



ANNE ARUNDEL COUNTY RETIREMENT AND PENSION SYSTEM

Board of Trustees Minutes of May 21, 2024, In-Person Meeting

Members Present: Christine Anderson, Anne Budowski, Karen Henry, Rhody Holthaus, Alan Hyatt, Billie Penley, Ronald Seldon, Joseph Solari, Chris Trumbauer and Leroy Wilkison

Members Absent: Howard Brown, Mary Lu Hughes, Kevin Nethers, M. Kathleen Sulick

Staff Present: Lynn Daitch, Natalie Fretz, John Hammond, Kelly Lovett

Guests: Michelle Boyles, Travis M. Carr, Kevin P. Gore, Ann Sturner

Recorder: Laura C. Jackson, Audio Associates

Ms. Anderson called the meeting of the Board of Trustees of the Anne Arundel County Retirement and Pension System (Board) to order at 12:00 p.m. The minutes for the April 16, 2024, meeting were approved unanimously.

Manager Interviews

Western Asset

Travis M. Carr, Kevin P. Gore

Western Asset is a globally integrated fixed-income firm that relies on a macro view of the world to develop investment solutions. Investment managers combine a deep understanding of interest rates and inflation with the bottoms-up analysis of well-resourced professionals who cover the globe. Founded in 1971, Western Asset has \$385.4 billion in assets under management. Mr. Gore reported that U.S. Broad Market portfolio manager John Bellows left the firm but the management team remains stable.

Western Asset experienced a choppy quarter in early 2024 as the markets determined where interest rates were going. In April, the market was down -3.3 percent while portfolio returned -3 percent. The portfolio's 1-year number also beat the benchmark, with Western Asset reporting -0.5 percent versus -1.5 percent. The 3-year performance also was negative. Western Asset has made some adjustments after getting the inflation call wrong in 2022. Since inception, however, the firm has beaten the benchmark 4.2 percent versus 3 percent.

Reviewing the attribution analysis, Mr. Carr reiterated that the firm's overall interest rate position detracted from performance. The rest of the risk sectors have done well. Mr. Carr pointed to such areas as investment-grade/high yield credit and non-agency residential. Non-agency commercial has been a slight drag on performance. Agency mortgages or government-guaranteed mortgage-backed securities have contributed. Emerging market debt also has done well.

Managers expect growth to continue to moderate. Western Asset does not anticipate a near-term recession, and the disinflation process should continue. The market has forecast interest rate cuts possibly in September and later in 2024. That will be a good backdrop for fixed income. Mr. Carr highlighted some possible portfolio outcomes should a recession or higher rates occur. The portfolio has an overweight to higher-quality spread sectors such as investment-grade or higher-quality corporate credit. Managers expect to find value in non-government guaranteed mortgage-backed securities such as residential mortgages as well as some commercial mortgages. Strong performers in commercial real estate include apartments and warehouses. Western Asset also favors emerging-market debt.

New England Pension Consultants

In the absence of NEPC's Rhett Humphreys, Mr. Trumbauer shared updates from the Investment Committee meeting and provided some high-level discussion points. April was a difficult month for the stock market but the pension system continues to perform year to date. The flash report for the period ending April 30 showed since-inception numbers of 7.4 percent. The 5-year number was 6 percent, a little below the 7 percent target. The 1-year return was 9.9 percent. The Investment Committee discussed the pension system's asset allocation but the committee does not anticipate any major changes.

Administrative Report


Ms. Lovett reported 9 retirements for the month. Ms. Lovett also discussed new pension bills. Pension Bill 50-24 would provide a seventh year of participation for certain Deferred Retirement Option Program (DROP) participants. Bill 31-24 affects the re-employment rules for rehired retirees. The pension board will continue to follow Bill 31-24 and any possible amendments before taking a position.

The board also reviewed the quarterly pension system financial report. The pension system has a total of \$2.4 billion in net assets held in trust for pension benefits as of March 31, 2024.

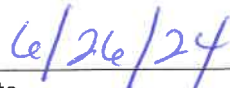
Other Business

The meeting adjourned at 1:04 p.m. The next board meeting will occur virtually June 18.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



Anne M. Budowski
Secretary to the Board



Date