



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

**REGULAR BOARD OF TRUSTEES MEETING
MINUTES**

Tuesday, July 9, 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, July 9, 2019 and was called to order at 10:00 a.m. by VICE CHAIRMAN CICHY.

Board Members Present

Elizabeth M. Hewlett, Board of Trustees Chairman, Prince George's County Commissioner	In at 10:34 a.m.
Gerald R. Cichy, Board of Trustees Vice Chairman, Montgomery County Commissioner	
Anju A. Bennett, M-NCPPC Acting Executive Director, Ex-Officio	In at 11:02 a.m.
Howard Brown, FOP Represented Trustee	
Melissa D. Ford, Prince George's County Open Trustee	In at 10:09 a.m.
Pamela F. Gogol, Montgomery County Public Member	
Amy Millar, MCGEO Represented Trustee	
Sheila Morgan-Johnson, Prince George's County Public Member	
Daniel Singh, Montgomery County Open Trustee Candidate	
Elaine Stookey, Bi-County Open Trustee	
Joseph C. Zimmerman, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio	

ERS Staff Present

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

Presentations

Wilshire Associates - Bradley A. Baker, Managing Director and
Martell McDuffy, Senior Analyst

Others Present

M-NCPPC Legal Department – William C. Dickerson, Principal Counsel	In at 10:11 a.m.
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ITEM 1 APPROVAL OF THE JULY 9, 2019 CONSENT AGENDA

- A. Approval of the July 9, 2019 Board of Trustees Meeting Agenda
- B. Minutes of Open Session, June 4, 2019
- C. Minutes of Closed Session, June 4, 2019 (Trustees Only)
- D. Disbursements Granted Report – May 2019

VICE CHAIRMAN CICHY asked for a motion to approve Item 1.A.

ACTION: MS. GOGOL made a motion, seconded by MS. MORGAN-JOHNSON to approve Item 1.A. the July 9, 2019 Board of Trustees Meeting Agenda. The motion PASSED unanimously (8-0). (Motion #19-40)

VICE CHAIRMAN CICHY asked for a motion to approve Item 1.B.

ACTION: MS. MORGAN-JOHNSON made a motion, seconded by MS. GOGOL to approve Item 1.B. Minutes of Open Session, June 4, 2019. The motion PASSED unanimously (8-0). (Motion #19-41)

VICE CHAIRMAN CICHY asked for a motion to approve Item 1.C.

ACTION: MS. STOOKEY made a motion, seconded by MR. ZIMMERMAN to approve Item 1.C. Minutes of Closed Session, June 4, 2019. The motion PASSED unanimously (8-0). (Motion #19-42)

ITEM 2

CHAIRMAN'S ITEMS

- A. Board of Trustees Conference Summary
- B. Aberdeen Standard Investments' Annual Meeting June 4, 2019 Report by Pamela Gogol **CONFIDENTIAL**
- C. NCPERS 2019 Annual Conference Highlights Report by Andrea Rose
- D. MAPS Annual Conference Report by Gerald Cichy

Andrea Rose attended the NCPERS 2019 Annual Conference and presented a Highlights Report of the conference. VICE CHAIRMAN CICHY reported on the MAPS Annual Conference.

MS. FORD arrived at 10:09 a.m.

ITEM 3

MISCELLANEOUS

No miscellaneous reported.

ITEM 4

REPORT OF THE ADMINISTRATOR

Andrea Rose presented the Administrator's Report dated July 1, 2019

Ms. Rose requested approval of FY2020 anniversary and cost-of-living adjustments for the ERS Staff. The Commission approved similar compensation adjustments for non-represented employees which the ERS generally follows. These adjustments were included in the approved FY2020 Operating Budget.

ACTION: MS. MILLAR made a motion, seconded by MS. FORD to approve the following FY2020 compensation adjustments: a 3.5% anniversary adjustment for eligible employees not at top-of-grade; a 0.5% lump sum payment made on base salary for employees at top-of-grade; and, a cost-of-living adjustment equal to 1.5% of base pay for eligible employees (including the Administrator), effective the first full pay period following July 1, 2019. The motion PASSED unanimously (9-0). (Motion #19-43)

On July 1, 2019, the ERS received an employer contribution in the amount of \$19,244,687. Staff worked with Wilshire's Brad Baker regarding placement of the funds and made allocations to C.S. McKee and Eaton Vance. MS. MORGAN-JOHNSON asked if the managers had been asked to consider fee reductions in light of the additional investments. Ms. Rose indicated that Eaton Vance had been asked to consider a fee reduction and that she would also follow-up with C.S. McKee.

