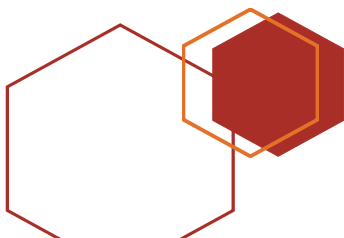
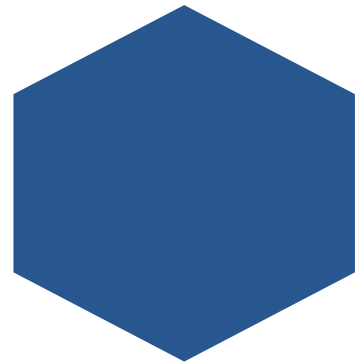


Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2019

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission





POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2019

This Popular Annual Financial Report summarizes the Maryland-National Capital Park and Planning Commission (“Commission”) Employees’ Retirement System’s (ERS) more detailed 2019 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 is available online at <http://ers.mncppc.org> under the Forms and Publications tab or at the ERS office.

About the Employees’ Retirement System

The Commission is a body corporate of the State of Maryland, established by the Maryland General Assembly in 1927.

To provide its employees with financial security at retirement, on July 1, 1972 the Commission established the ERS, a single employer defined pension plan, in accordance with a Trust Agreement between the Commission and the ERS Board of Trustees (the “Board”). The Trust Agreement sets forth the powers, duties, and liabilities of the Board as they administer the Trust Fund from which members of the ERS receive retirement benefits. The Commission retains the power to amend or terminate the ERS, but may not alter the powers of the Board without its consent.

The ERS consists of five defined benefit pension plans sponsored by the Commission for its employees. Three of the Plans, A, B, and D, are closed, and two Plans, C and E, are open for park police and general employees, respectively. The ERS provides normal and early retirement benefits, spouse and children survivor benefits, active member death benefits, and post-retirement death benefits for its members.

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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MISSION

To prudently manage, protect, diversify, and administer the Fund for the sole benefit of its members and beneficiaries and 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



A LETTER TO OUR MEMBERS



Elizabeth M. Hewlett
Chairman

Andrea L. Rose
Administrator



GROWTH & PROTECTION FOR THE FUTURE

It is our pleasure to issue the 2019 Popular Annual Financial Report (“Annual Report”) for the Maryland-National Capital Park and Planning Commission (“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 Annual Report provides key statistics to help you understand the financial health of the ERS.

Portfolio performance for the one-year ending June 30, 2019 was 7.0% versus 6.8% for the policy index, with assets hitting a record high of \$963.9 million. Returns for the three-years, five-years, and ten-years ending June 30, 2019 were 9.8%, 5.8%, and 9.4%, respectively, versus the policy index of 8.5%, 5.3%, and 8.6%, respectively. The portfolio exceeded its assumed rate of return of 6.90%, for one-year, three-years and ten-years. Strong equity markets combined with a maturing private equity portfolio contributed to returns during these longer time periods.

The Board of Trustees (“Board”) approved a reduction in the investment return assumption from 6.90% to 6.85% for fiscal year 2020. The Board determined decreasing the investment return assumption was not only prudent and consistent with continued trends across the U.S., but recognized ongoing changes in the financial markets. This action is in line with the Board’s mission to continue to improve the strength of the ERS and ensure assets are available to pay benefits to our members who have worked to serve the Commission.

The Board remains committed to its long-term investment strategy and continues to monitor each investment manager and the overall portfolio to ensure long-term growth of the ERS. To that end, with the experience and guidance from our investment consultant, the Board determined further diversification of the portfolio was required. The Board adopted a revised asset allocation which includes a dedicated allocation to emerging market debt and a reduction in the allocations to U.S. and non-U.S. equity. Efforts are now underway to implement the new asset allocation.

We wish to thank our dedicated Board members, staff, and consultants who administer the ERS, monitor the investments, and consider opportunities for growth and protection of the assets. Our team of professionals are working tirelessly on your behalf to protect the benefits promised to you.

