



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

**BOARD OF TRUSTEES MEETING MINUTES**  
**Tuesday, November 1, 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 VICE CHAIRMAN SHAPIRO leading the call on Tuesday, November 1, 2022. The meeting was called to order at 10:00 a.m. by VICE CHAIRMAN SHAPIRO.

**Board Members Present**

Peter A. Shapiro, Board of Trustees Vice Chairman, Prince George’s County Commissioner  
Lisa Blackwell-Brown, MCGEO Represented Trustee  
Asuntha Chiang-Smith, M-NCPPC Executive Director, Ex-Officio Arrived at 10:15 a.m.  
Gavin Cohen, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio  
Pamela F. Gogol, Montgomery County Public Member  
Caroline McCarthy, Montgomery County Open 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

**Board Members Absent**

Vacant, Montgomery County Commissioner  
Howard Brown, FOP Represented Trustee

**ERS Staff Present**

Andrea L. Rose, Administrator  
Sheila Joynes, Accounting Manager  
Ann McCosby, Software Manager

**Presentations**

- *Cheiron* – Janet Cranna, FSA, FCA, EA, MAAA, Patrick Nelson, FSA, CERA, EA, MAAA, Jana Bowers, ASA

**Other Attendee(s)**

- Ben Rupert – M-NCPPC, Principal Legal Counsel
- Bradley A. Baker, Wilshire Advisors, Managing Director

**ITEM 1 APPROVAL OF THE NOVEMBER 1, 2022, CONSENT AGENDA**

**ACTION:** MS. STOOKEY made a motion, seconded by MS. GOGOL to approve the Consent Agenda of November 1, 2022. The motion PASSED (6-0-2) with MR. COHEN and MS. MCCARTHY abstaining due to absence from the October 4, 2022 Board Meeting. (Motion # 22-52).

**ITEM 2 CHAIRMAN'S ITEMS****ITEM 3 MISCELLANEOUS**

Asuntha Chiang-Smith joined the meeting.

**ITEM 4 MANAGER REPORT/PRESENTATIONS****ITEM 4.A. Cheiron** – Presentation by Janet Cranna, Patrick Nelson, and Jana Bowers

Cheiron conducted an educational session on the actuarial valuation process, historical trends, and the identification and assessment of risk prior to presenting the June 30, 2022 actuarial valuation results.

The June 30, 2022 actuarial valuation indicated a funded ratio (based on the actuarial value of assets) of 91.1%, which is down from 92.6% in 2021.

The June 30, 2022 actuarial valuation included a change in the investment return assumption from 6.75% to 6.70% and plan changes for Plan C and Plan D.

To meet the ERS' funding objectives, Cheiron recommended an Actuarially Determined Contribution (ADC) of \$28,367,491 (16.22% of covered payroll) is payable July 1, 2023 for fiscal year 2024. The recommended ADC increased from \$25,682,999 (14.43% of payroll) as of June 30, 2021. The increase in the ADC can be primarily attributed to 1) a \$20 million loss on liabilities driven by salary increases (for actives) greater than expected and cost-of-living adjustments (for retirees) greater than expected; 2) a change in the investment return assumption from 6.75% to 6.70% which increased liabilities by \$6.9 million; and 3) changes for Plan C and Plan D which increased liabilities by \$0.9 million.

**ACTION:** MR. RUSSELL made a motion, seconded by MS. CHIANG-SMITH to approve an Actuarially Determined Contribution of \$28,367,491 (16.22% of payroll) payable July 1, 2023 for fiscal year 2024. The motion PASSED (8-0). Lisa Blackwell-Brown had intermittent technical difficulties. (Motion # 22-53).

