

Calvert County Employees Retirement Plan  
Calvert County Sheriff's Office Pension Plan  
Other Post-Employment Benefits Trust (OPEB)  
Board of Trustees Quarterly Meeting  
May 17, 2019  
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**MEMBERS PRESENT:**

**Employees Retirement Plan (ERP):** David Carpenter, Bill Clark, Tim Hayden, Terry Shannon, Sharon Strand, Jaime West, Dominic Raino.

**Sheriff's Office Pension Plan:** David Carpenter, Rebecca Flanagan, Alphonso Hawkins, Tim Hayden, David Payne, Terry Shannon, Joshua Underwood, Dominic Raino.

**Other Post Employment Benefits Trust (OPEB):** David Carpenter, Rebecca Flanagan, Tim Hayden, Edith Hutchins, Kevin Michael, Genieve Clarke-Hillman.

**MEMBERS ABSENT:**

**Employees Retirement Plan:** Jackie Vaughan.

**Sheriff's Office Pension Plan:** Michael Moore.

**Other Post Employment Benefits Trust (OPEB):** Dina Davis.

**OTHERS PRESENT:**

Don Ross, Wainwright Investment Counsel, LLC  
Lauren Barrett, Human Resources Assistant  
Deb Schwartz, Barings  
Pamela McCoin, Barings

Tim Hayden called the Calvert County Employees Retirement Plan, the Calvert County Sheriff's Office Pension Plan and OPEB Trustees meeting to order at 9:08 a.m.

After review of the March 1, 2019 minutes, no changes were recommended.

**MOTION:** Terry Shannon motioned to approve the March 1, 2019 minutes for the Calvert County Employees Retirement Plan.

**SECONDED:** David Carpenter seconded the motion for the Calvert County Employees Retirement Plan.

All were in favor. None opposed.

**MOTION:** Terry Shannon motioned to approve the March 1, 2019 minutes for the Sheriff's Office Pension Plan.

**SECONDED:** David Payne seconded the motion for the Sheriff's Office Pension Plan.

All were in favor. None opposed.

**MOTION:** Edie Hutchins motioned to approve the March 1, 2019 minutes for OPEB.

**SECONDED:** Tim Hayden seconded the motion for OPEB.

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All were in favor. None opposed.

There are changes to the current agenda. The OPEB allocation discussion and OPEB adjournment will be moved to the end of the meeting.

**PRESENTATIONS/DISCUSSIONS**

*Don Ross, Wainwright Investment Council, LLC*

Don Ross began his presentation with a review of the state of the plans as of March 31, 2019. The end of the 4<sup>th</sup> quarter showed recession concerns. This was due to the thought that the Federal Reserve was raising rates too high, and bond yields being down. The 1<sup>st</sup> quarter ended in a more positive state and a good recovery. The stock market was up 18.25%, bond returns were around 3%. Corporate earnings are good. The unemployment rate is low. The rate of inflation is low, below 2%. The current concerns are with China and trade. Ten year returns are about 15% annual rate of return. This is not sustainable in the long term - 6-7% large cap equity returns are more realistic for the long term. Kayne Anderson showed a return through April 2019 of 32%. For the same period, Polaris showed a return of 13.7% and Barings a return of 14.8%.

*Deb Schwartz and Pamela McCoin, Barings*

Deb Schwartz is a portfolio manager for the Barings Core Property Fund. This is a \$3.8 billion fund with a low leverage strategy. This is one of the smaller funds in the benchmark which allows for active core management and changes to be made when necessary. The properties are well occupied with 95% occupancy. Barings is owned by Mass Mutual who is also an investor in this fund. The largest property in this fund is \$300 million and the smallest is \$60 million. The overall execution strategy takes 2-3 years with smaller properties taking less time. Office and apartment spaces are capital needs investments. This includes engineering, elevators, air conditioning, water and lobbies. Before a property is purchased there is a forecast of capital needs and an assessment of rent rolls and potentials. An investment committee evaluates new and prospective properties. This includes a projected budget and business plan before a decision to purchase is made. The projected return for 2019 is trending toward 7 – 7.5%. There is a dividend given quarterly and Barings has been able to do this each quarter since inception. The average amount of time a property is held is four years. The fees for this fund are competitive with increasing discounts after the first \$25 million. If returns drop below 6% there is a 10% fee discount. The fund offers quarterly liquidity.

