



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

BOARD OF TRUSTEES MEETING MINUTES
Tuesday, March 1, 2022; 10:00 a.m.
Upper Marlboro, 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 HEWLETT leading the call in Upper Marlboro, Maryland on Tuesday, March 1, 2022. The meeting was called to order at 10:01 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
Howard Brown, FOP Represented Trustee
Asuntha Chiang-Smith, M-NCPPC Executive Director, Ex-Officio
Gavin Cohen, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio
Pamela F. Gogol, Montgomery County Public Member
Caroline McCarthy, Montgomery County Open Trustee
Amy Millar, MCGEO Represented Trustee
Sheila Morgan-Johnson, Prince George’s County Public Member
Elaine A. Stookey, Bi-County Open Trustee

Board Members Absent

Vacant, Prince George’s County Open Trustee

ERS Staff Present

Andrea L. Rose, Administrator
Sheila S. Joynes, ERS Accounting Manager

Presentations

M-NCPPC Legal Department – Tracey Harvin, Senior Counsel
Wilshire Advisors LLC – Bradley A. Baker, Managing Director, and Martell McDuffy, Senior Analyst

ITEM 1 APPROVAL OF THE MARCH 1, 2022 CONSENT AGENDA

ACTION: MS. GOGOL made a motion, seconded by MS. MILLAR to approve the Consent Agenda. The motion PASSED (10-0). (Motion #22-09)

ITEM 2 CHAIRMAN’S ITEMS

Chairman Hewlett reminded trustees of the requirement and importance of attending training and conferences.

ITEM 3 MISCELLANEOUS

VICE CHAIRMAN CICHY thanked CHAIRMAN HEWLETT for her leadership, dedication, and service to on the Board of Trustees. VICE CHAIRMAN CICHY and MS. ROSE read a Resolution in honor of Elizabeth M. Hewlett.

ACTION: MS. MILLAR made a motion, seconded by MS. STOOKEY to approve the Resolution in Honor of Elizabeth M. Hewlett. The motion PASSED (9-0-1). Ms. Hewlett abstained. (Motion #22-10)

ITEM 4 MANAGER REPORTS/PRESENTATIONS

A. Wilshire Advisors LLC

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

Brad Baker provided a Quarterly Executive Summary for the quarter ending December 31, 2021 and reported on the fund's performance. The ERS' total fund return was 4.87% (net of fees) for the quarter, outperforming the target policy index return of 3.37%. For the one, three, five, and ten-years ended December 31, 2021 the ERS fund return was 15.77%, 13.24%, 10.51%, and 9.02%, respectively, compared to the target policy return of 9.82%, 12.25%, 9.32%, and 8.21%, respectively. The total market value through December 31, 2021 was \$1.2 billion. In terms of market performance, the U.S. stock market was up 9.6% with nearly all sectors in positive territory. Large-cap outperformed small-cap while growth outperformed value within the large-cap segment of the market. Rising inflation will be remembered as the economic story of 2021. 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.

As of December 31, 2021, the ERS took considerably less risk than its peers. While the ERS' performance was strong on an absolute basis, the ERS' underperformance relative to peers is indicative of its conservative stance. The ERS is less risky than 95% of other pension plans and ranked in the top quartile in terms of return per unit of risk. The decision to take less risk was intentional as the ERS consistently lowered the investment return assumption.

ITEM 5 COMMITTEE REPORTS/RECOMMENDATIONS

A. Investment Monitoring Group

Presentation by Committee Chair, Sheila Morgan-Johnson

i. Regular Report of February 15, 2022

MS. MORGAN-JOHNSON reported that a performance review was conducted with VOYA at the Investment Monitoring Group's ("IMG") February 15, 2022 meeting after identifying VOYA's underperformance at its January 19, 2021 meeting. The ERS has \$44.6 million invested in VOYA's commingled senior bank loan strategy (the "strategy") which has assets of approximately \$25 billion as of December 31, 2021. VOYA's team confirmed the disappointment in performance and admitted the strategy has not work in a risk-on environment. VOYA was positioned conservatively and too much risk was taken off the table. VOYA was unable to capture returns given the snapback in the market which left a mark on VOYA's track record. Since inception, April 1, 2014, the strategy returned 3.49% versus 3.93% for the S&P/LSTA Leverage Loan Index and ranked in the 78th percentile versus Wilshire's Bank Loan Universe. The strategy underperformed for the quarter, one-year, three years, and five years ending December 31, 2021. VOYA offered the ERS a 25% permanent fee reduction.

