

**MINUTES OF THE  
MEETING OF THE PENSION OVERSIGHT COMMISSION  
January 23, 2019**

A meeting of the Pension Oversight Commission (POC) for the Howard County Retirement Plan and the Howard County Police and Fire Employees' Retirement Plan was held Wednesday, January 23, 2019 at 1:30 p.m. in the Pasadena room of the Ascend One Building at 8930 Stanford Blvd. Columbia, MD 21045. Members also participated via conference call. Present in person and on the phone for all or part of the meeting were the following voting members of the Commission:

Ken Barnes  
Jae Chon  
Peter Hong  
Todd Snyder  
Mitch Stringer

Also present in person and on the phone for all or part of the meeting were Terry Reider and Scott Southern from the Office of Human Resources, Trevor Jackson, and Chris Brocaw from Andco Consulting. Mr. Snyder chaired the meeting and Mr. Southern served as secretary.

The meeting was called to order at 1:31 p.m. Mr. Snyder asked Mr. Jackson and Mr. Brocaw for an overview of Andco Consulting and their background. Mr. Jackson indicated he was formerly with Summit and recently transitioned to Andco and that Summit referred the Plans to Andco as a replacement upon the decision of Summit to exit the business of servicing public pension plans. Mr. Jackson described Andco Consulting as having 60% of the assets that they service with public pension funds. Altogether they advise about \$95 billion in client assets with multiple offices throughout the country. He then went over his background and the transition from Summit to Andco. Mr. Brocaw also provided his background and his experience with Andco.

The commission wanted to know if there has been any significant regulatory action involving Andco. Mr. Jackson advised that Andco has not had any. They further inquired about any independent audits that Andco has gone through. They were informed that Andco has a compliance team that conducts internal mock audits regularly. They also had an audit by the SEC in 2015 and nothing came of it. Mr. Snyder inquired whether Summit would receive any compensation in connection with the assignment of its contract to Andco, and Mr. Jackson indicated there was an earnout arrangement where Summit would receive compensation based on how long Andco ended up providing services to the plans. Mr. Snyder inquired as to the diligence that had been performed on Andco in connection with its temporary assumption of services, and Ms. Reider indicated that legal counsel had contacted someone at another public pension fund for a reference.

After the discussion of Andco's services, the meeting transitioned to the investment performance review as of 6/30/2018. Mr. Jackson went over the overall return as being 9% which was well

above the plan's policy and implementation index. Mr. Jackson stated that the returns for the remainder of 2018 would be lower. Most of the return came from manager value added performance. The total fund ranked in the 37<sup>th</sup> percentile versus other public fund peers. The plan is currently slightly overweight in U.S. equities. Mr. Jackson went over the Plans' risk vs. return noting his opinion that the fund has a better return with less risk than other plans. The current standard deviation is 4.38 which is below the median of 5.0.

The commission wanted to know if the policy index is where it should be or should there be a change in the asset allocation. Mr. Jackson informed the commission that the plan is due for an asset liability study which will help to determine if there should be any changes made to the allocation.

The commission members wanted to know what the realistic expected return is now. The representatives from Andco felt that directionally the returns will be decreasing. Over the next ten years the expectation is around 6.6% including Alpha return, however over a 30-year time horizon the returns may be 7.4% including alpha.

The discussion then focused on the private equity investments in the plan. The commission wanted to know if the county should be in fund of funds or going with direct investments. Mr. Jackson advised that the county is currently invested in fund of funds and confirmed that there are layers of fees involved with this type of investment. The plans could invest directly but that would require more oversight and administration by county staff. The commission wanted to know if there was an index to measure the performance for the private equity managers. Mr. Jackson advised that the index of Real Assets is NCREIF, but there is no index for other private equity investments.

The commission wanted to know if there was a description of the Private Investment Managers that the county has investments with. They would like to know more about the managers strategy, who they are, and what they do. Mr. Jackson had a document with him with detail on the private investments of the Plans that he indicated was presented during the RFP process but it had opinions that need to be omitted before it could be shared with the commission. Mr. Jackson agreed to compile a description for the commission.

With no further issues to discuss, the meeting was adjourned at 2:40 p.m.

Respectfully Submitted,



Scott Southern  
Office of Human Resources