



EMPLOYEES' RETIREMENT SYSTEM
The Maryland-National Capital Park and Planning Commission

**REGULAR BOARD OF TRUSTEES MEETING
MINUTES**

Tuesday, March 5, 2019; 10:00 A.M.
ERS/Merit Board Conference Room

The Maryland-National Capital Park and Planning Commission Employees' Retirement System Board of Trustees met in the ERS/Merit Board Conference Room at its office in Riverdale, Maryland on Tuesday, March 5, 2019 and was called to order at 10:00 a.m. by CHAIRMAN HEWLETT.

Board Members Present

Elizabeth M. Hewlett, Board of Trustees Chairman, Prince George's County Commissioner
Gerald R. Cichy, Board of Trustees Vice Chairman, Montgomery County Commissioner
Anju A. Bennett, M-NCPPC Acting Executive Director, Ex-Officio
Howard Brown, FOP Represented Trustee
Melissa D. Ford, Prince George's County Open Trustee
Pamela F. Gogol, Montgomery County Public Member
Rick Liu, Montgomery County Open Trustee
Amy Millar, MCGEO Represented Trustee
Sheila Morgan-Johnson, Prince George's County Public Member
Barbara Walsh, Bi-County Open Trustee
Joseph C. Zimmerman, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio

In 10:08 a.m.

In 10:03 a.m.

ERS Staff Present

Andrea L. Rose, Administrator
Heather D. Van Wagner, Senior Administrative Specialist
Sheila S. Joynes, Accounting Manager

Presentations

Groom Law Group - Alexander P. Ryan, Counsel
M-NCPPC Legal Department – Amy Foster, Associate General Counsel
Wilshire Associates - Bradley A. Baker, Managing Director; Martell McDuffy, Senior Analyst; and, Ned McGuire, CFA, FSA, FRM, Managing Director

Other(s) Present

Elaine A. Stookey

ITEM 1 APPROVAL OF THE CONSENT AGENDA

- A. Approval of the March 5, 2019 Board of Trustees Meeting Agenda
- B. Minutes of Open Session, February 5, 2019
- C. Minutes of Closed Session, February 5, 2019 (**Confidential**)
- D. Minutes of Administrative Functions, February 5, 2019 (**Confidential**)
- E. Disbursements Granted Report – January 2019

CHAIRMAN HEWLETT revised the March 5, 2019 Board of Trustees Meeting Agenda to include an Item 2.D. Resolution for Rick Liu.

ACTION: MS. BENNETT made a motion, seconded by MS. GOGOL to approve the Consent Agenda that includes the revised March 5, 2019 Board of Trustees Meeting Agenda. The motion PASSED unanimously (8-0).
MR. BROWN was out of the room. (Motion #19-10)

ITEM 2 CHAIRMAN'S ITEMS

MS. MILLAR arrived at 10:03 a.m.

MS. GOGOL handed out a report of highlights from the Opal Group's Investment Education Symposium.

On behalf of the Board of Trustees, CHAIRMAN HEWLETT, presented Barbara Walsh and Rick Liu with Board resolutions for their service on the Employees' Retirement System Board of Trustees. The Board wishes them much success in all their future endeavors.

ITEM 3 MISCELLANEOUS

CHAIRMAN HEWLETT informed the Board, Elaine A. Stookey won the Bi-County Open Trustee seat by acclamation. Ms. Stookey will serve for the remainder of the term ending June 30, 2020.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. BENNETT to approve the appointment of Elaine A. Stookey as the new Bi-County Open Trustee for the remainder of the term ending June 30, 2020. The motion PASSED unanimously (9-0). MR. BROWN was out of the room. (Motion #19-11)

ITEM 4 COMMITTEE REPORTS**Administration & Personnel Oversight Committee – February 14, 2019 Meeting**

Committee Chairman MS. WALSH said the Administration & Personnel Oversight Committee ("Personnel Committee") discussed options for the engagement of an actuarial consulting firm. The Personnel Committee agreed Cheiron was most familiar with the ERS' data, calculations, issues, and results, having recently completed the actuarial valuation and actuarial equivalence factor audits. ERS Administrator Andrea Rose pointed out Cheiron's multi-tiered internal control process with various checks and balances which includes all client work being audited every three years by Cheiron's own independent review specialists. These audits are performed without the regular consulting team's involvement and involves independent programming of all benefit provisions and assumptions to confirm the calculations and reports; and, to ensure quality control standards were adhered to. This additional assurance of its work allows Cheiron to offer no limit on liability.

The Personnel Committee agreed the ERS had an immediate need for actuarial services for calculations related to transfers and the purchase of credited service window and issuing a new Request for Proposal was time-intensive for staff. Therefore, the Personnel Committee recommends the Board engage Cheiron for a three-year period ending May 1, 2022 and requests the Chairman grant a Waiver of Competition due to the immediate need for actuarial consulting services. CHAIRMAN HEWLETT agreed to grant the Waiver of Competition which was vetted by legal counsel with Board approval.