Warm Regards,

Elizabeth M. Hewlett
Chairman, Board of Trustees

Andrea L. Rose
Administrator

...

BOARD OF TRUSTEES & ERS STAFF

The Board is charged with the fiduciary responsibility for administering the benefits for the sole benefit of the members and beneficiaries of the ERS. The Board prudently invests the assets and manages the ERS with the objective of ensuring that sufficient assets will be available to fund the benefits when due.

The Board consists of 11 appointed and elected members. Trustees serve for three-year terms. Generally, the Board meets on the first Tuesday of every month, except August. Board meetings are open to all members and the public.

The administrative operations of the ERS are the responsibility of the administrator and staff employed by the Board. Current events and announcements regarding the ERS are posted on the ERS' website and in the Commission's monthly newsletter, *Update*.

The Board of Trustees

(as of June 30, 2019)

Elizabeth M. Hewlett, Chairman

Prince George's County Commissioner
Term expires: 6/30/2022

Gerald R. Cichy, Vice Chairman

Montgomery County Commissioner
Term expires: 6/30/2020

Anju Aggarwal Bennett

Executive Director
Ex-Officio

Howard Brown

FOP Represented Trustee
Term expires: 6/30/2022

Melissa Ford

Prince George's County Open Trustee
Term expires: 6/30/2021

Pamela F. Gogol

Montgomery County Public Member
Term expires: 6/30/2020

Amy Millar

MCGEO Represented Trustee
Term expires: 6/30/2022

Sheila Morgan-Johnson

Prince George's County Public Member
Term expires: 6/30/2020

Vacant

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

Elaine A. Stookey

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

Joseph C. Zimmerman, CPA

Secretary-Treasurer
Ex-Officio

ERS Staff

Andrea L. Rose

Administrator

Heather Van Wagner

Senior Administrative Specialist

Member Relations Team

Antonia L. Lanier

Member Relations Manager

Lisa D. Butler

Senior Retirement Benefits Analyst

Vacant

Retirement Benefits Analyst

Christopher Baysmore

Member Relations Assistant

Technical Services

Sheila S. Joynes

Accounting Manager

Ann L. McCosby

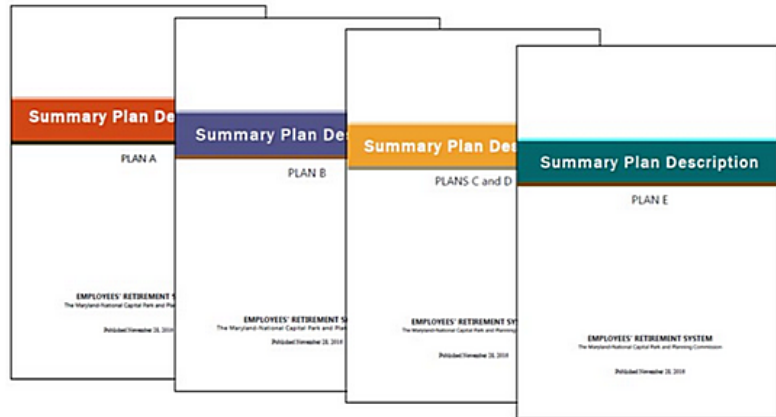
IT Systems Manager



MEMBER SERVICES & RESOURCES

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.

Detailed information regarding membership and retirement benefits can be found in the Summary Plan Description (SPD). SPDs are available for each plan and provide a detailed look at the benefit formula, eligibility requirements, contributions, credited service, and death benefits. SPDs can be found on the ERS' website <http://ers.mncppc.org>, along with other valuable information.



The ERS provides the resources below to help members plan for a secure retirement.

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

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

Employees' Retirement System

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

Telephone: 301-454-1415
Fax: 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.