A performance review was also conducted with Neuberger Berman. The ERS has \$44.3 million invested in Neuberger Berman's commingled High Income Fund ("Fund"). Neuberger Berman discussed the Fund's lag relative to the Merrill Lynch U.S. High Yield Constrained Index over the 1-year, 3-years, 5-years and 10-years and since inception, April 2010, as of December 31, 2021. For 2021, lower quality securities outperformed their higher quality counterparts which Neuberger Berman did not own due to disciplined credit underwriting standards. Wilshire's Brad Baker did not make a formal recommendation to place Neuberger

Berman on the Watch List; however, discussions will continue as the IMG considers aspects of its Manager Monitoring Policy, including the Watch List.

Wilshire's Brad Baker confirmed VOYA's conservative position for the last 10 years in a risk-on environment. One of VOYA's strengths has been protecting in down markets; therefore, the underperformance is not surprising. While VOYA performed well relative to other managers in a broadly syndicated loan market, managers in the lower to middle market who were more opportunistic performed in the top quartile. Given the ERS is paying for active management, there is an expectation for active management performance. Mr. Baker recommended a search for alternatives in this space, including active and passively managed options. The IMG concurred with Wilshire.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. CHIANG-SMITH to approve a Bank Loan Manager Search, as recommended by Wilshire Advisors LLC. The motion PASSED (10-0). (Motion #22-11)

- B. Administration & Personnel Oversight Committee
 - Presentation by Andrea L. Rose, Administrator
 - i. Regular Report of February 15, 2022

Ms. Rose reported that Gavin Cohen, CPA replaced Melissa Ford as Chairman of the Personnel Committee. The Personnel report contained the required Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position and Budget vs. Actual as of December 31, 2021. Staff reported to the Personnel Committee that an FY2022 Operating Budget Amendment would be required for capital outlay related to the pension software project that was budgeted in FY2021 but paid in FY2022. The software deliverables were delayed due to COVID and required fees were not paid until delivered in accordance with the contract.

ITEM 6 ADMINISTRATOR'S ITEMS

- Presentation by Andrea L. Rose, Administrator
 - A. Administrator's Report dated February 15, 2022
 - B. Memorandum re: LIBOR Transition dated February 17, 2022

The Prince George's County Open trustee vacancy on the Board will be announced in the March edition of Update. Candidates who are presently members of the ERS and work as Merit System employees in the Prince George's County offices of the Commission have until March 18, 2022 at 5:00 p.m. to apply.

Ms. Rose summarized the Memorandum dated February 4, 2022 related to the implications of a transition from the London Interbank Offered Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR"). LIBOR is the basic rate of interest used in lending between global banks and used as a reference for setting the interest rate on other loans. One-week and two-month LIBOR maturities and non-USD LIBOR maturities ceased immediately after December 31, 2021 with remaining USD LIBOR maturities ceasing immediately after June 30, 2023. After considering guidance from the Securities and Exchange Commission's Staff Statement, questions were posed to certain investment managers of the ERS. In summary, the ERS' investment managers established working groups or committees to handle the transition; no action is required by the ERS; the managers expect little, if any, valuation risk; and no operational complexities were reported.

ITEM 7 CLOSED SESSION

At 11:40 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)(2) to protect the privacy or reputation of individuals concerning a matter not related to public business; Section 3-305(b)(5) for the investment of public funds and Section 3-305(b)(7) to consult with legal counsel.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. CHIANG-SMITH to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b)(2) to protect the privacy or reputation of individuals concerning a matter not related to public business; Section 3-305(b)(5) for the investment of public funds and Section 3-305(b)(7) to consult with legal counsel. The motion PASSED (10-0). (Motion #22-12)

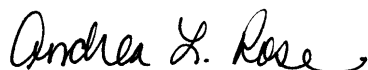
During Closed Session, the following action was taken:

1. Approved a Side Letter and Proceeding with Investment in GCM Grosvenor Customized Infrastructure Strategies III, L.P.
2. Approved an Investment Consulting Agreement Amendment with Wilshire Advisors LLC.
3. Adopted a Restatement of the MissionSquare Retirement Governmental Money Purchase Adoption Agreement effective January 1, 2022.
4. Approved a Second Amendment to the Revocable Trust Agreement with VOYA Investment Trust Company.
5. Resolved two member appeals.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. CHIANG-SMITH to ratify the actions taken in Closed Session. The motion PASSED (10-0). (Motion #22-19)

The Board meeting of March 1, 2022 adjourned at 12:55 p.m.

Respectfully,



Andrea L. Rose
Administrator