



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

**BOARD OF TRUSTEES MEETING MINUTES**  
**Tuesday, June 7, 2022; 10:00 a.m.**  
**Kenilworth Office Building, Riverdale, MD**  
**(Due to COVID-19 Attend via Microsoft Teams)**

Due to COVID-19, the Maryland-National Capital Park and Planning Commission (“Commission”) Employees’ Retirement System (“ERS”) Board of Trustees (“Board”) met virtually through Microsoft Teams with CHAIRMAN CICHY leading the call on Tuesday, June 7, 2022. The meeting was called to order at 10:03 a.m. by CHAIRMAN CICHY.

**Board Members Present**

Gerald R. Cichy, Board of Trustees Chairman, Montgomery County Commissioner  
Peter A. Shapiro, Board of Trustees Vice Chairman, Prince George’s County Commissioner  
Gavin Cohen, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio  
Pamela F. Gogol, Montgomery County Public Member  
Caroline McCarthy, Montgomery County Open Trustee - Left at 11:00 a.m. and returned at 11:48 a.m.  
Amy Millar, MCGEO Represented Trustee  
Sheila Morgan-Johnson, Prince George’s County Public Member  
Theodore J. Russell III, Prince George’s County Open Trustee  
Elaine A. Stookey, Bi-County Open Trustee  
Howard Brown, FOP Represented Trustee

**Board Members Absent**

Asuntha Chiang-Smith, M-NCPPC Executive Director, Ex-Officio

**ERS Staff Present**

Andrea L. Rose, Administrator  
Alicia C. Stanford, Administrative Specialist

**Presentations**

Cheiron - Patrick Nelson, FSA, CERA, EA, MAAA, Consulting Actuary  
Cheiron - Janet Cranna, FSA, FCA, EA, MAAA, Principal Consulting Actuary  
Wilshire Advisors, LLC – Bradley A. Baker, Managing Director

**Other Attendees**

Tracey C. Harvin – M-NCPPC Senior Counsel

**ITEM 1      APPROVAL OF THE JUNE 7, 2022, CONSENT AGENDA**

**ACTION:**      MS. GOGOL made a motion, seconded by MS. MILLAR to approve the Consent Agenda of June 7, 2022. Motion passed (10-0). (Motion # 22-30)



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### ITEM 2 CHAIRMAN'S ITEMS

#### ITEM 2.B. Acknowledge the Reappointment of Sergeant Howard Brown as the Fraternal Order of Police Representative Trustee for the term July 1, 2022 – June 30, 2025

ACTION: MR. SHAPIRO made a motion, seconded by MS. GOGOL to acknowledge the reappointment of Sergeant Howard Brown. Motion passed (10-0). (Motion # 22-31)

#### ITEM 2.C. Acknowledge the Appointment of Lisa Blackwell-Brown as the UFCW Local 1994 MCGEO Representative Trustee for the term July 1, 2022 – June 30, 2025

ACTION: MS. MILLAR made a motion, seconded by MR. RUSSELL to acknowledge the appointment of Lisa Blackwell-Brown. Motion passed (10-0). (Motion # 22-32)

**Item 2.D.** CHAIRMAN CICHY presented a resolution in honor of MS. MILLAR. Ms. Millar has served on the ERS Board of Trustees for seven (7) years, beginning 2015. This will be her last meeting serving as a Board member.

### ITEM 3 MISCELLANEOUS

Andrea Rose introduced the ERS' new Administrative Specialist, Alicia C. Stanford.

### ITEM 4 MANAGER REPORT/PRESENTATIONS

#### ITEM 4.A. CHEIRON

Patrick Nelson and Janet Cranna presented the Annual Economic Assumption Review dated June 7, 2022 which included the June 30, 2021 actuarial valuation results with projections to June 30, 2022 as a baseline.

Beginning in 2013, the Board has annually reviewed the investment return assumption prior to each actuarial valuation. The Board has gradually reduced the investment return assumption from 7.5% in 2013 to 6.75% effective June 30, 2021.

The investment return assumption is the single most powerful assumption. Factors to consider in selecting the investment return assumption, include industry trends, historical experience, expectations for the future, and the plan's tolerance for risk.

Based on a thirty-year horizon the probability of achieving 6.75% investment return on the target allocation is 54.64% with an expected risk of 10.30%. MR. RUSSELL questioned whether there was a standard probability for achieving the target allocation. Cheiron and Wilshire confirmed there is no standard and/or best practice.



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Adoption of a change in the investment return assumption from 6.75% to 6.70% will increase the unfunded actuarial liabilities by \$8 million; the employer contribution by \$1 million; and reduce the funded ratio from 95.1% to 94.5%.

