



Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2018

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission

Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2018

INTRODUCTION

This Popular Annual Financial Report summarizes the Maryland-National Capital Park and Planning Commission Employees' Retirement System's (ERS) more detailed 2018 Comprehensive Annual Financial Report (CAFR) which is prepared in conformity with generally accepted accounting principles. The CAFR provides in-depth information about the financial, investment and actuarial aspects of the ERS.

The CAFR can be viewed online or downloaded from the ERS' website at <http://ers.mncppc.org> under the Forms and Publications tab.

ABOUT THE EMPLOYEES' RETIREMENT SYSTEM

The ERS covers employees of the Maryland-National Capital Park and Planning Commission ("Commission"). The ERS was established in 1972 as a single employer defined benefit pension plan. Today, the ERS consists of five defined benefit pension plans: Plan A, the original plan; Plan B, for non-police and integrated with Social Security; Plans C and D, for park police; and, Plan E, for non-police and appointed officials hired on or after January 1, 2013 and integrated with Social Security.

The ERS provides normal and early retirement benefits, active member death benefits, and post-retirement death benefits for members of the ERS.

The Board of Trustees ("Board") administers the ERS in accordance with the Trust Agreement between the Board and the Commission. The Board's main responsibility is to administer the ERS for the sole benefit of the members and to ensure payment of the promised benefits.

The administrative operations of the ERS are the responsibility of the Administrator and the Staff who are employed by the Board.

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BOARD OF TRUSTEES



Elizabeth M. Hewlett, Chairman
Prince George's County Commissioner
Term expires: 6/30/2019

Gerald R. Cichy, Vice Chairman
Montgomery County Commissioner
Term expires: 6/30/2020

Patricia Colihan Barney, CPA
Executive Director
Ex-Officio

Howard Brown
FOP Represented Trustee
Term expires: 6/30/2019

Pamela F. Gogol
Montgomery County Public Member
Term expires: 6/30/2020

Rick Liu
Montgomery County Open Trustee
Term expires: 6/30/2021

Amy Millar
MCGEO Represented Trustee
Term expires: 6/30/2019

Sheila Morgan-Johnson
Prince George's County Public Member
Term expires: 6/30/2020

Vacant
Prince George's County Open Trustee
Term expires: 6/30/2018

Barbara Walsh
Bi-County Open Trustee
Term expires: 6/30/2020

Joseph C. Zimmerman, CPA
Secretary-Treasurer
Ex-Officio

MESSAGE FROM THE CHAIRMAN

Dear Members, Retirees and Beneficiaries:

We are proud to issue the 2018 Popular Annual Financial Report ("Annual Report") for the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS). This Annual Report summarizes the more detailed Comprehensive Annual Financial Report (CAFR) which is available on the ERS' Website, <http://ers.mncppc.org>. More important, this report provides key statistics to help you understand the financial health of the ERS.

Portfolio performance for the one-year ending June 30, 2018 was 7.9% versus 7.2% for the policy index, with assets hitting a record high of \$921 million. Returns for the 3-years and 5-years ending June 30, 2018 were 7.2% and 7.4%, respectively, versus the policy index of 6.4% and 6.9%, respectively. The portfolio exceeded its assumed rate of return of 6.95%, largely fueled by strong returns in the U.S. equity markets and a maturing private equity portfolio.

An amended Pension Funding Policy was approved to formalize the annual actuarial valuation which has been conducted since inception of the plan and we have also formalized our annual review of the investment return assumption which has been conducted for the last six years. Additionally, the Board added a requirement for a full-scope actuarial audit every 5-years, unless the consulting actuary has changed during that time and replicated the prior actuarial valuation at the time of engagement. The actuarial audit is considered a "best practice" and valuable tool for monitoring the quality of actuarial services performed on behalf of the pension plan. The audit will help the Board assess whether the plan is meeting its funding objectives. A full-scope actuarial audit of the July 1, 2017 actuarial valuation is currently underway.

Moving into 2019, the Board will be initiating an Asset/Liability Study to explore alternative portfolio structures to maximize the safety of benefits and minimize the economic cost while ensuring the funding of benefits. The alternative portfolio structures may include emerging market debt, bank loans, and additional commitments to private real assets and private equity.