MEMBERSHIP

Total Membership

as of July 1,

	2018	2017	% CHANGE
Total Membership	4,325	4,202	2.9
Active	2,144	2,102	2.0
Retirees and Beneficiaries	1,532	1,461	4.7
Inactive Non-Vested	397	379	4.6
Inactive Vested	252	260	(3.1)
Active Members	2,144	2,102	2.0
Average Age	47.47	47.76	(0.6)
Average Years of Service	12.13	12.48	(2.8)
Average Annual Salary	\$74,462	\$72,860	2.2
Active Members Eligible for Normal Retirement within the Next 5 Years	673	679	(0.9)
Retirees and Beneficiaries	1,532	1,461	4.7
Average Monthly Benefit	\$2,697	\$2,642	2.1
Average Final Average Salary	\$65,629	\$63,877	2.7
Average Years of Service	22.0	22.0	0

Membership by Plan

as of July 1, 2018

	Plan A	Plan B	Plan C	Plan D	Plan E
Total Membership	310	2,851	309	113	742
Active	1	1,277	204	3	659
Retirees and Beneficiaries	309	1,042	73	107	1
Inactive Non-Vested	0	292	21	2	82
Inactive Vested	0	240	11	1	0

Average Monthly Benefit Payments

as of July 1, 2018

YEARS OF CREDITED SERVICE	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees and Survivors	58	181	176	201	287	345	284	1,532
Average Monthly Benefit	\$487	\$719	\$1,151	\$1,693	\$2,822	\$3,690	\$4,746	\$2,697
Average Final Average Salary	\$46,368	\$50,103	\$55,012	\$59,813	\$70,473	\$72,596	\$78,227	\$65,629
Average Years of Service	3.9	8.1	13.0	18.1	23.1	28.7	33.7	22.0

FUNDING SUMMARY

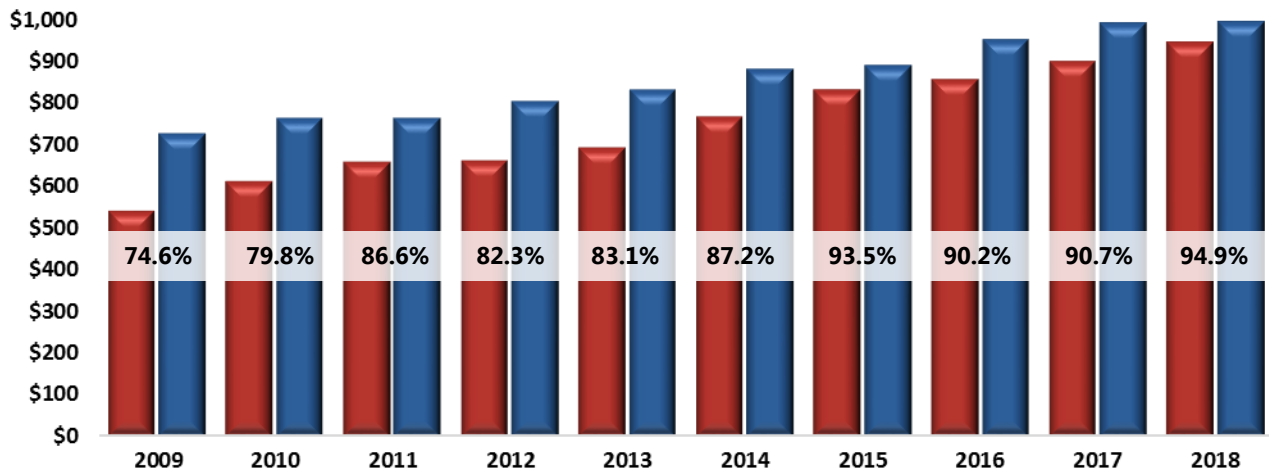
The funded ratio is a measure of a plan's health and is a gauge of progress in accumulating assets to pay the promised benefits. The funded ratio can change annually based on changes in liabilities, investment returns, actuarial assumptions, employee demographics, and more. Analysis of the trend overtime indicates whether the ERS is becoming stronger or weaker. The funded ratio dropped significantly following the 2008-2009 crisis; however, the upwards trend since 2009 is a positive sign. The ERS' ability to provide benefits is secure.

