

ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN
BOARD OF TRUSTEES MEETING
August 23, 2018

Members Present: Dr. Rebecca Bridgett, County Administrator
Jeannett Cudmore, Chief Financial Officer
Sgt. Shawn Moses, Sheriff's Office Representative
Sgt. Clayton Safford, Sheriff's Office Representative
Dr. Tracy Harris, Citizen Representative

Others Present: Catherine Pratson, Plan Administrator
Karen Gates, Recorder

CALL TO ORDER

The meeting was called to order at 1:05 p.m.

ACCEPTANCE OF THE AGENDA

The agenda was accepted as presented by Dr. Bridgett.

APPROVAL OF MINUTES

Tracy Harris made a motion, seconded by Shawn Moses, to approve the minutes from the June 28, 2018 SORP meeting. Motion carried.

Jeannett Cudmore made a motion, seconded by Sgt. Safford, to approve the minutes from the July 26, 2018 SORP meeting with revision to remove Sgt. Moses as being present at the meeting. Motion carried.

PRESENTATION BY MORGAN STANLEY

Second Quarter 2018 Review

Jeff Seibel from Morgan Stanley presented the Performance Measurement Report for the period ending June 30, 2018. The Domestic Equity Account was up 2.05%, the International Equity Account was down -2.69%, the Fixed Income Account was down -0.43%, the Real Estate Account was up 2.17%, and the Hedge Funds & Private Equity account was up 1.35% for the quarter. The beginning market value of the Plan was \$85,455,804 and the ending market value of the plan was \$85,332,023.

Jeff Seibel would like to reassess the Clarkson Small Cap manager. Clarkson is a good manager, but their approach is more tactical. They seem to keep 30-40% in cash for long periods of time. Morgan Stanley doesn't think the fund managers should have that much control over how much cash they invest.

Morgan Stanley Recommendations

Jeff Seibel from Morgan Stanley presented proposed investment options for the Board to consider.

1) Black Creek Diversified Property Fund

Currently the Plan has about 3.2% invested in real assets/real estate. Morgan Stanley's goal is to get that closer to a 6% allocation. Jeff Seibel suggested the Board consider a 1.5% investment in the Black Creek Diversified Property Fund. Black Creek provides a good complement to the Plan's current real estate investment in Blackstone, who focuses mostly in the multi-family and industrial property space, whereas Black Creek specializes more in the office and retail space.

Jeannett Cudmore made a motion, seconded by Tracy Harris, to accept Morgan Stanley's recommendation to move 1.5% (1.25MM) from cash to the Black Creek Diversified Property Fund. Motion carried.

2) Brightwood Capital Fund IV

Jeff Seibel recommended a 1.5% commitment in Brightwood. Brightwood focuses on investing in secured loans of U.S.-based middle market companies, with a focus on family and entrepreneur owned businesses with EBITDA less than \$75.0 million and capital needs of \$50.0 million - \$300.0 million for organic growth, acquisitions, recapitalizations and management buyouts. The benefit of Brightwood is that they structure their loans with floating rate covenants, providing credit opportunities in a rising interest rate environment. As the funds are invested over a 2-year investment period, a 1.5% commitment in Brightwood would increase the Plan's current global credit exposure from roughly 20.6% to 22.1% (with an IPS target exposure of 23%).

Sgt. Moses made a motion, seconded by Sgt. Safford, to accept Morgan Stanley's recommendation to commit 1.5% (1.25MM) to the Brightwood Capital Fund IV. Motion carried.

3) Pantheon Global Infrastructure III

Jeff Seibel proposed a 1.5% investment in Pantheon Global Infrastructure which would diversify the Plan's real assets exposure with investment in infrastructure such as energy (power plants, utilities, pipelines, solar, wind), transportation (airports, harbors, toll roads, and shipping), telecom, waste management, and some social/public to private partnerships.

Sgt. Safford made a motion, seconded by Tracy Harris, to accept Morgan Stanley's recommendation to commit 1.5% (1.25MM) to Pantheon Global Infrastructure III. Motion carried.

Tactical Changes

Jeff Seibel recommended the following tactical changes to the Plan's portfolio:

Add/Increase

+2.0% Vanguard Total Stock Market ETF (VTI)

+1.0% iShares Small Cap Core ETF (IJR)

+2.0% Pacer Trendpilot Nasdaq 100 ETF (PTNQ)

Remove/Decrease

-3.0 PS Dynamic Large Value ETF

-1.0% Cash

-1.0% iShares Emerging Markets (EEM)

Jeannett Cudmore made a motion, seconded by Sgt. Moses, to accept Morgan Stanley's recommended tactical changes. Motion carried.

Wells Fargo Update – Directed Trustee Update

Wells Fargo provided Catherine Pratson and Plan Attorney Mary Claire Chesshire with copies of the direct trust documents. Both Catherine Pratson and Mary Claire Chesshire have reviewed the documents and submitted suggested edits to Wells Fargo. We are awaiting the final documents.

Custodial Services RFP

At last month's meeting the Board voted to submit an RFP for custodial services. Catherine Pratson spoke with the Plan Attorney and Jeff Seibel. Both think it's a prudent decision for Board to pursue. Jeff Seibel helped with the RFP that was done in 2007 and is happy to assist in drafting RFP documents to begin the process. If the Plan were to change its custodial trustee, the change would likely be effective July 1, 2019.

SORP 15th Amendment Update

The Commissioners approved a request for a Public Hearing to be held on September 11, 2018 at 9:30 am. Catherine Pratson anticipates a decision by the Commissioners at their September 25, 2018 meeting with a DROP plan effective date of January 1, 2019. A January 1, 2019 effective date would give the Plan enough time to produce the necessary forms and documents required for entry into the DROP program. Participants will be given a 90-day window from January 1, 2019 to enter the DROP.

SORP Disability Application Update

A follow-up independent medical evaluation (IME) was conducted on July 31, 2018. The medical examiner is still very unwilling to make a determination of permanency at this time. The medical examiner is recommending additional treatment and additional testing before rendering a determination. The participant has a copy of the independent medical examiner's report and was told that a decision has been postponed. The participant has been encouraged to share the IME report with his treating physician.

ADMINISTRATOR'S REPORT

None.

NEXT MEETING

The next meeting is scheduled for September 27, 2018.

ADJORNMENT

The meeting adjourned at approximately 2:10 pm

Respectfully submitted,

Karen Gates
SORP Plan Coordinator

APPROVED:

Dr. Rebecca B. Bridgett
Chair