



MEETING MINUTES
Defined Benefit Plans – Pensions, OPEB, LOSAP
May 13, 2019, 9:15am (Pension & LOSAP), 10:45am (OPEB)
Human Resources (Room 124C)

In attendance:

Marquette Associates (Investment Consultant)

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

Pension Committee Members present:

Rob Burk, Comptroller
Tim Burke, County Attorney
Werner Mueller, Retirement Plans Manager
Ted Zaleski, Director of Management & Budget

Pension Committee members unable to attend:

Charles Beckhardt, Technology Services
Kimberly Frock, HR Director
Bruce Vanleuvan, Lieutenant, Sheriff's Department

OPEB members present:

Rob Burk, Comptroller
Werner Mueller, Retirement Plans Manager
Timothy A. League, Director of Fiscal Affairs of CCC
Chris Hartlove, CFO, Board of Education

The following was voted for unanimously by the attending Committee members:

- Approval to authorize Marquette Associates to implement a core real estate manager search with the results to be reviewed during our next quarterly meeting in August.



Werner provided general cash flow information to Marquette and the Committee. Cash outflows on a monthly, quarterly, and annual basis were provided. There are random outflows as well, incl. legal fees and expenses affiliated with actuarial studies. Marquette feels comfortable in maintaining a 2% or so cash position (perhaps smaller in OPEB, since there are no forthcoming distributions in that Plan) in the Pension and LOSAP Plans.

Lauren then provided an economic and market summary of Q1 2019. The big takeaway was the about-face indicated by the Federal Reserve. After a round of rate hikes in Q4 2018 with continuing hikes into 2020, the Fed changed the path of its monetary policy outlook. They now project no more rate hikes through 2020 while the futures markets are projecting at least one rate CUT by the end of next year. This loosening of financial conditions played a huge role in the markets' tremendous Q1 2019 results. Cyclical did best while energy and industrials were the best performing sectors. Growth > Value and Mid-Cap > LC and SC.

The market performance was reflected in all of our DB Plans. For instance, the County Pension Plan increased from \$ 84.8M to \$ 94.1M during the quarter. Asset allocations were within their target range across all Plans with cash positions at more comfortable positions versus 6 months or so ago. The Fund Composite outperformed its Policy Benchmark across the Plans during the quarter with one exception – LOSAP, due to its heavier cash position. Expenses continue to be relatively low across all Plans (fees are .27% - .33% across all Plans), as Marquette continues to deploy a heavier weighting in passively managed funds versus our prior Investment Consultant.

The focal point of the meeting was Lauren educating the Committee members on Core Real Estate. For years, our Plans had a position in publicly traded real estate (TRP Real Estate Fund). Marquette is recommending that we transition to real estate that is privately held. While this move will probably sacrifice some return, it'll serve to greatly reduce the volatility within the sector and within the Plans as a whole. "Core" real estate is considered less risky than its "Value-added" and "Opportunistic" brethren, because its equity investments are in high quality, fully-leased properties in prime locations with low leverage. Types of property within Core include Office, Apartments, Retail and Industrial with a holding period of generally 7 years or more. The only concern that was raised was in regards to the OPEB Plan. That Plan prices shares on a monthly basis while Core Real Estate is usually priced on a quarterly basis. Lauren will look into this and see if the "finalists" presented to us in August will be able to provide monthly pricing, even if they're just estimates.

UPDATE – Lauren provided Werner with trade tickets for the LOSAP and OPEB Plans during the week of 5/20/2019, for the purpose of rebalancing the portfolios in those particular plans.

For the August, 2019 meeting, we anticipate reviewing new benchmarks for Total Portfolio, Total Fixed Income, Total US Equities, and Total Non-US Equities. This is to reflect the IPS changes. The exact date of the meeting is still to be determined.