Valuation of Assets to Liabilities

as of July 1,

(\$millions)

- Actuarial Value of Assets¹
- Actuarial Accrued Liability
- % equals Funded Ratio



¹The actuarial value of assets is determined by a smoothing formula to eliminate short-term market fluctuations and will differ from the fair value of assets.

Schedule of Funding Progress

Actuarial Valuation Date July 1	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Actuarial Accrued Unfunded Liability (b) – (a)	Funded Ratio % (a) / (b)
2009	\$ 541,519,199	\$ 726,000,351	\$ 184,481,152	74.6
2010	609,902,953	763,860,139	153,957,186	79.8
2011	659,362,107	761,343,000	101,980,893	86.6
2012	660,231,611	802,077,365	141,845,754	82.3
2013	690,539,998	831,199,592	140,659,594	83.1
2014	766,531,514	879,190,389	112,658,875	87.2
2015	830,052,104	887,487,374	57,435,270	93.5
2016	856,279,531	949,298,226	93,018,695	90.2
2017	899,336,519	991,624,737	92,288,218	90.7
2018	943,070,635	993,322,340	50,251,705	94.9

SUMMARY STATEMENTS

Summary Statements of Fiduciary Net Position

June 30, 2019 and 2018

The Summary Statements of Fiduciary Net Position are a snapshot of what the ERS owned (assets) and what the ERS owed (liabilities), and the difference (net position) which represents the funds available to pay retirement benefits.

	2019	2018	Amount of Change	% of Change
ASSETS				
Investments, at fair value	\$ 963,554,611	\$ 922,667,503	\$ 40,887,108	4.4
Receivables	914,219	859,907	54,312	6.3
Securities lending collateral	36,447,344	29,803,345	6,643,999	22.3
Other assets	38,009	36,723	1,286	3.5
TOTAL ASSETS	1,000,954,183	953,367,478	47,586,705	5.0
LIABILITIES				
Payables and accrued liabilities	1,751,972	2,065,407	(313,435)	(15.2)
Payable for securities lending collateral	37,185,329	30,550,782	6,634,547	21.7
TOTAL LIABILITIES	38,937,301	32,616,189	6,321,112	19.4
NET POSITION	\$ 962,016,882	\$ 920,751,289	\$ 41,265,593	4.5

Summary Statements of Changes in Fiduciary Net Position

For the Years Ended June 30, 2019 and 2018

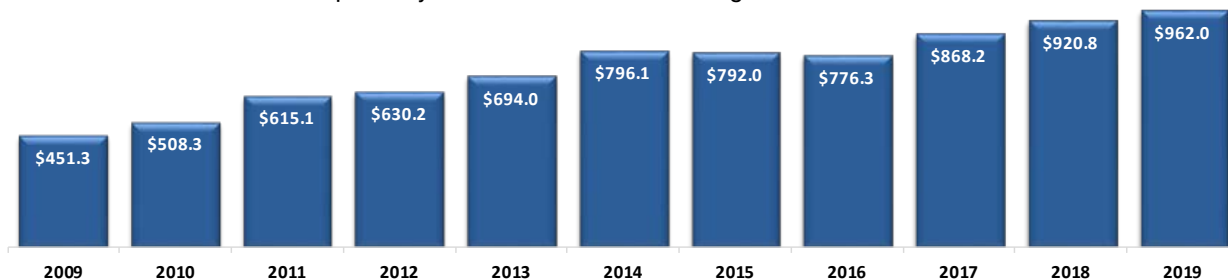
The Summary Statements of Changes in Fiduciary Net Position are a summary of the flow of money in (additions/revenue) and out (deductions/expenses) of the ERS.