**ITEM 5 COMMITTEE REPORTS/RECOMMENDATIONS****ITEM 5.A. Investment Monitoring Group (IMG) Presentation**

Ms. Morgan-Johnson provided an overview of the IMG meeting on October 18, 2022. The ERS had \$48.5 million invested in a commingled account with PGIM Fixed Income ("PGIM") as of August 31, 2022. PGIM invests in a diversified portfolio of emerging markets debt securities and other securities and investments. The investment objective is to outperform the benchmark which is 50% JP Morgan EMBI Global Diversified Index/50% JP Morgan GBI-EM Global Diversified Index over a full market cycle which is typically 3-5 years. PGIM confirmed performance had fallen short of the intended 200 basis points of outperformance versus the benchmark due to the market environment. Positions in Russian, Ukraine, Pakistan, Zambia, and Turkey detracted from performance. PGIM indicated the outlook is challenging with volatility expected in the short term.

Eaton Vance requested two guideline changes as follows:

Request #1: Eaton Vance requested the guidelines be revised to increase the maximum limit for Rule 144A securities from 15% to 30% of the portfolio's market value. Eaton Vance believes the requested change will significantly increase its ability to invest unencumbered in Rule 144A high yield bonds and Rule 144A asset-backed securities, broadening the investment universe in these sub-sectors from which it can source investment opportunities.

Request #2: The investment guidelines specify the use of Moody's, S&P, and Fitch when testing for minimum rating and rating concentrations. Eaton Vance requested the guidelines be revised to allow Kroll Bond Rating Agency, LLC ("KBRA") ratings for securitized investments. Eaton Vance believes including KBRA as a fourth NRSRO specifically for securitized debt instruments will significantly increase its ability to invest in asset-backed securities, broadening the investment universe from which it can source investment opportunities.

Wilshire's Brad Baker recommended acceptance of the proposed guideline changes. Wilshire believes the changes are prudent, allow Eaton Vance flexibility without undue investment risk, and are consistent with institutional standards in the asset management industry.

**The IMG recommended the Board approve the revised Eaton Vance Core Fixed Income Investment Guidelines, as requested by Eaton Vance and recommended by Wilshire Advisors.**

ACTION: MR. RUSSELL made a motion, seconded by MS. CHIANG-SMITH to approve the revised Eaton Vance Core Fixed Income Investment Guidelines, as recommended by Wilshire Advisors. The motion PASSED (8-0). Lisa Blackwell-Brown had intermittent technical difficulties. (Motion # 22-54).

#### **ITEM 5.B Audit Committee Presentation**

Ms. Rose provided an overview of the Audit Committee meeting on September 28, 2022 on behalf of Personnel Committee Chairman, Gavin Cohen, CPA. SB & Company, LLC ("SB") SB issued an unmodified (aka "clean") opinion on the financial statements; reviewed the Annual Comprehensive Financial Report (ACFR); found no material weaknesses or instances of fraud identified; and received the full cooperation from management. SB audited the significant risk areas, including financial reporting, investments, investment income, benefits payable, actuarial information, contributions, information technology, administrative expenses, and payroll. As of June 30, 2022, and 2021, the ERS had a Fiduciary Net Position Restricted for Pensions of \$1,056,153,292 and \$1,107,721,888, respectively. During 2022, the Fiduciary Net Position Held in Trust for Pension Benefits decreased by \$52 million primarily due to a net depreciation in fair value of investments of approximately \$36 million and an investment loss of approximately \$21 million associated with current market conditions. The ACFR is available on the website.

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

Ms. Rose presented the Administrator's Report dated October 21, 2022. During October, the ERS simulated the annual disaster recovery test on the PensionGold system with LRS (the software provider) and Flexential (the hosting provider). The process fully tested production server fail-over to the disaster recovery site; confirmed applications would function at the disaster recovery site; confirmed access to the production environment; proved the data included changes made to the production database that morning before the switchover; and replicated a full benefit payroll for retirees and survivors, downloading results and printing. The disaster recovery test was a success.

The Board meeting of November 1, 2022, adjourned at 11:34 a.m.

Respectfully,

*Andrea L. Rose*

Andrea L. Rose  
Administrator