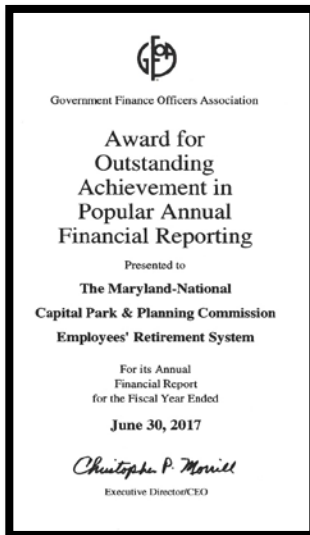
Once again, I wish to thank our dedicated Board members, committed staff and consultants who work diligently on your behalf to monitor trends and investments and consider opportunities for growth and protection of the assets.

Warm Regards,

A handwritten signature in black ink that reads "Elizabeth M. Hewlett". The signature is fluid and cursive, written in a professional style.

Elizabeth M. Hewlett
Chairman, Board of Trustees

AWARDS FOR EXCELLENCE IN FINANCIAL REPORTING



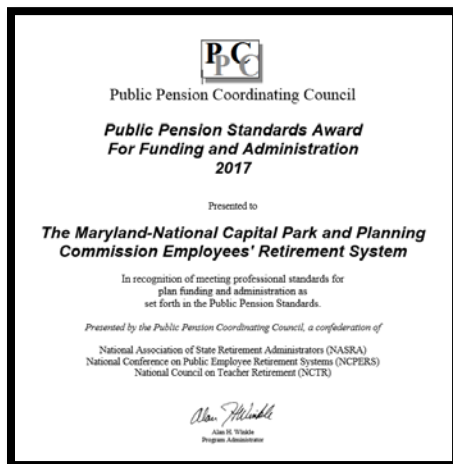
The Government Finance Officers Association (GFOA) of the United States and Canada presented an **Award for Outstanding Achievement in Popular Annual Financial Reporting** to the Employees' Retirement System (ERS) for its Popular Annual Financial Report for the fiscal year ended June 30, 2017.

This prestigious national award recognizes annual reports for creativity, presentation, understandability and reader appeal and is valid for a period of one year.

This is the eighth consecutive year the ERS applied for and received the Award.

The ERS' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017, was awarded the **Certificate of Achievement for Excellence in Financial Reporting** by GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The ERS received the Certificate of Achievement each time a CAFR was submitted to GFOA for consideration (2008-2017 and previously from 1992-2000). While the ERS is not required to prepare a CAFR, management considers it a "best practice" and plans to annually prepare a CAFR for consideration by GFOA.



The ERS earned the Public Pension Coordinating Council's **Public Standards Award for Funding and Administration** for the last thirteen consecutive years (2005-2017). The Public Pension Standards are intended to reflect minimum expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark by which all public defined benefit plans should be measured.

ERS STAFF



Andrea L. Rose
Administrator

Heather D. Brown
Senior Administrative Specialist

Member Relations

Antonia L. Lanier
Member Relations Manager

Lisa D. Butler
Senior Retirement Benefits Analyst

Eleanor Dagirmanjian
Retirement Benefits Analyst

Christopher Baysmore
Member Relations Assistant

Technical Services

Sheila S. Joynes
Accounting Manager

Ann L. McCosby
IT Systems Manager

Edward D. Sarkar
IT Manager

MISSION

The Mission of the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS) is to prudently manage, protect, diversify, and administer the funds for the sole benefit of its members and beneficiaries to ensure sufficient assets are available to pay the promised benefits.

CORE VALUES

- Quality Customer Service
- Accountability and Transparency
- Professionalism and Respect
- Trustworthiness and Stewardship

MEMBER SERVICES & RESOURCES

The ERS has a comprehensive member education program to encourage lifelong retirement planning. The ERS is committed to providing each member with the resources to anticipate future financial needs and to plan for a secure retirement. Please consider taking advantage of the available resources below:

- Onsite Workshops
- One-on-One and Retirement Counseling
- Annual Benefit Statement
- Retirement Benefit Estimate
- Popular Annual Financial Report
- Comprehensive Annual Financial Report
- Summary Plan Description
- Plan Document
- "ERS Lifetimes" News Articles published in the Commission's Update Newsletter

The ERS' website, <http://ers.mncppc.org>, contains valuable information for active and retired members. Forms and publications are available to download.