	2019	2018	Amount of Change	% of Change
ADDITIONS				
Employee Contributions	\$ 7,541,076	\$ 7,201,130	\$ 339,946	4.7
Employer Contributions	24,792,093	24,822,301	(30,208)	(0.1)
Net investment gain	62,438,427	70,470,948	(8,032,521)	(11.4)
TOTAL ADDITIONS	94,771,596	102,494,379	(7,722,783)	(7.5)
DEDUCTIONS				
Benefit payments	51,057,281	47,627,679	3,429,602	7.2
Refunds of contributions	744,624	460,450	284,174	61.7
Administrative expenses	1,704,098	1,810,777	(106,679)	(5.9)
TOTAL DEDUCTIONS	53,506,003	49,898,906	3,607,097	7.2
INCREASE/ DECREASE IN NET POSITION	41,265,593	52,595,473	(11,329,880)	(21.5)
NET POSITION				
BEGINNING OF YEAR	920,751,289	868,155,816	52,595,473	6.1
END OF YEAR	\$ 962,016,882	\$ 920,751,289	\$ 41,265,593	4.5

Net Position Growth

As of June 30,
(\$millions)

The amount accumulated to pay retirement benefits increased by \$41.3 million, or 4.5%, from \$920.8 million in 2018 to \$962.0 million in 2019 primarily due to investment earnings.



FINANCIAL SUMMARY

Employer and employee contributions as well as income from investments provide the reserves needed to pay retirement benefits, refund contributions, and administer the ERS.

Revenue

For Fiscal Years Ended June 30
(\$thousands)



*Net of expenses

For fiscal year 2019, revenue totaled \$94.8 million, a decrease of \$7.7 million, or 7.5%, from the prior year. During 2019 and 2018, the employer contributions paid, \$24.8 million and \$24.8 million, were greater than the required contributions of \$17.5 million and \$19.4 million, respectively. Revisions in the 2016 and 2017 actuarial valuations resulted in reductions to the required employer contributions in 2018 and 2019. Employee contributions increased, by \$339,946, or 4.7%, due to a 2% increase in active members and purchases of service credit. Investment Income decreased, by \$8,032,521, or 1.4%, due to market fluctuations.

Revenue by Source

For Fiscal Year Ended June 30, 2019



- Employee Contributions *8.0% of revenue was from employee contributions*
- Employer Contributions *26.1% of revenue was from employer contributions*
- Investment Income *65.9% of revenue was from investment income*

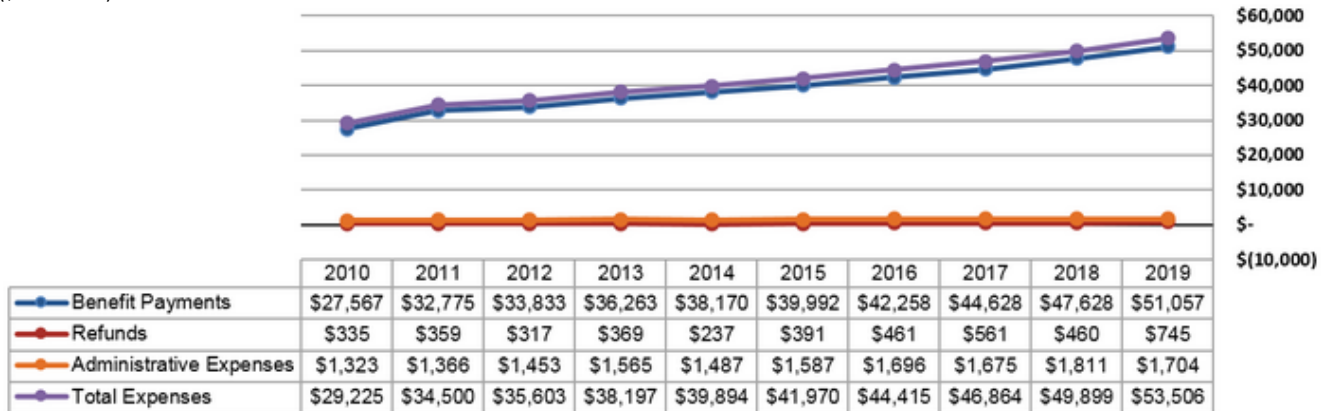
FINANCIAL SUMMARY

The ERS was created for the principle purpose of providing retirement annuities and survivor benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refunds of contributions to terminated employees, and the cost of administering the ERS.

