

**MINUTES OF THE
MEETING OF THE PENSION OVERSIGHT COMMISSION
May 17, 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 Friday, May 17, 2019 at 9:30 a.m. in the Columbia 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
Todd Snyder

Also present in person and on the phone for all or part of the meeting was Scott Southern from the Office of Human Resources. Mr. Snyder chaired the meeting and Mr. Southern served as secretary.

The meeting was called to order at 9:38 a.m. The minutes from the meeting on May 10, 2019 were approved along with the revised minutes from the meeting on January 23, 2019.

The commission began by discussing the topics that they may want to address in their annual report. The commission thought that it would be valuable to include information about the subsequent events following the end of the fiscal year; including the change in the discount rate from 7.5% to 7.45%, the hiring of NEPC as the new investment consultant, and the changes to the investment policy statement. The commission members discussed repeating their recommendation that the Plan should hire a Chief Investment Officer or an investment professional. The commission would still like to receive a description of the private fund managers from NEPC, showing who they are and what type of investments they are involved with.

The discussion moved to the investment return assumption at 7.45% and how it is still too high. Over the trailing 5 years the return has only been 6.7% at what is believed to be the tail end of a long bull market. The commission believed that it is less likely that the returns over the next 5 years will be higher than the assumption leaving a shortfall. The commission felt it should be noted in their report, that during the meeting where the Joint Retirement Plan Committees voted to lower the return assumption, one member abstained from the vote and did not feel the decrease would lower the risk until it was at least 7%.

The commission members went on to discuss that investment firms are becoming more conservative with regard to their outlook toward future returns. They reviewed the NEPC asset allocation presentation provided to the Retirement Plan Committees on April 25, 2019. They referenced that the expected return over 5-7 years is 6.57% and over 30 years is 7.66%. The commission feels that the return assumptions are out of line with expectations.

The next topic that the commission wanted to address was the access to information regarding the alternative investment portion of the portfolio. They discussed how much information the POC finds essential to perform its oversight function and what the general public should have access to so they can see the risk of investing in alternatives. They felt the need for more information about how Private Equity is being valued to determine if it is being reported accurately.

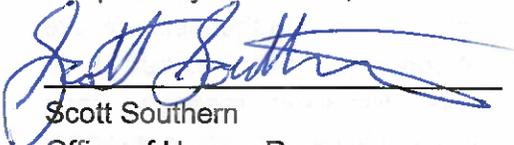
The discussion continued with the topic of plan governance. They will make another recommendation that the Retirement Plan Committees should have documented procedures. They would also like the plan to have a Service Organization Control (SOC 1) or similar audit/review of the procedures. The commission questioned if there is a conflict of interest for the Retirement Plan Committee fulfilling their fiduciary responsibilities versus their responsibilities as county employees. It was also questioned if there was a conflict with Human Resources being involved with the commission and the committee that they provide oversight functions for.

Another topic that the commission felt should be addressed was the contract with NEPC to see if there was language that provided for a longer timeframe when terminating the contract so the plan does not experience a quick change, like what happened with Summit.

The commission set a goal of having a first draft of the report by the end of the month and scheduled a meeting for June 3, 2019 at 8:30 a.m.

With no further issues to discuss, the meeting was adjourned at 10:25 a.m.

Respectfully Submitted,



Scott Southern
Office of Human Resources