

City of Annapolis Police and Fire Retirement Commission

Minutes of April 08, 2020

The Commission met on April 8, 2020 at 8:35am, utilizing Zoom pursuant to duly published notice thereof. Commission members present were Chairman Joe Semo, Finance Director Jodee Dickinson, Human Resources Manager Tricia Hopkins, John Wardell with the Fire Department, Kathie Sulick 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, Constituent Services Officer & Ombudsman Hilary Raftovich 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 and January 29, 2020 were approved.

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 March 31, 2020. These documents are considered 3rd party confidential materials and will not be included as an exhibit to the minutes.

Mr. Jones noted that assets for benefits would be drawn from the fixed income managers to improve investment policy compliance. He discussed the asset allocation of the Retirement Plan and reviewed the factors that are assessed to determine an appropriate asset allocation structure - including 1) goals and objectives, 2) time horizon, 3) risk tolerance. Based on this discussion, AndCo does not recommend any changes at this time.

Director Dickinson noted that the City's contribution will increase from 22% to 28% of salary as of July 1, 2020 and will increase again to 30% of salary in 2021. She also noted that the actuary has revised the Plan's actuarial interest rate assumption from 7.5% to 7.45%.

Presentation by Wellington Global Opportunities Fund

Matt McKenna, Investment Director and Ken Solano, Client Service Manager joined the meeting.

Mr. Semo asked Wellington if they would have more of a US or International bias looking forward?

Wellington noted that they will stick to their process which embraces a balanced investment approach.

Further discussion ensued regarding Wellington's view of investment opportunities in the current environment and Wellington's ability to add value. There was agreement that the "proof will be in the pudding" relative to Wellington's ability to add value over the next 12 to 24 months. There was also a general agreement that the dislocations created by the COVID 19 virus will allow managers to add value vs. the broad index. Mr. Jones mentioned that he had discussed fee relief with Wellington and Wellington noted that at this time they were not willing to reduce the current fee schedule. Matt mentioned the concept of a performance-based fee which he and Ken will further discuss with Mr. Jones after the meeting.

Discussion on the minimum requirement document for Investment Managers prepared by Morgan Lewis

It was noted that Loomis' has a policy not to agree to any side letter provisions – as they feel all clients should be treated equally based on the terms of their Collective Investment Trust documents. It was also noted that Brookfield made significant revisions to the minimum requirements document ("MRD"). Mr. Semo believed that Brookfield's suggested changes looked reasonable, but he would like them to be reviewed by Ms. Leonard. Mr. Jones will email the revised document to Ms. Leonard. Mr. Jones noted

that it may be a challenge for some investment managers to agree to the MRD as evidenced by the recent replies from Loomis and Brookfield.

Mr. Jones recommended that Morgan Lewis should make a high-level review of the Loomis CIT documents to assess the general quality of the documents and if the Retirement Plan could execute them without the MRD. Finance Director Dickinson asked if a fee cap should be put on the Morgan Lewis review. She also asked about the level of the fee savings that would be recognized if the Retirement Plan used the Loomis Collective Investment Trust versus the current separate account. Mr. Jones will run the analysis and email to the Commission members. Ms. Sulick noted that it was most important for the MRD to be adopted by managers of private investments. Mr. Semo will reach out to the Annapolis City attorney and discuss Morgan Lewis' review of the CIT documents and the flexibility of the MRDs. Mr. Jones will ask Loomis to send the CIT documents to Morgan Lewis after Mr. Semo speaks with the City Attorney. With respect to the Brookfield minimum requirements document, Mr. Semo asked Mr. Jones to send the Brookfield's revised MRD to Ms. Leonard for her review and comment.

Discussion on Edgar Lomax fee relief request

The Board discussed Edgar Lomax's offer to provide a 5% fee discount if their trailing 5-year return trails the S&P 500 Value Index. The Commission accepted Lomax's fee offer. Finance Director Dickinson will sign the amendment and return to Lomax.

Discussion on Entrust Global

Mr. Jones noted EnTrust Global's reacquisition of Legg Mason's 65% ownership interest in EnTrust as a result of Franklin Templeton's purchase of Legg Mason.

Director Dickinson moved to adjourn the meeting. Ms. Hopkins seconded. The meeting adjourned at 10:49 a.m. The next meeting is scheduled for Thursday, May 28, 2020 at 8.30 a.m. in the third floor conference room at 145 Gorman Street.

Respectfully Submitted,
Nikki Olajire
Senior Accountant