The Member Relations Team is available by email or phone to answer retirement related questions or schedule an appointment for a retirement counseling session.

Email: contactERS@mncppc.org
Phone: 301-454-1415

MEMBERSHIP AND BENEFITS

As of July 1, 2017 Actuarial Valuation

Membership

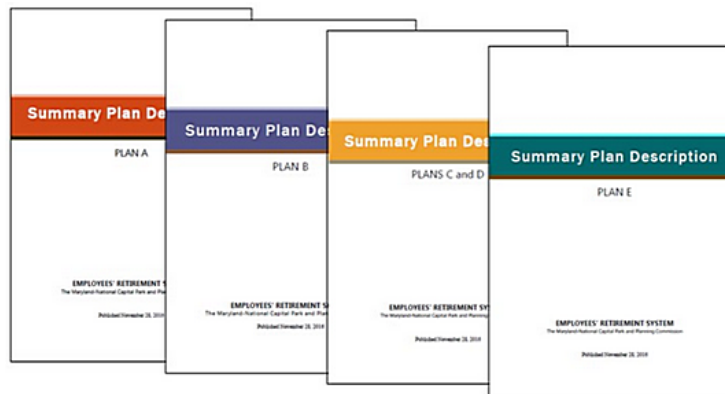
	2017	2016	% CHANGE
Active Members	2,102	2,073	1.4
Retirees and Beneficiaries	1,461	1,396	4.7
Inactive Non-Vested	379	361	5.0
Inactive Vested ¹	260	263	(1.1)
Total Membership	4,202	4,093	2.7

Active Member Averages

	2017	2016	% CHANGE
Average Age	47.76	47.91	(0.3)
Average Years of Service	12.48	12.73	(2.0)
Average Annual Salary	\$72,860	\$70,257	3.7
Active Members Eligible for Normal Retirement within the Next 5 Years	679	697	(2.6)

The ERS is the Commission's primary retirement plan for its employees. The ERS is a defined benefit plan which means the benefit paid at retirement is a guaranteed benefit, based on salary and credited service. The benefits are not determined by employee contributions or investment earnings.

A Summary Plan Description (SPD) is available for each plan and provides a detailed look at the benefit formula, eligibility requirements, contributions, credited service, and death benefits. A copy of the SPD is available on the ERS' website or a hard copy can be requested by calling the ERS.



Retirees and Survivors Averages

The chart below shows average monthly benefit payments, average final salary, and average years of credited service for retirees and survivors.

YEARS OF CREDITED SERVICE	0-5	6-10	11-15	16-20	21-25	26-30	>30	TOTAL
Number of Retirees and Survivors	59	172	164	189	279	325	273	1,461
Average Monthly Benefit	\$466	\$692	\$1,137	\$1,650	\$2,764	\$3,563	\$4,683	\$2,642
Average Final Average Salary	\$42,267	\$49,019	\$53,555	\$58,444	\$68,913	\$70,056	\$76,920	\$63,877
Average Years of Service	4.0	8.1	13.0	18.1	23.1	28.7	33.7	22.0

¹Inactive vested members have terminated employment with the Commission and are entitled but not yet receiving benefits.

INVESTMENT POLICY AND ASSET ALLOCATION

The Statement of Investment Policy outlines the ERS' long-term objectives and investment diversification. A portfolio should be diversified at two levels: between asset classes and within asset classes. This diversification is called asset allocation.

Asset allocation involves dividing the portfolio among different asset classes such as equities, fixed income, and real assets. The goal is to balance the risk and return of the portfolio by including asset classes that move up and down under different market conditions.

