



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

**BOARD OF TRUSTEES MEETING MINUTES**

**Tuesday, October 4, 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, October 4, 2022. The meeting was called to order at 10:00 a.m. by CHAIRMAN CICHY.

**Board Members Present**

Gerald R. Cichy, Board of Trustees Chairman, Montgomery County Commissioner

Lisa Blackwell-Brown, 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

Peter A. Shapiro, Board of Trustees Vice Chairman, Prince George’s County Commissioner

Pamela F. Gogol, Montgomery County Public Member

**Board Members Absent**

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

Gavin Cohen, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio

Caroline McCarthy, Montgomery County Open Trustee

**ERS Staff Present**

Andrea L. Rose, Administrator

Alicia C. Stanford, Senior Administrative Specialist

Sheila Joynes, Accounting Manager

**Presentations**

- *Wilshire Advisors, LLC* – Bradley A. Baker, Managing Director
- *Groom Law Group* – David L. Levine, Principal Legal Counsel

**Other Attendee(s)**

- Ben Rupert – M-NCPPC, Principal Legal Counsel

**ITEM 1 APPROVAL OF THE OCTOBER 4, 2022, CONSENT AGENDA**

**ACTION:** VICE CHAIRMAN SHAPIRO made a motion, seconded by MS. GOGOL to approve the Consent Agenda of October 4, 2022. The motion PASSED (8-0). (Motion # 22-47).

**ITEM 2 CHAIRMAN’S ITEMS**

**ITEM 2.A. Conference & Training Summary Schedule** – No comments or inquiry from the Board.

**ITEM 3 MISCELLANEOUS**

Ms. Rose introduced Ben Rupert, M-NCPPC Principal Counsel, who recently joined the General Counsel's Office and will be serving as internal legal counsel for the ERS. Mr. Rupert discussed his experience as a prosecutor for the Prince George's County Office of Law for three years before moving into private practice. Mr. Rupert has experience advising boards including working as an attorney with the Prince George's County Board of License Commissioners (Liquor Board).

**ITEM 4 MANAGER REPORT/PRESENTATIONS**

**ITEM 4.A. Wilshire Advisors LLC** – Presentation by Bradly Baker, Managing Director

Mr. Baker provided a Quarterly Executive Summary for the quarter ending June 30, 2022 and reported on the fund's performance. The ERS total fund return was -6.2% (net of fees) for the quarter, outperforming the target policy index return of -8.9%. For the one, three, five, and ten-years ended June 30, 2022 the ERS fund return was -1.7%, 6.5%, 6.9%, and 7.5%, respectively compared to the target policy return of -9.1%, 3.9%, 5.1% and 6.2%, respectively. The total market value through June 30, 2022 was \$1.06 billion. While the total fund return was negative for the one-year ending June 30, 2022, the portfolio held up better than the target policy index and the median public fund of -10.9%. The ERS had top quartile returns for the one-year ending June 30, 2022 with less risk than other public funds. The ERS continues to be less risky than 95% of public plans. Mr. Baker explained that sticking with the long-term asset allocation is key to achieving the fund's goals.

In terms of market performance, the U.S. equity market was down -16.8% and the non-U.S. equity market was down -13.5% for the quarter ending June 30, 2022 with all sectors trending downward. Large and small cap performed similarly while growth stocks underperformed value. Rising inflation continues to accelerate in 2022, reaching levels not seen in four decades. Energy is the leading expenditure category in terms of price increases, with surging prices in every other segment of the overall CPI. Shelter, the largest component of the index is up 5.5%. The next largest segment is food with a 10% increase. Elevated consumer prices are expected to continue.

Ms. Rose provided 2 updates from investment managers. 1) Investment manager Principal reported no material property damage due to the hurricane Ian in Florida but did report considerable clean up. Principal will provide an update once a full inspection has been completed. 2) Eaton Vance notified Ms. Rose of a portfolio holding that was downgraded below the minimum rating. Per the investment guidelines, Eaton Vance has 60 days to take corrective action. Eaton Vance plans to sell the security in the next couple of days. The mortgage security was secured by Natick Mall in Massachusetts. S&P downgraded the security based on the mall's lower financial performance since COVID and due to retailer, Neiman Marcus, vacating their space as part of their previous bankruptcy filing. Mall occupancy fell to 90% as of March 2022.

**ITEM 4.B. Recommendation to Approve July 1, 2022 Restatement of Plan** – Presentation by Andrea L. Rose, Administrator and Groom Law Group's Principal Legal Counsel, David L. Levine.

Ms. Rose explained at its June 15, 2022 meeting, the Commission approved resolution No. 22-0 and 22-21, which included negotiated retirement changes with the Fraternal Order of Police (FOP) Lodge 30. A Memorandum of Understanding dated August 22, 2022 included authorization for a supplemental change approved by the FOP and Commission.

Mr. Levine explained there were clarifying changes to clean up Plan references; however, the material changes include a revised sick leave conversion rate for Plans C and D effective April 1, 2023. Ms. Rose clarified that the revised sick leave conversion only applies if a participant completes 25 years of service. The amendments clarify the types of service included in the 25-year threshold.

