

**ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN
BOARD OF TRUSTEES MEETING
January 24, 2013**

Members Present: Elaine Kramer, Chief Financial Officer
Captain Terry Black, Sheriff's Office Representative
Susan Sabo, Acting County Administrator

Others Present: Karen Gates, Benefits Coordinator
Jeff Seibel, Morgan Stanley

Absent: Sergeant Edward Evans, Sheriff's Office Representative
Doug Ahearn, Citizen Member

CALL TO ORDER

The meeting was called to order at 1:08 p.m.

ACCEPTANCE OF THE AGENDA

The agenda was accepted as presented by Sue Sabo.

APPROVAL OF MINUTES

Elaine Kramer made a motion, seconded by Terry Black, to approve the November 15, 2012 meeting minutes. Motion carried.

UPDATE OF NINTH AMENDMENT

The Board of County Commissioners held a Public Hearing on December 11, 2012 and approved the ninth amendment changes to the Sheriff's Office Retirement Plan. The amendment will update the Sheriff's Office Retirement Plan to include required changes of the Heroes Earnings Assistance and Relief Tax Act (HEART Act) and changes required by the Internal Revenue Service. The Plan attorney will incorporate the changes into the Plan document.

Sue Sabo reported that one individual came forward during the public hearing to ask the SORP Board of Trustees review the ninth amendment section that clarified the type of benefit a participant could apply for if he/she became disabled as a result of military service. The ninth amendment states that a participant who becomes disabled as a result of military service, be eligible to apply for ordinary, but not a line of duty disability benefit. The individual suggested the Board change the ninth amendment so that a participant disabled as a result of military service, be eligible to apply for a line of duty disability instead of an ordinary disability. The Board of Trustees discussed the implications of the change, but will not take any action to change this section of the ninth amendment at this time.

INVESTMENT PERFORMANCE REPORT as of December 31, 2012 PRESENTED BY MORGAN STANLEY

Morgan Stanley representative Jeff Seibel provided an overview of the Plan's fourth quarter 2012 performance and plan of action for the January 2013 meeting. The beginning market value for the fourth quarter was at \$49,128,548 with an ending market value of \$50,048,109 as of December 31, 2012. Hamlin fund continues to do well. Fixed income funds Delaware Diversified Income, Loomis Sayles Fixed Income, and Templeton Global Bond continue to do well. The Calamos Growth fund, Allegiance Capital fund and Hatteras Multi Strategy fund under performed. Jeff indicated that Morgan Stanley will keep these fund managers on the watchlist and review their fund performance at the end of the next quarter.

Jeff Siebold presented draft changes to the Investment Performance Statement's strategic target asset allocation and its allowable investment ranges. Jeff Seibel stated that the main purpose of the changes were to clarify the asset allocation. The strategic allocation doesn't change; the Plan is still targeting 48% towards Global equity, 17% towards alternatives and 35% towards fixed income which still keeps the Plan in line with what its target policy is; which is about a 65% of the portfolio toward the growth equity alternative bucket and 35% towards the fixed income more conservative cash bucket. Morgan Stanley broke down the asset classes a little bit more specifically and eliminated a couple of funds such as the portable alpha fund which is very narrow fund, more of an overall Hedge fund. Global equity will essentially be broken down into Domestic Equity and International Equity pretty much staying the same; the Fixed Income and Cash doesn't really change except for changing the allowable range from the 0%-15% range to 1% to 15% range; the Alternative Investments class becomes one broader category which includes Real Estate, Managed Futures, Private Equity, and Hedge Funds. The allowable range for the Hedge Funds was expanded from 0% to 5% to 0% to 15%.

After reviewing the Plan's performance for 4th quarter 2012 and proposed Investment Policy Statement changes, Mr. Seibel presented the following action plan to the Board for the January 2013 meeting:

1. Vote to ratify the new Investment Policy Statement
2. Add 2.5MM in Millenium Strategic Capital Hedge Fund to replace liquidated position in MS Portable Alpha Fund
3. Add 2 MM to EAFE International Index to maintain international allocation target per the Investment Statement Policy.

In addition, Mr. Siebel presented the following action plan for the May 2013 meeting:

1. Present results of International Manager search to replace EAFE Index allocation and vote on any proposed changes.
2. Review and/or propose changes to the fund managers on the watchlist (Allegiance Capital, Calamos Growth, and Hatteras Multi Strategy).

The Board discussed Morgan Stanley's plan of action and voted to add 2MM to EAFE International Index to maintain international allocation target per the Investment Performance Statement. The Board will discuss the following action items at the February 2013 meeting:

1. Vote to ratify the new Investment Policy Statement
2. Add 2.5 MM in Millenium Strategic Capital Hedge Fund to replace liquidated position in MS Portable Alpha Fund
3. Review Morgan Stanley's results of the International Manager search to replace the EAFE Index allocation and vote on any proposed change
4. Review Morgan Stanley's proposed changes of under-performing fund managers

ADMINISTRATOR'S REPORT

Bills paid since last meeting:

12/03/12	Whiteford, Taylor & Preston	Professional services through 11/30/12 (Discussion of QDRO)	\$245.00
11/27/12	Bolton Partners	Consulting services for month ending 10/31/12 (Valuation; lump sum distribution /Logalbo; Purchase of service calculation)	\$ 1,275.00 \$ 123.00 \$ 207.00
11/29/12	Newsweek Media, Inc.	Notice of Public Hearing Ad.	\$ 140.26
12/19/12	Bolton Partners	Consulting services for month ending 11/30/12 (Entry age normal	\$ 500.00

		cost calculations, benefit form conversion factor analysis, Benefit calculations (Kirby, Campbell, Weston, and Miller) Valuation.	\$ 500.00 \$ 492.00 \$1,875.00
		TOTAL:	\$5,357.26

NEXT MEETING

The next meeting is scheduled for Thursday, February 28, 2013.

ADJORNMENT

The meeting adjourned at approximately 2:40 p.m.

Respectfully submitted,

Karen Gates
Recorder

APPROVED:

Susan L. Sabo
Chair