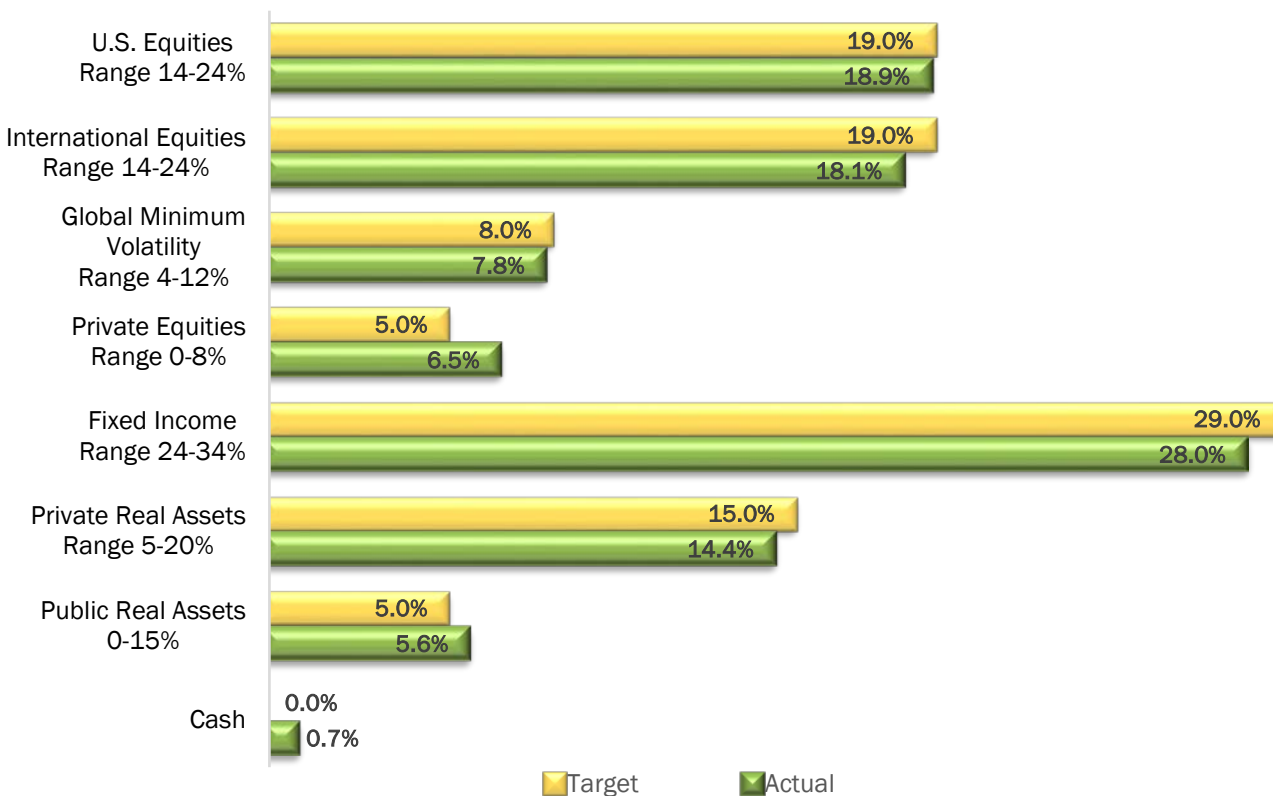
Diversification within each asset class is accomplished using multiple investment managers. Each manager has a set of guidelines which outline the manager's mission, objectives, benchmarks, authorized investments and restrictions. Annually, the Board reviews each manager's performance against these guidelines. Please refer to the Investment Manager Matrix on page 7 for investments as of June 30, 2018.

During the first quarter of 2018, the asset allocation policy was amended to update the long-term assumptions.

The Board establishes target allocations for each asset class, as well as, ranges of expected exposure. The target allocations as of June 30, 2018 fall within the established ranges.