Expenses

For Fiscal Years Ended June 30

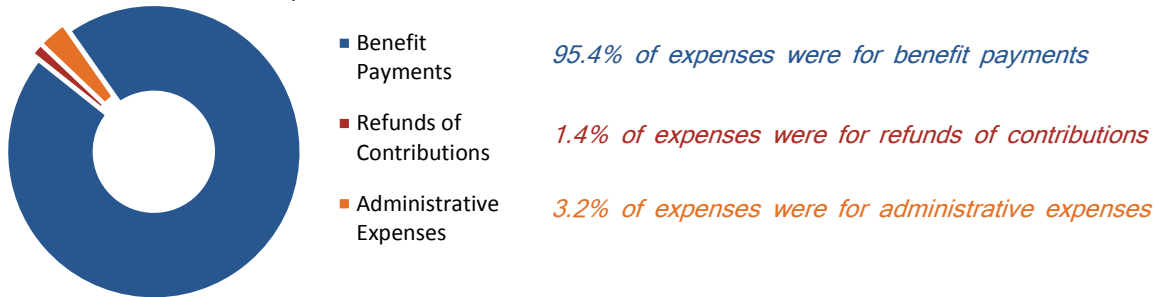
(\$thousands)



For fiscal year 2019, expenses totaled \$53.5 million, an increase of \$3.6 million, or 7.2% from the prior year. As expected, the benefit payments to retirees and beneficiaries were the primary expense in 2019, totaling \$51.1 million. The increase in benefits from 2018 reflects the 4.7% increase in retired members and beneficiaries and a 2.1% cost-of-living adjustment effective July 1, 2018. Payments to members withdrawing contributions totaled \$744,624 with the remaining \$1.7 million accounting for administrative expenses.

Expenses by Source

For Fiscal Year Ended June 30, 2019



Benefit Payments by Type

For Fiscal Year Ended June 30, 2019



*Disability retirement benefits were prospectively discontinued on August 1, 1982.