ITEM 5

COMMITTEE REPORTS/RECOMMENDATIONS

Investment Monitoring Group – June 18, 2019 Meeting

At its March 5, 2019 meeting the Board asked the Investment Monitoring Group (IMG) to further analyze the Asset Liability Study (ALS). Wilshire provided the IMG with an update to the ALS which provides a methodology for selecting a policy portfolio. Wilshire recommended adopting the asset allocation identified as Option 1 (Similar Return Policy) which provides better anticipated outcomes in various economic and market scenarios, while keeping a similar return but lower risk profile. This policy provides better downside risk for the funded status on both a market and actuarial value basis and lowers anticipated future contributions under the pessimistic and very

pessimistic scenarios. From an asset class perspective, Mr. Baker recommended carving out a dedicated allocation to emerging market debt.

Committee Chairman MS. MORGAN-JOHNSON said the IMG concurs with Wilshire's recommendation and asked for the Board's approval to adopt the asset allocation identified as Option 1 (Similar Return Policy) which includes target allocations of 47.5% to equity, 35.5% to fixed income (including a 5% allocation to emerging market debt), and 17% to real assets with a 10-year expected return of 7.49% and expected risk of 10.63% and to authorize Wilshire to do an investment manager search to identify a best in class provider of emerging market debt versus utilizing an existing manager.

ACTION: MR. ZIMMERMAN made a motion, seconded by VICE CHAIRMAN CICHY to adopt the asset allocation identified as Option 1 (Similar Return Policy) with target allocations of 47.5% to equity, 35.5% to fixed income (including a 5% allocation to emerging market debt), and 17% to real assets. The motion PASSED unanimously (9-0). (Motion #19-44)

ACTION: MS. GOGOL made a motion, seconded by VICE CHAIRMAN CICHY to authorize Wilshire to complete an emerging market debt investment manager search. The motion PASSED unanimously (9-0). (Motion #19-45)

CHAIRMAN HEWLETT arrived at 10:34 a.m.

MS. MORGAN-JOHNSON asked Wilshire's Brad Baker to explain the investment manager search process for the benefit of the new trustees. Brad Baker said Wilshire has a database of all investment strategies and a dedicated manager research group that evaluates the firms in the database. Firms that rank highly and would be a good fit in the portfolio are narrowed down by looking at fees, track record, and investment structure. The IMG will review the top 10-15 managers which will include at least one MFD (Minority/Female/Disabled American) manager and recommend 2-4 finalists to present to the Board.

MR. SINGH asked if the Board had a policy for hiring MFD firms. Andrea Rose explained the Statement of Investment Policy includes the Board's policy on MFD managers and measures to prevent discrimination in the selection process; however, there is no minimum requirement. The ERS has two minority managers, RhumbLine and Earnest Partners with assets of \$118.3 million and \$85.3 million, respectively. The total portfolio is approximately \$960 million.

ITEM 6 MANAGER REPORTS/PRESENTATIONS

Wilshire Associates

Presentations by Bradley A. Baker, Managing Director and Martell McDuffy, Senior Analyst

Bradley A. Baker and Martell McDuffy presented an education session on Public and Private Fixed Income that included performance drivers, state of the global markets, sector returns, and an overview of the U.S. bond market with a focus on emerging market debt ("EMD").

MS. BENNETT arrived at 11:02 a.m.

EMD is a fixed income sub-asset category that comprises bonds issued by less developed, or "developing", countries. The main rationales for investing in EMD is emerging market economies are generally faster growing than developed, have favorable demographics, and have comparatively lower debt obligations. Investing in EMD started in the 1980's and has continued

to grow with increased liquidity and credit quality. Spreads on investment grade EMD compare favorably to developed market investment grade credit and below investment grade EMD provides an elevated pick up relative to U.S. high yield. In general, EMD comes in Hard Currency (i.e. \$, €, £, ¥), and Local Currency of issuer. Mr. Baker recommends the emerging market allocation include a blend of Hard (80%) and Local (20%) Currency.

The Board of Trustees meeting of July 9, 2019 adjourned at 12:01 p.m.

Respectfully,



Heather D. Van Wagner
Senior Administrative Specialist



Andrea L. Rose
Administrator