

**ST. MARY'S COUNTY SHERIFF'S OFFICE RETIREMENT PLAN  
BOARD OF TRUSTEES MEETING  
October 26, 2017**

**Members Present:** Dr. Rebecca Bridgett, County Administrator  
Jeannett Cudmore, Chief Financial Officer  
Lt. Edward Evans, Sheriff's Office Representative  
Sgt. Shawn Moses, Sheriff's Office Representative  
Dr. Tracy Harris, Citizen Representative (via telephone)

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

**CALL TO ORDER**

The meeting was called to order at 1:00 p.m.

**ACCEPTANCE OF THE AGENDA**

The agenda was accepted as presented by Dr. Bridgett.

**APPROVAL OF MINUTES**

Lt. Evans made a motion, seconded by Sgt. Moses, to approve the February 23, 2017 meeting minutes. Motion carried.

**PRESENTATION BY MORGAN STANLEY**

**1. Third Quarter 2017 Review**

Jeff Seibel from Morgan Stanley presented the Performance Measurement Report for the period ending September 30, 2017. The Combined Account was up 3.84%, the Domestic Equity Account was up 4.86%, the International Equity Account was up 7.38%, The Fixed Income Account was up 1.17%, The Real Estate Account was up slightly at 0.86%, and the Hedge Funds & Private Equity account was up 1.74% for the quarter. The beginning market value of the Plan was \$78,460,856 and the ending market value of the plan was \$81,581,228.

**2. Discussion on Additional Investment into Private Equity and Private Credit Platforms**

Jeff Seibel from Morgan Stanley presented the Board with information about investing in private equity and private credit funds. Private equity firms seek to acquire companies at attractive valuations in privately negotiated transactions with a focus on long-term value creation. Private credit refers to a pool of capital used to make loans to businesses or consumers on a bespoke basis or to purchase existing debt on the

secondary market. Historically, private credit has presented investment opportunities with the potential for attractive risk-adjusted returns.

Mr. Seibel stated that private equity funds have proven to provide far better returns than stocks and bonds. Private equity funds have historically followed a "J-curve" – as opportunities are identified, capital is drawn down. Plans making commitments to private equity funds are making "commitments" – not fully funding "investments". Committed capital will be drawn down from investors and put to work over 1 to 5 year periods. During the first few years, the Plan may not see any returns. Mr. Seibel noted that because of their long-term investment horizon, an investment in a private equity fund is often illiquid and it may be necessary to hold an investment in a private equity fund for several years before any return is realized. Most investment gains are realized in the latter part of a fund's life, as portfolio holdings are sold – 10-12 years later.

Mr. Seibel is recommending two private equity funds for the Board to consider: Abraaj Private Equity Fund IV and CPG Vintage Access Fund, LLC. The intent is to add more diversity to the Plan and ensure that investments are growing with the plan. The Board will review the materials and render a decision at the next SORP meeting scheduled for November 16, 2017.

### **3. Tactical Rebalance / Positioning**

Jeff Seibel noted that the Plan's portfolio is over weighted in some areas and under weighted in other areas. Morgan Stanley made the following recommendations:

<u>Add/Increase</u>	<u>Remove/Decrease</u>
+1.5% Blackstone Real Estate (1.2M)	-1.0 Loomis Sayles HY Bond (800K)
	-0.5% Cash (400K)

Jeannett Cudmore made a motion to approve Morgan Stanley's tactical rebalance recommendations, seconded by Sgt. Shawn Moses. Motion carried.

### **UPDATE OF 13th AMENDMENT**

Catherine Pratson stated that the County Commissioners approved the 13<sup>th</sup> Amendment to the Sheriff's Office Pension Plan. The 13<sup>th</sup> Amendment was designed to cease interest accrual on the balances of terminated non-vested participant accounts beginning one year following their termination date. The amendment is effective July 1, 2018 with interest cessation to begin July 1, 2019. Current terminated non-vested participants will be notified of the amendment as well as terminated plan participants going forward.