Asset Allocation

As of June 30, 2018



INVESTMENT MANAGER MATRIX

As of June 30, 2018

MANAGER NAME AND/OR FUND NAME	STYLE	MARKET VALUE \$(000)	% OF FUND
U.S. EQUITY			
J.P. Morgan Commingled Pension Trust Fund	130/30 Short Extension	16,336	1.8%
Chicago Equity Partners	Small Cap Value	17,531	1.9%
Northern Trust Collective Russell 2000 Growth Index Fund	Small Cap Growth	19,016	2.1%
RhumbLine S&P 500 Pooled Index Trust	Large Core	120,776	13.1%
		\$ 173,659	18.9%
INTERNATIONAL EQUITY			
Capital Group Institutional All Countries Equity Trust		83,418	9.0%
Earnest Partners, L.L.C.		83,910	9.1%
		\$ 167,328	18.1%
GLOBAL MINIMUM VOLATILITY			
Blackrock MSCI ACWI Minimum Volatility Index		\$ 72,245	7.8%
PRIVATE EQUITY			
Wilshire MNCPPC ERS Global, L.P. (I)		50,123	5.4%
Wilshire MNCPPC ERS Global, L.P. (II)		9,833	1.1%
		\$ 59,956	6.5%
FIXED INCOME			
C.S. McKee, L.P.	Core	\$ 49,735	5.4%
Eaton Vance Management	Core	38,152	4.1%
Golub Capital Partners 9, LP	Middle Market Direct Lending	17,500	1.9%
Loomis Sayles High Yield Full Discretion Trust	High Yield	33,984	3.7%
Neuberger Berman High Yield Bond Fund, LLC	High Yield	34,071	3.7%
Voya Senior Loan Fund	Bank Loans	37,158	4.0%
Western Asset Global Multi-Sector, LLC	Global Multi-Sector	39,760	4.3%
Oaktree Real Estate Debt Fund, L.P.	Real Estate Debt	7,699	0.8%
Oaktree Opportunities Fund VIII, L.P.	Distressed Opportunities	533	0.1%
		\$ 258,592	28%
PRIVATE REAL ASSETS			
Principal U.S. Property Account	Real Estate	\$ 69,159	7.5%
GCM Grosvenor Real Asset Investments, L.P.	Real Assets	21,161	2.3%
Aberdeen Energy & Resources Partners II, L.P.	Real Assets	10,971	1.2%
Aberdeen Real Estate Partners II, L.P.	Real Estate	4,176	0.5%
Aberdeen Energy & Resources Partners III, L.P.	Real Assets	15,974	1.7%
Aberdeen Real Estate Partners III, L.P.	Real Estate	10,770	1.2%
		\$ 132,211	14.4%
PUBLIC REAL ASSETS			
SSgA Custom Real Asset Non-Lending Strategy	Diversified	\$ 51,625	5.6%
Cash		\$ 6,384	0.7%
TOTAL		\$ 922,000¹	100%

¹ Net of Accrued Income on Investments and Investments Payable

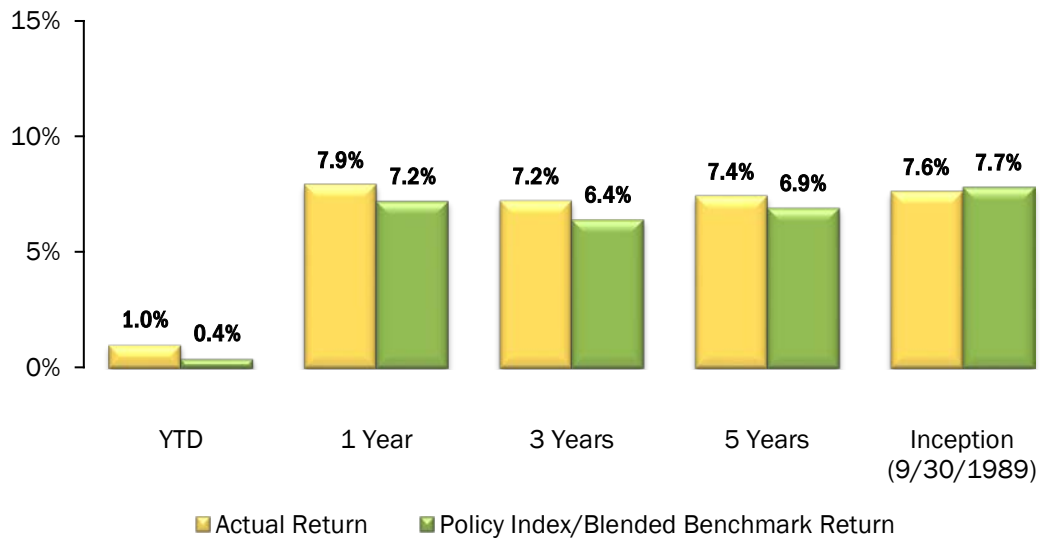
² Market values provided by Wilshire Associates and not prepared by, reviewed or approved by any of the ERS' partnerships, general partners and/or any of their respective affiliates.

PORTFOLIO PERFORMANCE

Portfolio performance for the one-year ended June 30, 2018 was 7.9%, exceeding the policy benchmark of 7.2%. All asset classes posted positive returns which attributed to this strong performance. For the three-year, five-year and since inception periods, total portfolio returns were 7.2%, 7.4% and 7.6%, respectively. Strong domestic equity markets combined with a maturing private equity portfolio contributed to longer-term performance.