*Jake Maliel and Devin Sullivan, TA Realty*

TA Realty is a company that only invests in real estate. The fund presented a Core Property Fund. This fund is currently valued at \$3 billion. As of March 31, 2019, the fund has a 24.4% leverage ratio with 98% occupancy, and 38 investments with 40 investors. The average investment size as of March 31, 2019 is \$78.1 million. There is an overweight in industrial and an underweight in retail. This is a part of their investment strategy to keep up with the industrial needs of e-commerce. The fees are currently at 70 basis points. Jake Maliel stated that the average fee in this industry is 80 – 100 basis points. The fund performs well in the ODCE benchmark when compared to other funds in the benchmark. The goal is to outperform the ODCE by 100 – 120 basis points. Their parent company is Mitsubishi, who also invests in the plan under the same terms and fees as all other investors. Multifamily units are included in the portfolio. A part of the strategy for this is to interview tenants and to mock interest in renting a unit. This allows them to gain insight from those currently in the building and

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to understand how the property functions and does business. The returns are forecasted to be on the high end of 7 – 8% in the next 12 months. Significant appreciation has been seen in the last 12 months, near 8%.

*Don Ross, Wainwright Investment Council, LLC*

For the first quarter the S& P is up 13.65%. The S& P ten year return is 15.92%. Don Ross stated that he does not believe returns will remain this high. Year to date the Employees Retirement Plan is up 10.7%, the Sheriff's Office Pension plan is up 10.7% and OPEB is up 10.5%. Private Equities are doing well. As of April 30, 2019 The Employees Retirement Plan has a balance of about \$82 million with 76.6% in total equities against a 75% target. Don Ross stated that the allocations of the Employees Retirement Plan are fine and can be reevaluated at the next meeting for rebalancing. As of April 30, 2019 the Sheriff's Office Pension Plan has a balance of about \$95 million with 75.9% equities against a 75% target. Don Ross stated that the allocations of the Sheriff's Office Pension Plan are fine and can be reevaluated at the next meeting for rebalancing. As of April 30, 2019 OPEB has a balance of about \$101 million with 74.7% in equities against a 74% target. There is an overweight to cash. Tim Hayden stated that after July, there will be an about an additional \$11 million added to the fund. Don Ross recommended the following allocations for rebalancing for OPEB from cash: \$250,000 to iShares Russel Mid Cap Value, \$250,000 to Earnest Partners (\$500,000 addition to Domestic Equity), \$750,000 to Polaris Capital International Value, \$750,000 to Barings Focused EAFE Plus Fund (\$1.5 million addition to International Equity), \$1 million to Loomis Sayles Core Bond, \$1 million to Vanguard Short Term investment Grade (\$2 million addition to Fixed income). This is a total of \$4 million in rebalancing.

**MOTION:** Tim Hayden motioned for OPEB to make the \$4 million allocations for rebalancing as recommended by Don Ross on Slide 5.

**SECONDED:** Kevin Michael seconded the motion for OPEB.

**DISCUSSION:** Kevin Michael asked why only \$4 million is being rebalanced when there is \$9 million available in cash with an additional \$11 million coming. Don Ross answered that the additional funds will be evaluated to rebalance again in August, and this will allow for staging in.

All were in favor. None opposed.

**OPEN DISCUSSION**

*Letter from the Trustees Regarding Annual Declaration of Disability Recipients*

David Carpenter informed the boards that letters were sent to everyone who is receiving disability benefits. The letter indicated that they must complete a declaration and their physician must complete a declaration stating that the individual continues to be disabled. Of the 34 people that are on disability, 16 were required to submit declarations. Anyone who would have already met normal retirement requirements were not required to submit declarations. Fourteen of 16 individuals complied with the requests. The two individuals who did not respond are members of the Employees Retirement Savings Plan and a separate board overlooks this plan. This will be discussed at the next meeting for that plan. All individuals who were required to respond for the Employees Retirement Savings plan and the Sheriff's Office Pension Plan sent responses. All indicated that the individuals remain to be disabled. David Carpenter stated that he has the declarations if any Trustees wish to review.

