



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

BOARD OF TRUSTEES MEETING MINUTES
Tuesday, April 5, 2022; 10:00 a.m.
(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 VICE CHAIRMAN CICHY leading the call on Tuesday, April 5, 2022. The meeting was called to order at 10:01 a.m. by VICE CHAIRMAN CICHY.

Board Members Present

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 Commissioner
Vacant, Prince George’s County Open Trustee

ERS Staff Present

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

Presentations

M-NCPPC Legal Department – Debra Borden, Acting General Counsel, and Caleen Kufera, Assistant General Counsel
Wilshire Advisors LLC – Bradley A. Baker, Managing Director, and Ned McGuire, Managing Director

ITEM 1 APPROVAL OF THE APRIL 5, 2022 CONSENT AGENDA

ACTION: MS. GOGOL made a motion, seconded by MS. CHIANG-SMITH to approve the Consent Agenda. The motion PASSED (9-0). (Motion #22-20)

ITEM 2 CHAIRMAN’S ITEMS

The National Conference on Public Employee Retirement Systems’ (NCPERS) annual conference is being held in Washington, DC May 22 – 25, 2022. NCPERS’ Executive Director reached out to Ms. Rose to request local support and representation from the ERS. Ms. Rose agreed to email the annual conference Agenda and details for consideration.

The March edition of *Update* invited applications for the vacancy in the Prince George’s County Open trustee seat on the Board of Trustees. Candidates had to be members of the ERS and work as Merit System employees in the Prince George’s County offices of the Commission. Applications were due no later than 5:00 p.m. on

March 18, 2022. Theodore J. Russell, III applied for the vacancy and no other applications were received. Mr. Russell is determined to have won by acclamation.

Mr. Russell is the Cost Recovery Manager for the Prince George's County Parks and Recreation Department and has been with the Commission since 2017. Prior to the Commission, Mr. Russell was the Director of Finance and Administration for the Housing Assistance Council in Washington, D.C. for more than 15 years.

ACTION: MS. CHIANG-SMITH made a motion, seconded by MS. MILLAR to Acknowledge Theodore J. Russell, III as the Prince George's County Open Trustee for the remainder of the three-year term ending June 30, 2024. The motion PASSED (9-0). (Motion #22-21)

ITEM 3 MISCELLANEOUS

Debra Borden, Acting General Counsel, and Caleen Kufera, Assistant General Counsel, provided an update on House Bill 1057 (HB 1057) - Prince George's County – Recreation Blue Ribbon Workgroup. HB 1057 establishes a study group to make recommendations to the Prince George's County Council on improving certain recreation services and the costs and benefits of transferring these operations from the Commission to a new entity. The recommendations from the study group are due in 2023 after the legislative session. Therefore, potential changes could be as early as 2024. The ERS would want to confirm the study group's results using its own actuary.

ITEM 4 WILSHIRE ADVISORS, LLC

Presentation by Bradley A. Baker, Managing Director, and Ned McGuire, Managing Director

Wilshire Advisors' Bradley A. Baker and Ned McGuire presented the Asset Liability Valuation ("ALV") Study Analysis dated April 5, 2022. The ALV study identifies and sets strategic long-term targets to meet plan investment goals. The asset allocation decision is one of the most important decisions driving approximately 90% of returns and is revisited every three to five years, or sooner, if market conditions warrant. The last ALV study was done in March 2019 and minor changes were adopted to the asset allocation.

The role of asset allocation is to manage risk to maximize the safety of promised benefits and minimize the cost of funding these benefits. The asset allocation process inputs include Wilshire's latest capital market expectations, the ERS' benefit payment stream and the investment policy statement objectives and constraints.

Wilshire considered ten model portfolios on the efficient frontier, which did not include other asset classes. The Board has diversified the portfolio exposure over time to include a vast array of asset classes and sub-asset classes. There are very few areas the portfolio does not have exposure which reflects the diversification efforts since 2010. Wilshire does not recommend considering any other asset classes at this time.

The existing "all weather" portfolio has outperformed its actuarial rate of return and policy index throughout time with a focus on a long-term time frame. Three portfolios were presented for the Board's consideration. 1) a 6.75% return policy; 2) a Similar Return Policy; and 3) a Similar Risk Policy. On average, decision factors such as distribution of returns, funded status projections, contribution variability, and economic costs all suggest the alternative portfolios that were modeled provide better downside protection over the long-term while slightly less upside potential. The Similar Return Policy is expected to generate similar returns with 48 basis points less of risk. Overall, the Similar Return Policy provides more predictability and less volatility than the existing policy.