Actual Returns vs. Policy Index

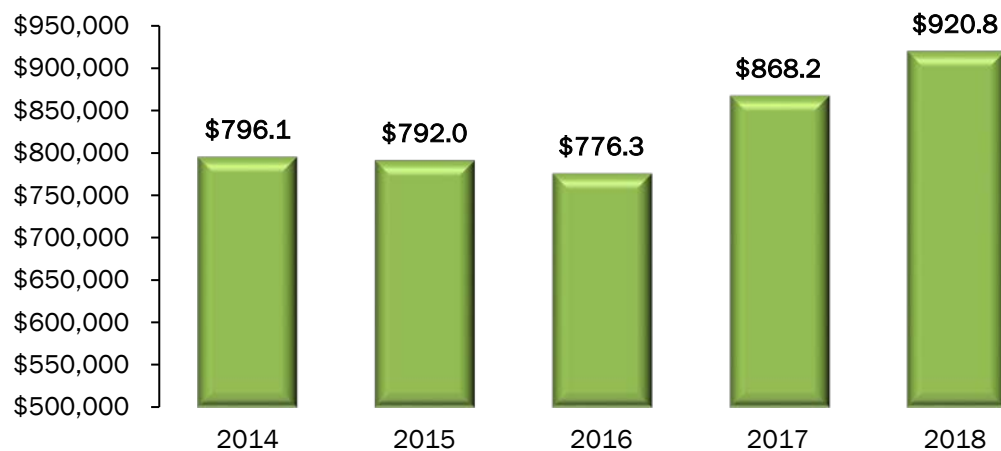
As of June 30, 2018



During 2018, the amount accumulated to pay retirement benefits increased by \$52.6 million from \$868.2 million in 2017 to \$920.8 million in 2018 due to investment gains. Please refer to the Summary Statements of Net Position on page 11.

Growth of Investments Net Position

As of July 1, 2018
(\$millions)

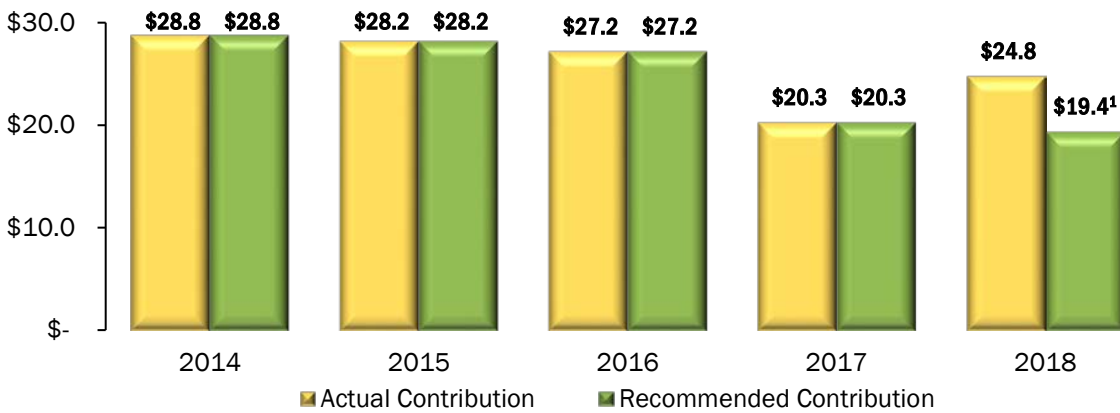


EMPLOYER CONTRIBUTIONS AND FUNDED RATIO

The ERS retains an independent actuary to perform an annual actuarial valuation to monitor the funded status of the ERS. The purpose of the actuarial valuation is to determine what future employer contributions are required to pay the expected future benefits. Employer contributions can vary based on a number of factors including fluctuations in the market, plan amendments, and changes in actuarial assumptions and employee demographics. Each year the Board makes a recommendation to the plan sponsor, the Commission, for an employer contribution.

