

OPEN MEETING OF THE BOARD OF TRUSTEES

EMPLOYEES' RETIREMENT SYSTEM ELECTED OFFICIALS' RETIREMENT SYSTEM RETIREE BENEFITS ("OPEB") TRUST OF THE CITY OF BALTIMORE

1639th Meeting

October 18, 2018

The 1639th meeting¹ of the Board of Trustees for the Employees' Retirement System, the Elected Officials' Retirement System, and the Retiree Benefits ("OPEB") Trust of the City of Baltimore was held on Thursday, October 18, 2018 at 9:03 a.m. in the 12th floor Conference Room of 7 E. Redwood Street, Baltimore, MD 21202.

Attendance: *Vice-Chair* - Joan M. Pratt *Board Members* -- Rosemary H. Atkinson, John Beasley, Doris Y. Brightful, Helen Holton, Deborah F. Moore-Carter and Henry Raymond. *Consultants* -- Nichole Roman-Bhatty and Samantha Grant of Marquette Associates, Inc. *Legal* -- Abe Schwartz and Michael Schrock. *Staff* -- Beverly Mootoo-Balram, Donna S. Bowen, David A. Randall and Adetutu Talabi (part). *Other* -- Mark Reutter of the Baltimore Brew.

Vice-Chair Pratt called the meeting to order.

Employees' Retirement System

The Board considered, and on motion made by Mr. Raymond, seconded and unanimously carried, the Board approved the minutes of the Open Meeting held September 20, 2018.

Vice-Chair Pratt then called for a motion to recess the meeting, in accordance with Section 10-503 of the Open Meetings Act, which is codified in Subtitle 10 of the State Government Article, to hold an administrative session for the purpose of carrying out the Board's administrative functions. Motion was made by Mr. Raymond, seconded by Ms. Holton and unanimously carried. Whereupon, all staff and Mark Reutter left the meeting.

At 9:07 a.m. the Open Meeting reconvened. Present were those stated above.

Vice-Chair Pratt then congratulated Henry Raymond for being elected Board Chair. Whereupon, Mr. Raymond presided as Chair.

The Board noted receipt of the October 18, 2018 Memorandum from Pension Consulting Alliance regarding a request for reimbursement of travel expenses related to conducting due diligence on a private equity international manager, Oakley Capital, which is headquartered in London, England. Mr. Randall discussed the request with the Board, noting that according to the Investment Management Agreement, PCA is within their rights to bill the ERS for international travel. The Board determined that it needs clarification on what is considered "reasonable" expenses and concurred that a review of the AM policy and the Board's current policy on travel would be done. Whereupon, on motion made by Ms. Atkinson, seconded and unanimously carried, the Board approved the request submitted by PCA and requested that PCA submit a list of their expenses prior to their travel.

Nichole Roman-Bhatty of Marquette Associates, Inc. reviewed manager monthly and quarterly performance as of September 30, 2018 and the Pro-Forma vs. Actual Asset Allocation Schedule as of September 30, 2018. During her review, Ms. Bhatty stated that International Equity performance lagged for the month, but Mondrian performed well. She stated that Lazard continued to underperform and after meeting with them in September, recommends that they be put on the Watch List. Whereupon, on motion made by Ms. Atkinson, seconded and unanimously carried, the Board approved putting Lazard Asset Management on the Watch List for performance reasons.

Ms. Bhatty then reviewed with the Board proposed search criteria for three new asset classes: Low Volatility US Equity, Emerging Markets Debt and Emerging Markets small Cap Equity. On motion made by Ms. Atkinson, seconded and unanimously carried, Board approved the search criteria with the addition of diversity language as a positive screen in each.

The Board noted receipt of the draft Memorandum to the City Council concerning the Sudan Investments of the ERS. Mr. Randall discussed the memorandum with the Board. Mr. Schwartz explained the Legislative History and Reporting Requirements; OFAC Removal of Sudanese Sanctions Regulations; and the Sudan Accountability and Divestment Act of 2007. He stated that based on these developments, the ERS Board will no longer actively require its investment managers to divest from companies doing business in Sudan, nor report to the City Council on such divestment, because:

1. By the express terms of the Ordinance 07-570, the requirements of the Ordinance may have been terminated with the revocation of Executive Order 13067 and SSR by the U.S. Departments of State and Treasury.
2. By virtue of the Act, authority granted to the City to divest from companies doing business in Sudan may have been terminated on account of the U.S. Secretary of State's notice to Congress (via the Federal Register) of the positive actions taken by the Government of Sudan. The Ordinance may thus be illegally preempting U.S. foreign policy and law.

Mr. Randall stated that if the City Council desires to continue a Sudanese divestment program, the ERS Board encourages the City Council to request the Law Department, in conjunction with the Department of Legislative Reference, to explore the legality and feasibility of establishing a new, more narrowly-focused divestment program, perhaps based on the Darfur Sanctions Regulations. On motion made by Ms. Moore-Carter, seconded and unanimously carried, the Board approved the draft memorandum to City Council regarding Sudan Investments.