ACTION: MS. MILLAR made a motion, seconded by VICE CHAIRMAN CICHY to approve the engagement of Cheiron for actuarial consulting services for a three-year period ending May 1, 2022 and that the Chairman grant a Waiver of Competition due to the immediate need for actuarial consulting services. The motion PASSED unanimously (9-0). MR. BROWN was out of the room. (Motion #19-12)

ITEM 5 CLOSED SESSION

At 10:08 a.m. CHAIRMAN HEWLETT requested a motion to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-

305(b)(13) to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter and to discuss matters that are subject to Section 4-335 of the General Provisions Article of the Maryland Annotated Code, which prevents public disclosure of confidential commercial or financial information to discuss proprietary information of Golub Capital Partners and Capital Group; and, Section 3-305(b)(7) to consult with counsel to obtain legal advice on particular legal matters and to preserve attorney-client privilege.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. WALSH to go into Closed Session. The motion PASSED unanimously (9-0). MR. BROWN was out of the room. (Motion #19-13)

MR. LIU arrived at 10:08 a.m.

During Closed Session, the following matters were discussed:

1. Golub Capital Partners update on recent risk disclosures.
2. The Administration & Personnel Oversight Committee's Confidential Report of February 14, 2019.
3. Capital Group's Amendment to the Account's Fee Schedule.
4. Consultation with legal counsel on particular legal matters.

At 10:40 a.m. the Board moved back into Open Session.

ACTION: MS. GOGOL made the motion, seconded by MS. BENNETT to ratify the actions taken in Closed Session. The motion PASSED unanimously (11-0). (Motion #19-17)

ITEM 6 REPORT OF THE ADMINISTRATOR

Andrea Rose presented the Administrator's Report dated February 21, 2019.

Ms. Rose requested Board approval for a 2.4% Cost-of-Living Adjustment (COLA) for retirees and beneficiaries effective July 1, 2019. In accordance with the Provisions of the Employees' Retirement System, the COLA was calculated using data from the Consumer Price Index for All Urban Consumers (CPI U) at December 2018. All retirees and beneficiaries receiving annuities for at least six months are eligible for the COLA.

ACTION: VICE CHAIRMAN CICHY made the motion, seconded by MS. BENNETT to approve a 2.4% Cost-of-Living Adjustment effective July 1, 2019 for eligible retirees and beneficiaries in accordance with the provisions of the Employees' Retirement System. The motion PASSED unanimously (11-0). (Motion #19-18)

ITEM 7 MANAGER REPORTS/PRESENTATIONS

Wilshire Associates – Asset Liability Valuation Study and Quarterly Performance Review
Presentations by Bradley A. Baker, Managing Director; Martell McDuffy, Senior Analyst; and, Ned McGuire, CFA, FSA, FRM, Managing Director

Bradley Baker presented Wilshire's Asset Liability Valuation (ALV) study. The ERS' last ALV was completed in the first quarter of 2016. Since that time, the ERS has experienced strong absolute and relative investment returns. The actuarial assumed rate of return has declined over the past several years and currently stands at 6.90%. This has been a conscious and strategic decision based on the plan's funded level and long-term return assumptions. The current asset allocation

is considered efficient from both a return and risk perspective, with the 10- and 30-year expected returns being 7.5% and 8.1%, respectively, with expected risk of 11.1%.

The ALV includes five (5) portfolio optimization options at various levels of risk, return, and liquidity. Option 1 provides a lower expected return and risk, albeit at an expected return of 7.1% which is above the actuarial assumed rate of return of 6.9%; Options 2 through 4 all provide a lower expected risk while not materially sacrificing expected return to the portfolio; and, Option 5 provides a higher expected return and risk compared to the current portfolio.

From an asset class perspective, Wilshire is comfortable with the current emerging market exposure, but recommends carving out a dedicated allocation to Emerging Market Debt for additional diversification. This is currently imbedded within the Global Opportunistic Fixed Income allocation. Following questions and discussion, CHAIRMAN HEWLETT asked the Investment Monitoring Group to further review the ALV study, Wilshire's recommendation, and return with a recommendation for the Board.

MS. MORGAN-JOHNSON left the meeting at 12:06 p.m.

The Board was provided with an Executive Summary of Investment Performance for quarter ending December 31, 2018. Mr. Baker reported on the fund's performance for the quarter ending December 31, 2018. The ERS' total fund return was -5.26% (net of fees) for the quarter, outperforming the actual policy index return of -6.84%. The ERS fund return was -2.02% for the one-year ended, 7.62% for the three-years ended, 4.74% for the five-years ended, and 8.82% for the ten-years ended December 31, 2018 versus the actual policy index which returned -4.43%, 5.87%, 3.58% and 7.59%, respectively. The total market value through December 31, 2018 was \$896.5 million.

Mr. Baker said all managers are performing as expected and pointed-out the ERS did better than its peers primarily due to performance of private equity.

Mr. Baker informed the Board that Mark Brubaker left Wilshire. Mr. Brubaker was the ERS' first pension consultant from Wilshire Associates in 2001 and continued as a back-up consultant until his departure. Currently, Mr. Baker is the lead consultant and Martell McDuffy, Senior Analyst, is the back-up consultant.

The Board of Trustees meeting of March 5, 2019 adjourned at 12:28 p.m.

Respectfully,

Heather D. Van Wagner
Senior Administrative Specialist

Andrea L. Rose
Administrator