Annual Employer Contributions

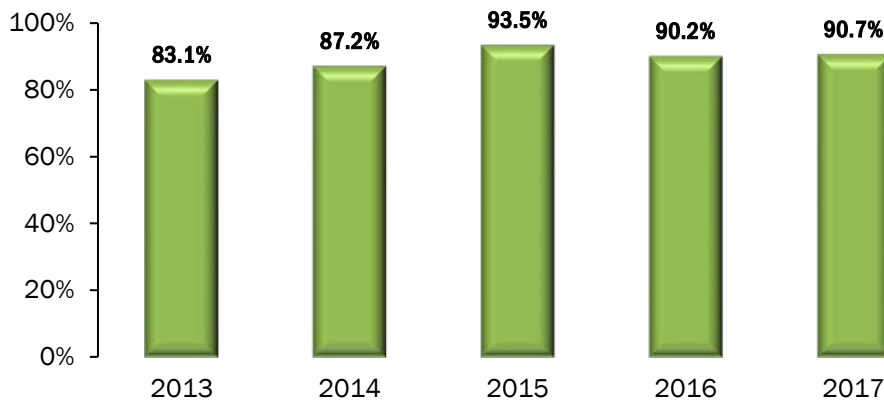
As of June 30, 2018
(\$millions)



The funded ratio is one measure of a plan’s health at a point-in-time and compares assets to liabilities. The funded ratio can change annually based on changes in liabilities, investment returns, actuarial assumptions and employee demographics. Analysis of the trend over time allows the reader to assess the funding status of the ERS and the progress made in accumulating sufficient assets to pay benefits when due.

Funded Ratio

As of July 1, 2018



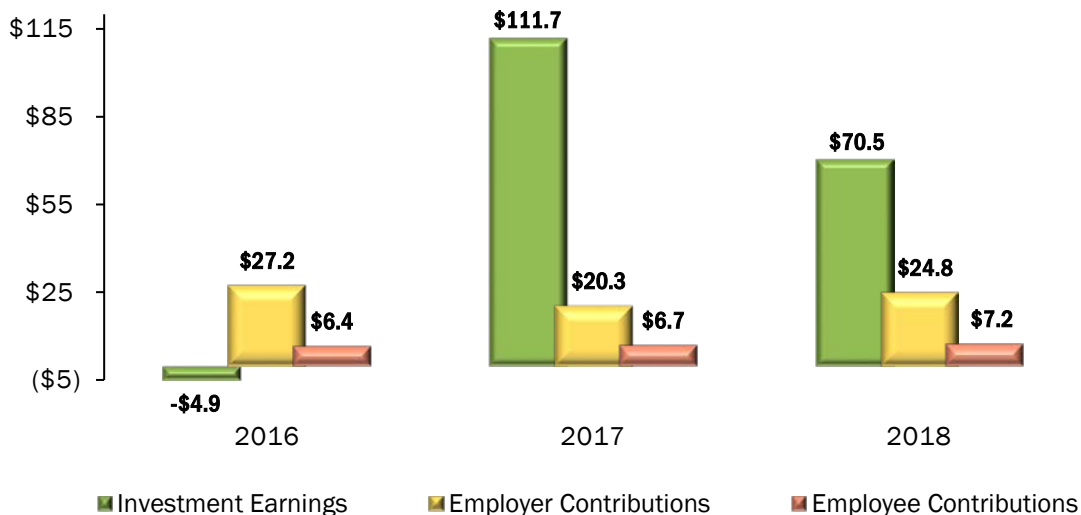
¹ The 2016 Actuarial Valuation has been revised, resulting in a reduction of the previously calculated recommended contribution.

FINANCIAL SUMMARY

Employee and employer contributions, as well as, earnings from investments provide the funds necessary to pay monthly retirement benefits, refund contributions to terminated employees and administer the ERS.