The Board noted receipt of and accepted the Retirement Benefits Listings for the November 1 payroll, and noted receipt of the Decisions and Findings of Facts rendered by the Panel of Hearing Examiners.

Mr. Randall informed the Board that there will be a change for some pay dates for retirees in calendar year 2019. He explained that the custodian bank sends the retiree monthly payments to the accounts on the first of the month; however, when the first of the month falls on a Saturday, Sunday or holiday, the funds are not available to retirees until the next business day. He stated that in order to alleviate the volume of calls to the Retirement System office, he had suggested customizing pay dates with BNY Mellon that fall under this scenario, so that retirees' payments will be available to them the day before. He stated that when the BNY Mellon schedule comes out in December, there will be some customized pay dates. He added that the January 1 pay date could not be changed due to tax purposes. The Board so noted and suggested that this positive feature be noted in upcoming newsletters.

The Board noted receipt of the proposed amended *Policies and Procedures Governing the Overpayment or Underpayment of Retirement Benefits* with the Board. Mr. Randall explained that the amendment increases the threshold of overpayment from \$300 to \$500. On motion made by Ms. Holton, seconded and unanimously carried, the Board approved the proposed *Policies and Procedures Governing the Overpayment or Underpayment of Retirement Benefits*, as amended and to include language that the Executive Director notify of the Board of any write-offs.

The Board noted receipt of the following items:

- o Trustee Educational Conferences and Program Informational Listing
- o Statement of Changes in Net Assets as of September 30, 2018
- o System Comparison Chart for ERS, EOS and OPEB

Elected Officials' Retirement System

The Board considered, and on motion made by Ms. Brightful, seconded and unanimously carried, the Board approved the Minutes of the EOS Open Meeting of August 28, 2018.

The Consultant reviewed manager performance as of September 30, 2018; and the EOS Pro-forma vs. Actual Asset Allocation Schedule as of September 30, 2018.

The Board noted receipt of the EOS Statement of Changes in Plan Net Assets as of September 30, 2018.

Retiree Benefits ("OPEB") Trust

The Board considered, and on motion made by Ms. Brightful, seconded and unanimously carried, the Board approved the Minutes of the OPEB Trust Open Meeting of August 28, 2018.

On motion made by Ms. Holton, seconded and unanimously carried, the Board ratified the decision taken during the September 20, 2018 ERS meeting to allocate \$4 million each to RLJ Equity Partners Fund II and Oaktree Special Solutions Fund II for the OPEB Trust.

The Board then reiterated the decision taken during the October 18, 2018 ERS meeting to combine all ERS, EOS and OPEB Trust matters into one meeting agenda.

The Consultant reviewed manager performance as of September 30, 2018; and the OPEB Pro-forma vs. Actual Asset Allocation Schedule as of September 30, 2018.

The Board noted receipt of the OPEB Statement of Changes in Plan Net Assets as of September 30, 2018.

Employees' Retirement System (resumed)

Chair Raymond then called for a motion to recess the meeting, in accordance with the advanced notice given of the Board's intention to have a closed executive session, as provided in the Open Meetings Act, which is codified in Title 3 of the General Provisions of the Maryland Code, under Section 10-508(a)(14) to discuss, before a contract is awarded or bids are opened, a matter directly related to negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

At this point, Mark Reutter of the Baltimore Brew left the meeting.

At 12:58 p.m., the Open Meeting reconvened. Present were those stated above.

On motion made by Vice-Chair Pratt, seconded and unanimously carried, the Board ratified the following decisions taken in the Closed Session to:

- name David A. Randall as Acting Executive Director for the Employees' Retirement System, the Elected Officials' Retirement System, and the Retiree Benefits ("OPEB") Trust; and to
- hire Mid-Cap Growth Equity managers DF Dent and Company and RumbLine Advisers for the ERS, each at an allocation of 50% of the proceeds to be transitioned from an existing manager.

At this point, Chair Raymond left the meeting and Vice-Chair Pratt presided, and Adetutu Talabi arrived at the meeting.

Anu Patel and Leighann Guinan of Cheiron, Inc. presented the 2018 Annual Actuarial Valuation Summary Reports for the Employees' and Elected Officials' Retirement Systems. After some discussion, on motion made by Ms. Brightful, seconded and unanimously carried, the Board approved the 2018 Annual Actuarial Valuation Summary Reports. Ms. Patel stated that the final reports would be submitted to the Board for the November meeting.

There being no further business, the meeting was adjourned.

APPROVED: November 15, 2018



David A. Randall, Acting Executive Director

¹At the 9/20/18 ERS Board meeting, the Board approved combining all ERS, EOS & OPEB items into one agenda.