

**BOARD OF INVESTMENT TRUSTEES
MONTGOMERY COUNTY EMPLOYEE RETIREMENT PLANS**

MINUTES – OPEN SESSION
March 19, 2010
101 Monroe Street, 15th floor
Rockville, Maryland

Board Members Present: Kelda Simpson
Gino Renne
Meg Menke
Steve Farber
Jeff Buddle
Lodge Gillespie
Joe Beach
Jennifer Barrett
George Willie
Sunil Pandya
Walt Bader

Staff: Linda Herman
Marc Esen
Brad Stelzer
Stuart Potter
Patrick O'Brien

Others Present: Mark Brubaker, Wilshire Associates
Mike Dudkowski, Wilshire Associates
Brad Atkins, Franklin Park
Amy Moskowitz, Counsel to the Board

CALL TO ORDER

Ms. Simpson called the open session of the Board to order at 8:31 a.m.

DETERMINATION OF MEETING

The Board unanimously approved a motion to move into closed session at 8:32 a.m. for the purpose of discussing the investment of public funds, pursuant to Maryland Code, State Government Article, 10-508(a)(5).

Ms. Simpson called the open session of the Board to order at 9:15 a.m.

Approval of the Minutes: Mr. Buddle moved and Mr. Farber seconded, and the Board unanimously approved the minutes of the January 22, 2010 meeting.

ERS – Asset/Liability Study: Mr. Brubaker reviewed the strategic asset allocation policy portfolios that were presented to the Board at the January meeting in conjunction with Wilshire’s Asset/Liability Study. Results of the study included the recommendation that the Board consider a modest shift in the fixed income portfolio, by moving 2.5% from core to high yield, and extending the targeted duration of the global index inflation portfolio from 10 years to 20 years. Mr. Brubaker provided additional information on alternative methods and structures available to extend the duration of the global inflation linked bond portfolio including utilizing leverage. He also discussed the impact of longer duration global inflation linked bonds on the Plan’s risk/return and performance in various economic environments. Mr. Potter presented Staff’s recommended implementation schedule for moving to the new strategic asset allocation which includes using a levered commingled fund to obtain the targeted duration. The Board discussed the recommendation, and Mr. Adler moved and Mr. Renne seconded and the Board approved, with Ms. Menke opposed, the following resolution:

1003-01 *Resolved, That the Board approves implementation of the revised ERS strategic asset allocation policy as presented.*

ERS – Alpha Research – Risk Budgeting: Mr. Stelzer updated the Board on Staff’s research efforts in evaluating the alpha estimates used in making manager allocation decisions following up on the discussion at the January Board meeting. He discussed work performed by Staff on the correlations of managers’ returns and how this information is used in the risk budgeting model to assess the expected risk. Mr. Stelzer noted how this research would be incorporated into decisions that the Board may be considering in the future.

RHBT – Changes in Investment Structure: Mr. O’Brien presented the analysis of high yield bond managers and the recommendation to hire Loomis Sayles to manage the high yield allocation through the commingled vehicle. The Board discussed the recommendation, and the proposed phased in funding. After discussion, Mr. Buddle moved and Mr. Farber seconded and the Board unanimously approved the following resolution:

1003-02 *Resolved, That the Board approves investment in Loomis Sayles’ high yield commingled fund for the RHBT to be phased in over the next 4 quarters as outlined in the presentation.*

RSP – Employer Contribution Holiday: Ms. Herman presented the analysis of the Retirement Savings Plan’s cash balance and projected levels in FY10 and FY11. Staff is recommending, based on the current cash balance, and projected expenses, the Board grant an employer contribution holiday of \$400,000 in FY10. After discussion, Mr. Beach moved and Mr. Adler seconded and the Board unanimously approved the following resolution:

1003-03 *Resolved, That the Board approves the use of up to \$400,000 of the Retirement Savings Plan’s surplus cash balance to pay the employer contribution during FY10.*

ERS – Performance 2/28/10: Staff discussed the performance within each sector of the portfolio for the period ending February 28, 2010. The Board discussed the performance and requested that the Northern performance report be changed to add a separate line showing the performance of the Plan’s public market managers only.

Wilshire – Market/Performance Update: Mr. Brubaker noted the ERS total fund results ranked in the top quartile for one, three and five years and discussed the attribution of the performance by investment sector.

Franklin Park – Market/Performance Update: Mr. Atkins presented a review of the private equity funds and market update. He discussed recent fund raising activities and deal activity in the buyout and venture capital sectors. The Board discussed the performance of the sector and Mr. Atkins provided additional information on future expectations for private equity returns.

There being no further business of the Board, the open meeting session was adjourned at 11:15 a.m.

Respectfully submitted,

Joseph Adler, Secretary