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**MOTION:** Tim Hayden motioned to adjourn the Employees Retirement Plan meeting.

**SECONDED:** Bill Clark seconded the motion for the Employees Retirement Plan.

All were in favor. None opposed. The Employees Retirement Plan meeting was adjourned at 12:05 p.m.

*OPEB Allocation Discussion*

OPEB currently has a target allocation of 30% in Large Cap. Returns for the Sheriff's Office Pension Plan and the Employees Retirement Plan have been slightly higher. These plans have a 27% target in Large Cap. Don Ross presented information on projected returns for moving funds for Large Cap from S&P 500 and split equally between Large Cap Growth and Value. While Growth and Value projected return is slightly higher, this change would be very minimal. The trustees agreed that this move can wait and be reevaluated once there is an additional influx of funds. Don Ross recommended staying in the S&P 500 for Large Cap and focusing on other asset classes including Private Equity S&P 500 Index Fund.

**MOTION:** Kevin Michael motioned to adjourn OPEB.

**SECONDED:** Tim Hayden seconded the motion for OPEB.

All were in favor. None opposed. OPEB meeting was adjourned at 12:24 p.m.

*Medical Retirement Revisions*

David Payne began this discussion with background on the matter. David Payne stated that prior to 2005 the Sheriff's Office Pension Plan provision for disability retirement made it appealing for an individual to medically retire versus normal retirement. Currently the plan stated that a person who retires from a line of duty disability will receive 70% for 2 years and drops to 58% after 2 years if the person does not become totally disabled. Once the normally retirement was set to 70% the medical retirement was not adjusted to reflect this change. David Payne presented the example that a member of the plan with 31 years of service who becomes medically disabled would receive 58% in retirement versus 70% if they were to retire normally. The recommendation is to make the medical portion of the plan to mirror normal retirement. Timothy Buckmaster stated that the changes are to reflect that of normal retirement. If a Sheriff is injured, they should not receive less than if they were eligible for normal retirement. The proposed plan would save the plan money, as individuals would not have 2 years at 70% but would stay at a fixed amount based on their years of service. The retirement would begin at 58% and increase 2% per year with a cap of 70% with 31 years of service. David Payne stated that he is unsure why the amount begins at 70%. David Carpenter responded that this was to allow time for Social Security Disability approval. David Carpenter asked what the advantages would be for a person with 31 years of service to retire medically instead of normally. David Payne answered that medical retirement is not taxed, and normal retirement is. David Carpenter stated that the health insurance subsidy would be greater for an individual to pursue normal retirement instead of medical retirement, and on some occasions Workers' Compensation is more valuable for a normal retirement. The number of people that this would effect would be minimal. Timothy Buckmaster stated that he has almost 30 years of service. If he were to get hurt now and retire medically his retirement would be less. He would also miss the opportunity to enter the drop at 31 years. David Payne clarified that this change will only effect total line of duty disability. David Carpenter suggested adding language to clarify that this is for if the injury occurs after 25 years of service, otherwise years of service

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continue to accrue until the 31 years of service is met. David Payne asked David Carpenter to make the necessary changes. David Carpenter stated that before a decision is made Terry Shannon needed to be updated on this and let her weigh in. Tim Hayden stated that this will need to go to the commissioners for final approval.

**MOTION:** Tim Hayden motioned to adjourn the Calvert County Sheriff's Office Pension Plan meeting.

**SECONDED:** David Payne seconded the motion for the Calvert County Sheriff's Office Pension Plan.

All were in favor. None opposed. The Calvert County Sheriff's Office Pension Plan meeting was adjourned at 12:45 p.m.