

**ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN
BOARD OF TRUSTEES MEETING
January 28, 2016**

Members Present: Dr. Rebecca Bridgett, County Administrator
Jeannett Cudmore, Chief Financial Officer
Captain Terry Black, Sheriff's Office Representative
Lt. Edward Evans, Sheriff's Office Representative
Dr. Tracy Harris, Citizen Representative

Others Present: Catherine Pratson, Plan Administrator
Karen Gates, Recorder
Michael W. Holycross, Morgan Stanley
Jeff Seibel, Morgan Stanley

Call to Order

The meeting was called to order at 1:02 p.m.

Acceptance of the Agenda

The agenda was accepted as presented by Rebecca Bridgett.

Approval of Minutes

Terry Black made a motion, seconded by Jeannett Cudmore, to approve the November 19, 2015 meeting minutes. Motion carried.

Presentation by Morgan Stanley - 4th Quarter 2015 Financial Review

Michael Holycross indicated that this is the worst January start to the capital market. He thinks it is less to do with the Fed than the global scare that we are going through. Mr. Holycross stated that we are in a slow growth environment. Fears around falling prices, US-dollar strength and erratic Chinese policymaking have raised concerns about a global recession. Michael Holycross presented an article, *The GIC Weekly*, written by Lisa Shalett, Head of Investment & Portfolio Strategies at Morgan Stanley Wealth Management. Referencing page 2 of the article, Mr. Holycross stated that full-blown global recessions are rare but market corrections are frequent. While this correction does have more fundamental underpinnings than those in 2015 and 2013, we think the market discounting of a recession, especially for the average security, is well along, which creates a positive risk/reward profile for long-term investors. For clients with very short time horizons, Morgan Stanley recommends raising cash. For long-term investors, adjust positioning for volatility-adjusted returns is the recommendation. Morgan Stanley thinks that US equities will return to a positive this year. Mr. Holycross doesn't think that this is another 2008. He does not think the level of leverage in the system is what it was from 2003 to 2007. He believes that we haven't created this over-leveraged credit bubble in the US. Mr. Holycross also stated that we may see more pain with credit because of the rising dollar in the emerging markets, but we don't have a lot of emerging markets in the SORP portfolio.

Morgan Stanley recommended small investment changes to make to the SORP portfolio. The portfolio sits with about 6% cash. Morgan Stanley recommends raising the cash position another 2% and reworking the equity portfolio.

Jeff Seibel provided the Performance Measurement Report for the period ending December 31, 2015. The Combined Account portfolio was up 3.0% for the quarter, the Domestic Equity portfolio was up 4.78% for the quarter, the International Equity portfolio was up 6.38% for the quarter, the Fixed Income portfolio was down -0.08% for the quarter, the Real Estate portfolio was up 2.38% for the quarter, and the Hedge Funds & Private Equity portfolio was up 1.25% for the quarter. The beginning market value of the Plan was \$64,245,976 and the ending Market Value of the Plan was \$66,746,001.

Review of Virtus Dynamic Fund

Virtus has been on the watch list for the last 3 quarters. Virtus had a management change last year. The new management team no longer wants to run long term investments. Morgan Stanley recommends moving 2.8% from Virtus and allocating 2.8% to cash. Morgan Stanley will search for a new fund manager to replace Virtus.

Rebalance/Repositioning for 2016

Morgan Stanley recommends reducing the amount in the Putnum funds based on performance results; Loomis and Putnum are taking more credit risk.

MS recommends dropping the allocation to the Templeton from 7% to 4%.

Lt. Evans Black made a motion, seconded by Tracey Harris, to:

- Move the 2.8% allocation from Virtus to cash;
- Take 4% from Putnam and allocate 3% to iShares Large Growth and 1% to Clarkston Small Cap;
- Take 1% from Loomis and 3% from Templeton and allocate 4% to iShares Intermediate Government/Credit Bond.

Motion carried.

Morgan Stanley Agenda for April 28, 2016 Meeting

- First Quarter 2016 Review
- Large growth manager search.

Discussion of DROP Program Participant Comments

The Board reviewed comments from plan participants regarding the DROP Plan proposal. The majority of comments/questions focused on the following:

- Should creditable service include military service, transferred service, or purchased service
- Length of DROP periods
- If DROP funds could be rolled over to the County's 457 deferred compensation plan

- Does the service time in the DROP program count for determining a retiree's health insurance premium
- Clarification of transition rules

The Board suggested having Bolton prepare a chart showing how many employees with 25 years or more of service would retire at the same time if each employee entered the DROP program for 5 years.

Administrator's Report

BILLS PAID SINCE LAST MEETING:

DATE	PAYEE	TYPE SERVICE	AMOUNT
11/15/15	Bolton Partners	Professional services rendered through 10/31/15. Lump sum distribution calculation for C. Long	\$ 131.00
12/17/15	Bolton Partners	Professional services rendered through 11/30/15. DROP study. Sick leave study.	\$7,500.00 \$500.00
12/17/15	Whiteford, Taylor and Preston	Professional services rendered through 11/30/15. Analysis of DROP proposal; draft DROP program decision points, attend Board of Trustees meeting.	\$3,010.00
1/11/16	Whiteford, Taylor and Preston	Professional services rendered through 12/31/15. Draft DROP program outline.	\$ 875.00
1/20/16	RCM&D	Fiduciary Insurance 2/16/16 to 2/16/17	\$ 9,160.00
TOTAL:			\$ 21,176.00

NEXT MEETING

The next meeting is scheduled for Thursday, February 25, 2016.

ADJORNMENT

The meeting adjourned at approximately 2:45 p.m.

Respectfully submitted,

Karen Gates
SORP Plan Coordinator

APPROVED:

Dr. Rebecca B. Bridgett
Chair