Additions

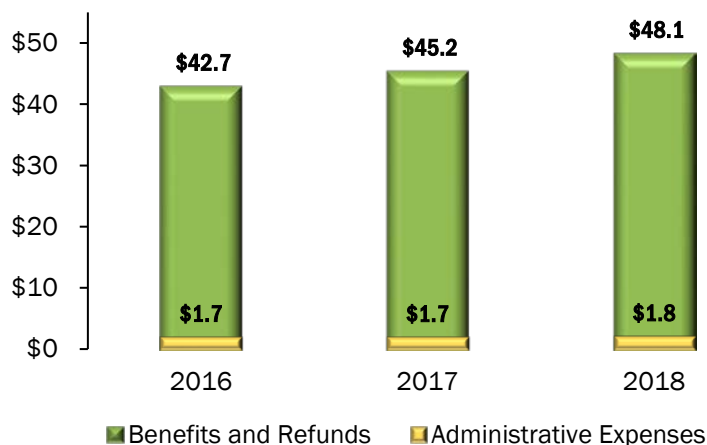
As of June 30, 2018
(\$millions)



Additions totaled \$102.5 million as of June 30, 2018 and included employee contributions (\$7.2 million), employer contributions (\$24.8 million) and a net investment gain (\$70.5 million).

Deductions

As of June 30, 2018
(\$millions)



Deductions totaled \$49.9 million as of June 30, 2018 and included benefit payments (\$47.6 million), participant refunds (\$460,450) and administrative expenses (\$1.8 million). Deductions increased 6.5% from 2017 to 2018 due to an increase in the number of retirees and a 1.3% cost-of-living adjustment for retirees and survivors.

SUMMARY STATEMENTS OF NET POSITION

For the Years Ended June 30, 2018, 2017, and 2016

The Summary Statements of Net Position are a snapshot of what the ERS owned (assets) and what the ERS owed (liabilities), and the difference (net position) that was accumulated to pay for retirement benefits as of June 30, 2018, 2017 and 2016.

	2018	2017	2016
ASSETS			
Investments, at fair value	\$ 922,667,503	\$ 870,309,239	\$ 778,359,636
Receivables	859,907	774,704	1,014,852
Securities lending collateral	29,803,345	37,514,301	38,265,355
Other assets	36,723	14,902	51,800
TOTAL ASSETS	953,367,478	908,613,146	817,691,643
LIABILITIES			
Payables and accrued liabilities	2,065,407	1,999,761	2,482,677
Payable for securities lending collateral	30,550,782	38,457,569	38,870,542
TOTAL LIABILITIES	32,616,189	40,457,330	41,353,219
NET POSITION	\$ 920,751,289	\$ 868,155,816	\$ 776,338,424

SUMMARY STATEMENTS OF CHANGES IN NET POSITION

For the Years Ended June 30, 2018, 2017 and 2016

The Summary Statements of Changes in Net Position are a summary of the flow of money in (additions) and out (deductions) of the ERS as of June 30, 2018, 2017 and 2016.

	2018	2017	2016
ADDITIONS			
Employee Contributions	\$ 7,201,130	\$ 6,751,196	\$ 6,418,154
Employer Contributions	24,822,301	20,268,189	27,191,305
Net investment gain/(loss)	70,470,948	111,662,056	(4,851,526)
TOTAL ADDITIONS	102,494,379	138,681,441	28,757,933
DEDUCTIONS			
Benefit payments	47,627,679	44,628,275	42,257,685
Refunds of contributions	460,450	561,120	461,116
Administrative expenses	1,810,777	1,674,654	1,696,334
TOTAL DEDUCTIONS	49,898,906	46,864,049	44,415,135
INCREASE/ DECREASE IN NET POSITION	52,595,473	91,817,392	(15,657,202)
NET POSITION			
BEGINNING OF YEAR	868,155,816	776,338,424	791,995,626
END OF YEAR	\$ 920,751,289	\$ 868,155,816	\$ 776,338,424



Employees' Retirement System

The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

Telephone: (301) 454-1415

Facsimile: (301) 454-1420

Email: contactERS@mncppc.org

Visit us on the web at <http://ers.mncppc.org>

Office Hours

Monday – Friday

8:00 a.m. to 5:00 p.m.

This Popular Annual Financial Report (“Annual Report”) is for informational purposes only and provides general information designed to educate employees and retirees about the Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS). The information found in this Annual Report should not serve as the sole or primary basis for making decisions regarding the financial, investment or funding status of the ERS. To the extent any term or figure in this Annual Report varies from the Plan Document or other governing documents, those pertinent documents will control and the information provided in this Annual Report will not. The Plan Document and other governing documents, policies and procedures may be modified or amended from time to time consistent with law and those amendments likewise will control. More generally, in all circumstances the governing documents and policies and procedures, as amended from time to time, will control over any information provided by the ERS, the Commission or any agent or employee of the ERS or the Commission.

