its January, 2018 high.
- Market review – a lot of “green” within US markets across all asset classes, particularly in the small-cap space. The sense is that the ongoing trade/tariff wars have been far less impactful to small companies versus larger, multi-national ones. In the fixed income market, TIPS have done well due to an uptick in inflation and the prospect for a continued rise in inflation.
- While positive, the quarterly returns of both pension plans lagged behind the Policy Benchmark of 2.96%. The 1 year return (FY18) also lagged behind the Benchmark but still ended above the 7% actuarial target. The County Plan = 8.8% while the Law Officer's Plan = 8.09%. All Plans' asset allocations were close to their targets.

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- Bolton expressed some short-term concern about Loomis Sayles due to its concentrated strategy in the healthcare sector, but that is not a deviation from their long-term overall strategy. John Hancock Disciplined Value Mid-Cap has also struggled over the past year versus its peers but Bolton is not overly concerned given its outstanding long-term track record (i.e., over 5 years and 10 years). Finally, Western Asset Core Plus Bond has also struggled versus its peers year-to-date. Per Clyde, the “Core” piece of the fund – treasuries, government, and corporate bonds – has done well, however, the “Plus” piece of it – exposure to junk bonds, and non-US dollar assets – proved to be a drag on performance.
- There are no funds currently in “Watch List” status.
- As of 6/30/2018, the Carroll County Pension Plan had \$ 86.8M in assets, the Law Officer’s Pension Plan had \$ 14.3M, the OPEB Master Trust had \$ 112.7M, and the LOSAP had \$ 8.5M. Asset allocation for all plans were approximately 75% in equities and 25% in cash/fixed income.
- A talking point for the next quarterly meeting may center on our Investment Policy Statement. It has not been updated in 5+ years, with little discussion as well. The overall asset allocation has been 75% equities/25% fixed income for several years. Benefit outflows in the County Pension Plan are now exceeding employee contributions. With these Plans getting a bit more mature, might that warrant a change in our asset allocation strategy?

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