**ACTION:** MR. RUSSELL made a motion, seconded by VICE CHAIRMAN SHAPIRO to approve the restatement of Plan Document dated July 1, 2022. The motion PASSED (8-0). (Motion # 22-48).

## **ITEM 5 COMMITTEE REPORTS/RECOMMENDATIONS**

### **5.A. Investment Monitoring Group (IMG) Presentation**

Ms. Morgan-Johnson provided an overview of the IMG meeting on September 20, 2022. Investment manager, Eaton Vance, presented investment performance as of June 30, 2022. Eaton Vance requested an expansion to Rule 144A securities to increase the cap of 15% of assets to no limit or at least 30% of assets, in addition to a change to the rating agency for asset backed securities. The IMG requested a written copy of Eaton Vance's formal expansion request and analysis that provides the rationale, impact, and risks associated with this type of change.

Wilshire Advisors provided a comparative investment manager review for core fixed income managers, Eaton Vance, and C.S. Mckee highlighting strategies, performance, and return outlook.

### **5.B Administration & Personnel Oversight Committee Presentation**

Ms. Rose provided an overview of the Administration & Personnel Oversight Committee ("Personnel Committee") meeting on September 20, 2022 on behalf of Personnel Committee Chairman, Gavin Cohen, CPA. The Personnel Committee was asked to review the investment return assumption and determine whether the Board should set an investment return assumption goal. The current investment return assumption rate is 6.7% and the ERS has instituted a practice of reviewing the investment return assumption annually. Actuarial consultants, Cheiron, provided a presentation on the investment return assumption rate, current economic assumptions, the impact of discount rate changes, comparison to other public plans and funding and contribution projections. Wilshire Advisors provided a presentation to help support the actuarial interest rate decision, providing historical investment returns versus the discount rate over 10 years. The Personnel Committee recognized the ERS is well positioned in the top tier in terms of funded ratio and investment return assumption relative to other pension plans. The Personnel Committee explained to the Board that the existing policy of an annual review has worked well and allowed the Board to consider the market environment, investment return assumption trends, changes to long-term return expectations, and impact to the Commission as the plan sponsor. The Personnel Committee recommended the Board annually review and consider a 5-basis point reduction in the investment return assumption without setting an ultimate goal.

**ACTION:** VICE CHAIRMAN SHAPIRO made a motion, seconded by MS. GOGOL to annually review the investment return assumption and consider a 5-basis point reduction without setting an ultimate goal. The motion PASSED (8-0). (Motion # 22-49).

The Personnel Committee reviewed the first draft of the new Governance Manual and is in the process of proposing revisions. As sections of the Governance Manual are completed, those sections will be recommended for Board approval.

## **ITEM 6 ADMINISTRATOR'S REPORT**

### **ITEM 6.A. Administrator's Report presentation**

Ms. Rose presented the Administrator's Report dated September 21, 2022. Ms. Rose reminded the Board of upcoming committee and Board meeting dates. Actuarial consultant, Cheiron, will present the results of the June 30, 2022 actuarial valuation at the November 1, 2022 Board of Trustees meeting. Cheiron noted a larger number of salaries increases, which were higher than expected. ERS staff are working with Commission staff to confirm the accuracy and reason for the results.

The Audit Committee will provide a presentation of the committee meeting at the November 1, 2022 Board of Trustees meeting. The auditors, SB & Company, issued a clean unmodified opinion for the June 30, 2022 financial statements.

### **ITEM 6.B. Recommendation to Approve Affirmation and Amendment to Agreement of Lease**

Ms. Rose worked with Commission Executive-Director, Asuntha Chiang-Smith, and Gavin Cohen, Secretary-Treasurer, on the Affirmation and Amendment to Agreement of Lease which includes a 5-year term extension and flat fee charges for phone, postage and copier. Staff recommended approval of the Affirmation and Amendment to Agreement of Lease.

**ACTION:** MS. STOOKEY made a motion, seconded by MS. GOGOL to approve the Affirmation and Amendment to Agreement of Lease. The motion PASSED (8-0). (Motion # 22-50).

## **ITEM 7 CLOSED SESSION**

At 11:10 a.m. the Board went into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b)(7) to consult with counsel to obtain legal advice regarding the Open Meetings Act and Opinion of the Open Meetings Act Board.

**ACTION:** MS. GOGOL made a motion, seconded by MR. RUSSELL to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b)(7) to consult with counsel to obtain legal advice regarding the Open Meetings Act and Opinion of the Open Meetings Act Board. The motion PASSED (8-0). (Motion #22-51).

*Board of Trustees in Closed Session:* Chairman Cichy, Vice Chairman Shapiro, Lisa Blackwell-Brown, Sheila Morgan-Johnson, Theodore Russell III, Elaine Stookey, Pamela Gogol, and Howard Brown.

The Board meeting of October 4, 2022, adjourned at 11:45 a.m.

Respectfully,



Andrea L. Rose

Administrator