Wilshire recommends adopting the Similar Return Policy. A summary of changes are outlined below:

Asset Class	Current Policy (%)	Similar Return Policy (%)	Difference (%)
U.S. Equity	15.0	15.0	0.0
Non-U.S. Equity	15.0	10.0	-5.0
Global Low Volatility Equity	10.0	8.5	-1.5
Private Equity	7.5	8.0	+0.5
Total Equity	47.5	41.5	-6.0
Core Fixed Income	11.5	11.5	0.0
High Yield Fixed Income	7.5	10.0	+2.5
Bank Loans	4.0	5.0	+1.0
Emerging Market Debt	5.0	5.0	0.0
Opportunistic Fixed Income	7.5	10.0	+2.5
Total Fixed Income	35.5	41.5	+6.0
Public Real Assets	2.0	2.0	0.0
Private Real Assets	15.0	15.0	0.0
Total Real Assets	17.0	17.0	0.0
Total Portfolio	100.0	100.0	0.0

Adopting the Similar Return Policy does not require any changes to the manager lineup but requires rebalancing to the target weights. Ms. Rose and Mr. Baker will work together to rebalance the portfolio. Mr. Baker noted there is no urgency in rebalancing immediately.

ACTION: MS. CHIANG-SMITH made a motion, seconded by MS. GOGOL to Adopt the Similar Return Policy outlined in the ALV Study Analysis of April 5, 2022, as recommended by Wilshire Advisors, LLC. The motion PASSED (9-0). (Motion #22-22)

ITEM 5 COMMITTEE REPORTS/RECOMMENDATIONS

Ms. Rose presented the Investment Monitoring Group (IMG) report of March 15, 2022. The IMG held a working session to consider changes to the existing Manager Monitoring Policy (“Policy”), including development of a formal watchlist. In consultation with Wilshire Advisors’ Brad Baker and Martell McDuffy, the IMG decided to incorporate key amendments to include active, passive and private market managers; clarify the responsibilities of the respective parties; to clarify the factors leading to additional due diligence; to clarify language for a formal watchlist, and to include miscellaneous changes for consistency, transparency, and clarity. The IMG will make a final recommendation to the Board in the near term.

ITEM 6 ADMINISTRATOR’S ITEMS

Andrea Rose presented the Administrator’s Report dated March 25, 2022.

Staff calculated the Cost-of-Living Adjustment (COLA) using data from the Consumer Price Index for All Urban Consumers (CPI-U) at December 2021. The COLA is applied each July 1st and is based on the change in the Consumer Price Index (CPI). The change in the CPI was 4.6% at December 2021.

COLAs are provided at 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to a maximum of 5% for benefits attributable to credited service prior to July 1, 2012 and earned and unused sick leave credited prior to January 1, 2013 (“Tier 1”). A maximum COLA of 2.5% applies to

retirement benefits attributable to credited service credited after July 1, 2012 and earned and unused sick leave credited after January 1, 2013 (“Tier 2”). All retirees and beneficiaries receiving annuities for at least six months are eligible for the COLA.

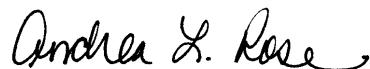
ACTION: MS. MILLAR made a motion, seconded by MS. CHIANG-SMITH to Approve a Cost-of-Living Adjustment of 3.8% for Tier 1 Service and 2.5% for Tier 2 Service Effective July 1, 2022 for Eligible Retirees and Beneficiaries in Accordance with the Employees’ Retirement System’s Plan Document. The motion PASSED (9-0). (Motion #22-23)

Staff requested approval to proceed with Highline’s ePersonality software system under “Time and Materials” and to continue the third-party Oracle licenses for support for 2022-2023. The ERS has been live on PensionGold since March 2021 and has discontinued support for Highline’s ePersonality; however, after discovering several data conversion issues in PensionGold, staff need ePersonality to be available for data verification.

ACTION: MS. STOOKEY made a motion, seconded by MS. GOGOL to Proceed with Highline’s ePersonality System under “Time and Materials” and to Continue the Third-Party Oracle Licenses for Support for 2022-2023. The motion PASSED (9-0). (Motion #22-24)

The Board meeting of April 5, 2022 adjourned at 12:28 p.m.

Respectfully,



Andrea L. Rose
Administrator