

# Montgomery County Employees' Retirement Board

## Meeting Minutes from Thursday, January 21, 2010

The Montgomery County Employees' Retirement Board met in a special meeting at 11:45AM Thursday, January 21, 2010.

Present were Commissioners Matthews, Hoeffel and Castor, Controller Morgan, and Acting Treasurer Tuturice.

By conference call, Malcolm ("Skip") Cowen of Cornerstone proposed to the board the idea of investing a portion of the pension fund in a structured note designed to concede part of the upside potential of stock market investments in exchange for downside protection. Mr. Cowen proposed this in view of the fact that a substantial portion of the fund was invested in unproductive cash equivalents and that the stock market was up by about 65% in the last three quarters and that a repetition of this kind of return was not to be expected in the near future. The terms of the investment Mr. Cowen proposed were:

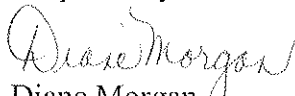
Amount: \$8 million (to be drawn 50% from cash and 50% from funds already indexed to the S&P 500.  
Counterparty: Royal bank of Canada (AAA rated)  
Underlying Asset: Standard and Poors 500 index  
Term: 24 Months  
Upside return: 200 % of S&P increase, with a maximum return of 17.7%  
Downside Risk: the counterparty would absorb the first 20% of the decline

Therefore, it would be advisable to put some of the fund's money to work in this fashion while eliminating some downside risk from near term declines.

Several questions were asked of Mr. Cowen by board members. He stated that RBC would make 40-50 basis points on this arrangement and that the Retirement Fund's investment would be part of an overall investment pool of about \$40 million.

After discussion, the board unanimously agreed to the investment.

Respectfully Submitted,

  
Diane Morgan  
Controller – Secretary