### **DROP PROGRAM**

Shawn Moses stated that there has been renewed interest in the DROP program. Shawn Moses and Edward Evans made minor changes to the proposed plan dated 2/25/16 and

would like to present the revised document to the plan participants and gather feedback during two scheduled meetings in November. There are four substantive changes to the plan:

1. Exclusion of military service credit towards DROP eligibility; intent is to avoid having employees separate from the organization early;
2. Reduce decision period from 90 day to 45 days for participants who are eligible to enter the DROP
3. Amend plan to permit participants with 27 or more years to enter the DROP for a maximum of 3 years; under the previous proposal, participants with 28 or more years of service could only enter the DROP for a maximum period of 2 years;
4. Amend plan to permit participants with 27 or more years to enter the DROP for 1, 2, or 3 years; under the previous proposal, participants with more than 28 years of service could only enter the DROP for a maximum period of 2 years

The plan of action is to get a consensus from the plan participants and bring a final rendition for submission to the Board. Sgt. Moses and Lt. Evans are aware that any proposed changes would have to be reviewed by the Plan's actuary and attorney.

### **WELLS FARGO SCANDAL**

Catherine Pratson forwarded an email from Thomas Stack, Vice President and Relationship Manager for Wells Fargo to the Board Members. As the Board may recall, Wells Fargo was fined 185 million dollars for opening unauthorized bank accounts and credit cards. In Mr. Stack's September 1, 2017 email, he stated that Wells Fargo expanded its analysis of potentially unauthorized accounts and discovered more potentially unauthorized accounts. Mr. Stack indicated that the situation was embarrassing but hoped that our history with Wells Fargo has demonstrated they are still one of the top 10 providers in the country for retirement and custody services. Dr. Bridgett stated that this may be an opportunity to look at other financial banking institutions and asked that this item be place on a future agenda.

### **FIDUCIARY TRAINING FEEDBACK**

Catherine Pratson asked for feedback from the Board members regarding the fiduciary training conducted by the Plan's attorney on September 28, 2017. Catherine Pratson mentioned that Mary Claire Chesshire, the Plan attorney, stated plan fiduciaries should establish a timeframe for routinely looking at alternate investment managers and financial banking services at least every 5-7 years. Dr. Bridgett suggested that an RFP for banking services and investment managers be put as a future SORP agenda item.

Ms. Chesshire reviewed the SORP fiduciary policy and noted that is wasn't as robust as the OPEB fiduciary policy. In speaking with the insurance agent for the SORP fiduciary insurance, there were a number of policy riders and amendments that didn't make it

into the SORP fiduciary renewal effective 2/17/17 due to timing issues. The insurance representative offered several renewal additions that could strengthen the fiduciary policy and possibly protect the trustees and Commissioners should there be a claim against the Plan. These items were sent to the Plan attorney for review.

It was suggested that the fiduciary policies for SORP, LOSAP, and OPEB be placed on the same renewal schedule.

**CREDIT FOR MILITARY SERVICE**

Karen Gates will ask the Plan actuary if there would be a financial impact to the Plan if credit for military service was allowable to those participants who are receiving, or are eligible for, a Military pension.

**ADMINISTRATOR’S REPORT**

Invoices paid since last meeting:

DATE	PAYEE	TYPE SERVICE	AMOUNT
09/05/17	Whiteford, Taylor & Preston	Professional services rendered through 08/31/17 - Review SORP and original plan document; credit for military service, forced cash out.	\$ 450.00
09/20/17	Bolton Partners	Professional services rendered through 08/31/17. - Two refund calculations, two retirement calculations - Benefit statement preparation - GASB68 Valuation	\$ 278.00 \$ 480.00 \$4,000.00 <u>\$4,917.00</u> \$9,675.00
TOTAL:			\$ 10,125.00

**NEXT MEETING**

The next meeting is Thursday, November 16, 2017.

**ADJORNMENT**

The meeting adjourned at approximately 2:40 p.m.

Respectfully submitted,

APPROVED:

Karen Gates  
SORP Plan Coordinator

Dr. Rebecca B. Bridgett  
Chair