Sheila Morgan-Johnson questioned the average inflation rate and the ERS' long-term assumption for inflation. Ms. Cranna confirmed the assumption for inflation is conservative and Ms. Morgan-Johnson agreed. Gavin Cohen asked if the Board set a goal for the investment return assumption. Ms. Millar said there was discussion of a goal of 6.5%; however, Andrea Rose confirmed the Pension Funding Policy does not include a specific goal. Additional Board member inquiries and commentary led to a suggestion for later discussion of an investment return assumption goal. Ms. Rose suggested the Chairman assign the Administration & Personnel Oversight Committee ("Personnel Committee") with review of the investment return assumption and whether the Board should set a goal. Chairman Cichy requested the Personnel Committee undertake the review and return with a recommendation.

**ACTION:** MR. COHEN made a motion, seconded by VICE CHAIRMAN SHAPRIO to reduce the investment return assumption from 6.75% to 6.70% for the June 30, 2022 actuarial valuation and to have the Administrative & Personnel Oversight Committee determine whether a long-term goal should be established. MR. COHEN included in motion an invitation for MS. MORGAN-JOHNSON to join the Personnel Committee to replace MS. MILLAR. Motion passed (9-0). Caroline McCarthy was not present for this vote. (Motion # 22-33).

### **ITEM 4.B. Wilshire Advisors, LLC**

Brad Baker presented Wilshire Advisor's analysis of the Actuarial Return Assumption & Liability Discount Rate which supported the Board's decision to decrease the investment return assumption from 6.75% to 6.70% based upon Wilshire's forward-looking assumptions.

Mr. Baker, next, provided a Quarterly Executive Summary for the quarter ending March 31, 2022 and reported on the fund's performance. The ERS total fund return was -2.31% (net of fees) for the quarter, outperforming the target policy index return of -3.36%. For the one, three, five, and ten-years ended March 31, 2022 the ERS fund return was 9.97%, 9.80%, 8.97%, and 7.98%, respectively compared to the target policy return of 4.42%, 8.32%, 7.68% and 7.11%, respectively. The total market value through March 31, 2022 was \$1.1 billion. In terms of market performance, the U.S. equity market was down -4.9% and the non-U.S. equity market was down -5.3% with all sectors trending downward. Large-cap sustained a smaller loss than small-cap. Rising inflation will be remembered as the economic story of 2022. Increases in CPI reached rates not seen in 40 years. While food and energy prices were up, the major "core" CPI items of automobiles and apparel were up as well. The ERS continues to be less risky than 97% of public plans and this is intentional.

Ms. McCarthy returned at 11:48 a.m.



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### ITEM 5 COMMITTEE REPORTS/RECOMMENDATIONS

Gavin Cohen provided a brief update on the Audit Committee meeting of May 17, 2022. Sheila Morgan-Johnson gave an update on the Investment Monitoring Group meeting of May 17, 2022. No questions or commentary were received from Board members for either committee update.

### ITEM 6.A. ADMINISTRATOR'S REPORT

Andrea Rose presented the Administrator's Report dated May 27, 2022.

Important dates:

- Ms. Rose reported the next Board of Trustees meeting will take place on Tuesday, July 12, 2022 and will include a cyber security update from Northern Trust and a bank loan manager refresher course from Wilshire Advisors.
- Investment Monitoring Group and Administrative & Personnel Oversight committee meetings have been scheduled for June 21, 2022.
- There are no Board or committee meetings in August 2022.

The annual audit will commence mid-August and will mainly be conducted remotely. Ms. Rose reported ERS staff are preparing the financial statements, Annual Comprehensive Financial Report, and Popular Annual Financial Report for the annual audit.

The ERS is anticipating an employer contribution from the Commission on July 1, 2022, of \$25.7M. This is in line with the recommendation from Cheiron.

The renewal of the ERS Fiduciary Liability Insurance policy is underway for fiscal year July 1, 2022 – June 30, 2023. The current policy has a limit of liability of \$7.5M with a \$50k deductible and \$39,366 premium.

### ITEM 6.B. Rhumblin Organizational Update; April 1, 2022

In a letter dated April 1, 2022, Rhumblin notified the ERS of the retirement of Wayne Owen, Chief Executive Officer and General Partner effective April 30, 2022. Denise D'Entremont, who was promoted to President at the close of 2019 will be promoted to CEO. Mr. Owen's retirement will result in a change of ownership and constitute an assignment of the investment management agreement. Rhumblin requested the ERS' consent to the assignment.

### ITEM 7 CLOSED SESSION

At 12:15 pm. CHAIRMAN CICHY 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)(5) for the investment of public funds and Section 3-305(b)(7) to consult with legal counsel to obtain legal advice on legal matters.



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**ACTION:** MS. GOGOL made a motion, seconded by CHAIRMAN CICHY to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b)(5) for the investment of public funds and Section 3-305(b)(7) to consult with legal counsel to obtain legal advice on legal matters. The motion PASSED (10-0). (Motion #22-34)

During Closed Session, the following action was taken:

1. The Board authorized a Special Meeting to act on the Consent for Assignment, if required, prior to the July 12, 2022 Board meeting.
2. The Board consulted with legal counsel on a member matter.

The Board meeting of June 7, 2022, adjourned at 12:51 p.m.

Respectfully,

Alicia C. Stanford  
Administrative Specialist

Andrea L. Rose  
Administrator