

City of Annapolis Police and Fire Retirement Commission

Minutes of January 29, 2020

The Commission met on January 29, 2020 at 8:34am, in the third floor conference room at 145 Gorman Street pursuant to duly published notice thereof. Commission members present were Chairman Joe Semo, Alderman Ross Arnett, Finance Director Jodee Dickinson, Human Resources Manager Tricia Hopkins, John Wardell with the Fire Department and City Manager David Jarrell. Also, present were: Ian Jones, Senior Consultant for AndCo Consulting, Assistant City Attorney Ashley Leonard, Major Paul Herman with the Police Department and Nikki Olajire, Senior Accountant of the Finance Department. Noting the presence of a quorum, the meeting was called to order.

Approval of the Minutes

The meeting minutes from November 21, 2019 was not approved, as it needed some amendments. It will be approved at the next meeting.

Investment Market Environment and Retirement Plan Performance

Mr. Jones of AndCo Consulting provided the Commission with an overview of the recent market environment and a detailed performance analysis of the total fund and of each investment manager for the period ending December 31, 2019. These documents are considered 3rd party confidential materials and will not be included as an exhibit to the minutes.

He noted that when the next round of liquidity is needed for benefits and expenses, it would be drawn from the equity allocation based on the current weights vs. targets. There was discussion on the possibility of using a core plus fixed income strategy to potentially enhance the return of fixed income composite. Mr. Jones noted that the Commission has discussed core plus with Lazard but has not moved forward with the investment due to the document review.

Director Dickinson mentioned that the Actuary recommended that we increase the percentage of payroll contributions, so the City is working on that.

Presentation by Edgar Lomax

Randall Eley (President and Chief Investment Officer) and Thomas Murray (Chief Operating Officer) joined the meeting. They reviewed the Lomax value equity strategy's goals/objectives, philosophy, results and investment outlook.

Review of minimum requirement document for Investment Managers prepared by Morgan Lewis

Commission agreed that the document was a good starting point for negotiations with investment manager candidates. Commission voted to adopt the Minimum Requirement Document (MRD), and there was no opposition.

Discussion on Entrust Special Opportunity Fund III commentary

Mr. Jones reviewed the attribution factors that negatively impacted the performance of EnTrust Special Opportunity Fund III in the 3rd quarter of 2019 (Meeting materials page 7 to 10). It was agreed that this will be discussed at the next meeting.

Discussion on Public Information Act (PIA) request standard report

The Commission discussed how Public Information Act (PIA) requests should be satisfied. Commission agreed that AndCo should create a special report on a quarterly basis.

Discussion on options for Wellington allocation

The Commission discussed the Wellington Global Opportunity allocation. Mr. Jones reviewed performance relative to the global equity manager peer group and noted that Wellington's longer-term performance ranked favorably. There was question on how Wellington has been allocated historically between U.S. and International equities. Mr. Jones will provide analysis of historic allocation between U.S., developed international and emerging market equities. The Commission asked if Wellington would be willing to offer a reduced fee; Mr. Jones will address this with Wellington.

Discussion on Loomis, Sayles & Company, L.P SMID fees

Mr. Jones noted in respect to the SMID strategy, that as an alternative to the current separate account, the Retirement Plan could invest in the Loomis Collective Investment Trust (CIT) for an all-in fee of 0.75%. He also noted that the SMID CIT has outperformed the separate account, net of fees, over each calendar year since the inception on the Annapolis SMID separate account.

Based on this analysis, the Commission voted to transfer the SMID separate account assets to the SMID CIT subject to the execution of the CIT agreement. Mr. Jones will send the new Minimum Requirements Document to Loomis for their initial review and agreement prior to having Morgan Lewis review the CIT documentation.

Mr. Jones presented a similar fee and performance analysis on the Loomis Large Cap Growth strategy but noted that Loomis's net of fee separate account performance has been better than the LCG CIT.

Managers to be invited to the next meeting

It was agreed that Wellington should be invited to the next meeting and that Wellington's presentation material should be provided 30 days before the next meeting. The possibility of inviting Garcia Hamilton to a future meeting was also mentioned.

Director Dickinson moved to adjourn the meeting. John Wadell seconded. The meeting adjourned at 11:50 a.m. The next meeting is scheduled for Wednesday, April 8, 2020 at 8.30 a.m. in the second floor conference room at 160 Duke of Gloucester Street.

Respectfully Submitted,
Nikki Olajire
Senior Accountant