

OPEN MEETING OF
EMPLOYEES' RETIREMENT SYSTEM
OF THE CITY OF BALTIMORE

1638th Meeting

September 20, 2018

The 1638th meeting of the Board of Trustees of the Employees' Retirement System of the City of Baltimore was held on Thursday, September 20, 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, Doris Y. Brightful (part), Dorothy L. Bryant (part), Helen Holton, Deborah F. Moore-Carter and Henry Raymond. *Consultants* -- Nichole Roman-Bhatty of Marquette Associates, Inc.; Judy Chambers, Tad Ferguson and David Sancewich (by phone) of Pension Consulting Alliance. *Legal* -- Abe Schwartz *Staff* -- Beverly Mootoo-Balram, Donna S. Bowen, David A. Randall and Adetutu Talabi.

Vice-Chair Pratt called the meeting to order.

The Board considered, and on motion made by Ms. Atkinson, seconded and unanimously carried, the Board approved the minutes of the Open Meetings held August 20 and 28, 2018.

Vice-Chair Pratt then called for a motion to recess the meeting, as provided in 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 Ms. Atkinson, seconded by Ms. Holton and unanimously carried. Whereupon, all staff left the meeting.

At 9:20 a.m. the Open Meeting reconvened. Present were those stated above.

On motion made by Mr. Raymond, seconded and unanimously carried, the Board ratified the action taken during the Closed Administrative Session to terminate Eliot Powell, Chief Investment Officer.

The Board noted receipt of the Statement of Changes in Net Assets as of August 31, 2018.

At this point, Trustee Brightful arrived at the meeting, and Trustee Moore-Carter left the meeting.

Judy Chambers of Pension Consulting Alliance gave an ERS and OPEB Private Equity Portfolio Pacing Recap and Update. David Sancewich joined the meeting by phone for the discussion of managers under consideration in the Private Equity manager search. After the discussion, on motion made by Ms. Holton, seconded and unanimously carried, the Board selected Oakley Capital, Reverence Capital, Siris Partners and Welsh Carson Anderson & Stowe as the managers to be interviewed at the November board meeting.

During the above discussion, Trustee Bryant arrived at the meeting.

Ms. Chambers reminded the Board that at the August 28th ERS meeting, the allocation to the OPEB Trust was not done for RLJ Equity Partners Fund II and Oaktree Special Situations Fund II, thereby recommending a \$4 million allocation each to RLJ and Oaktree. On motion made by Trustee Holton, seconded and unanimously carried, the Board approved the Consultant's recommendation for the OPEB Trust.

The Board further discussed combining all ERS, EOS and OPEB Trust matters into one agenda in order to facilitate actions in a timely manner. On motion made by Trustee Holton, seconded and unanimously carried, the Board approved incorporating all ERS, EOS and OPEB Trust matters into one monthly meeting agenda.

Nichole Roman-Bhatty of Marquette Associates, Inc. reviewed manager monthly and quarterly performance as of August 31, 2018; the Pro-Forma vs. Actual Asset Allocation Schedule for ERS as of August 31, 2018; and the current Watch List Status. She reminded the Board that the Watch List will change once a new mid-cap equity manager is selected to replace them. Whereupon, the Board concurred that the mid-cap equity manager interviews would be held at the October meeting. She then reviewed with the Board the implementation and cost analysis of the asset allocations. Ms. Bhatty stated that in order to implement the new Portfolio D allocations, she would bring criteria for Emerging Market Debt, Emerging Market Small-Cap and US Low Volatility to the October meeting for review. On motion made by Trustee Atkinson, seconded and unanimously carried, the Board approved Portfolio D, as outlined by the Consultant.

Ms. Chambers and Mr. Sancewich of Pension Consulting Alliance reviewed the revised Hedge Fund Investment Guidelines with the Board. On motion made by Trustee Atkinson, seconded and unanimously carried, the Board approved the revised Hedge Fund Investment Guidelines.

The Board noted receipt of the September 7, 2018 email from Ryan Schrader of Mondrian Investment Partners regarding the Sudan Company Report. Mr. Randall stated that Aviation Industrial Corporation of China was recently added as a scrutinized company under the targeted Sudan divestment legislative model. One of ERS' holdings (0.98%) is in Nexteer Automotive Group, which is part owned by Aviation Industrial Corporation. He stated that the Sudan Policy had been removed the ERS and EOS Statements of Investment Objectives and Policies (6/22/18). Counsel stated that the ERS/EOS Sudan Policy had been tied into the Federal regulations, which has now suspended its sanctions in Sudan. Trustee Holton requested that the ERS alert the President of City Council of this fact, and have the Law Department and the Department of Legislative Reference for review to determine whether this is a measure that the City wants to continue even though the Federal government has suspended it.

The Board noted that Thomas B. Corey is Special Solicitor for the Employees' and Elected Officials' Retirement System, and that his term will run for one year beginning on the Board of Estimates' approval date. Mr. Schwartz stated that Mr. Corey will be working specifically with disability claims and overpayments.

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

The Board noted receipt of the following items:

- o Trustee Educational Conferences and Program Informational Listing
- o System Comparison Chart for ERS

Ms. Chambers of Pension Consulting Alliance discussed with the Board the schedule for the educational Due Diligence Meeting scheduled for Thursday, September 27th. She stated that since two of the presenters had already met with the Board in July, the Board may want to consider cancelling those two presentations. Whereby the Board concurred that those two presentations are to be cancelled. Vice-Chair Pratt noted that this would be the last Due Diligence meeting and that managers will only appear during the regular Board meetings, when warranted.

Curtis Duncan of Diligent Boards conducted a training session by phone with the Board members. Utilizing the Governance Cloud ecosystem, Diligent Boards provides secure communication and collaboration tools for Boards and executives.

Mr. Randall then informed the Board that due to the vacancy on the Board created by the termination of Jerome Sanders, the Board will need to conduct an election at next month's meeting for Board Chair.

There being no further business, the meeting was adjourned.

Approved: October 18, 2018



David A. Randall, Acting Director