ASSET ALLOCATION

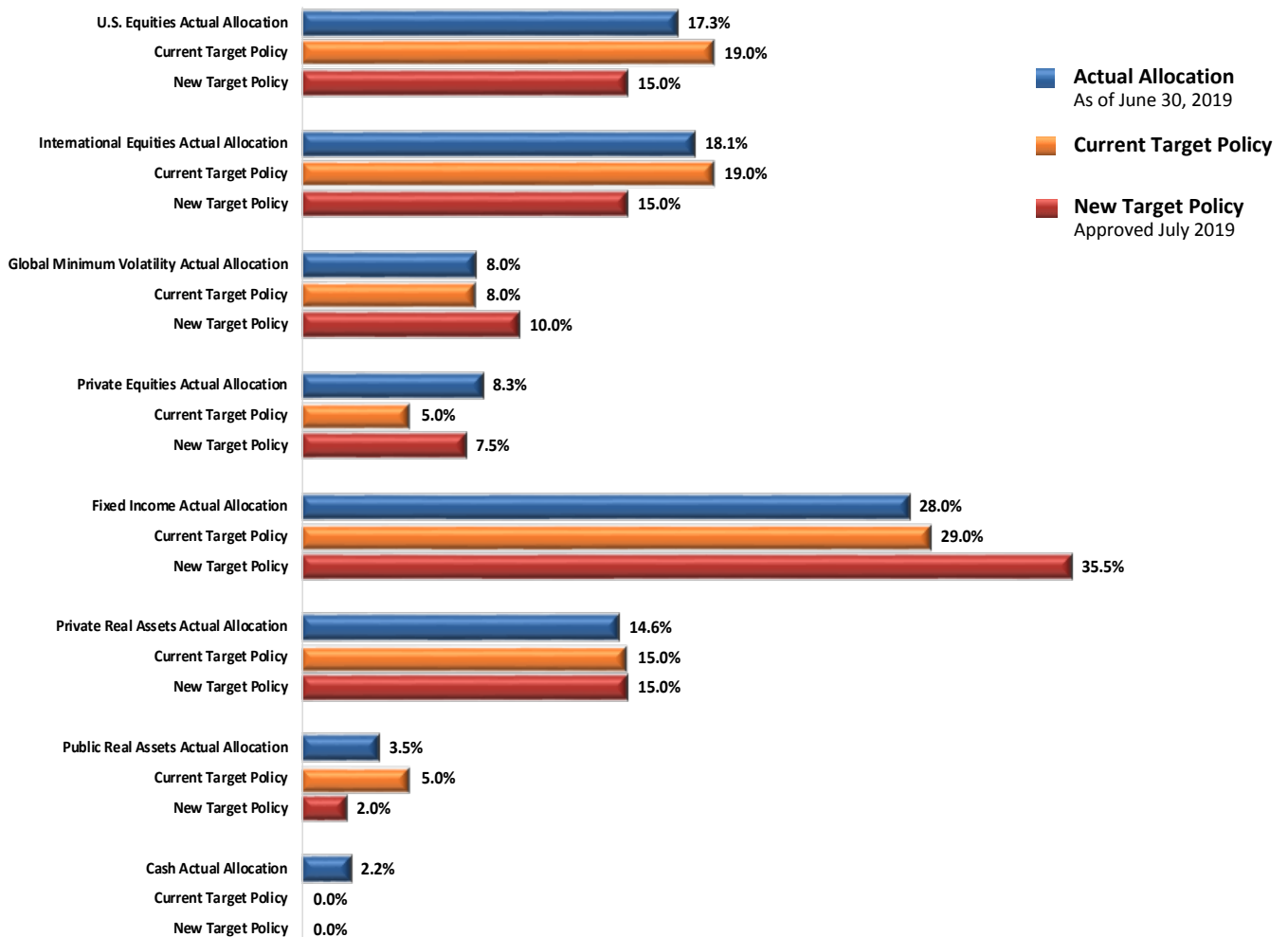
The Board oversees the ERS through a carefully planned and diversified investment portfolio. The Statement of Investment Policy outlines the ERS' long-term objectives and investment diversification. A portfolio should be diversified at two levels: between asset classes and within asset classes. This 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 11 for investments as of June 30, 2019.

A new asset allocation policy was approved in July 2019 to add a dedicated allocation to emerging market debt and to reduce U.S. and International Equities. This new policy will be implemented throughout fiscal year 2020.

Actual Asset Allocation vs. Current Target Policy and New Target Policy



INVESTMENT MANAGER MATRIX

As of June 30, 2019

Manager Name and/or Fund Name	Style/Strategy	Benchmark + Objective	Market Value ¹ \$(000)	% of Fund
U.S. Equity				
J.P. Morgan Commingled Pension Trust Fund	Large Cap (130/30)	S&P 500 + 3%	\$ 17,609	1.8%
Chicago Equity Partners	Small Cap Value	Russell 2000 Value + 2%	15,661	1.6%
Northern Trust Collective Russell 2000 Growth Index Fund	Small Cap Growth	Russell 2000 Growth	14,803	1.6%
RhumbLine S&P 500 Pooled Index Trust	Large Core	S&P 500	118,313	12.3%
			<u>\$ 166,386</u>	<u>17.3%</u>
International Equity				
Capital Group Institutional All Countries Equity Trust	Non-U.S. Equity	MSCI ACWI ex US + 1%	\$ 89,136	9.3%
Earnest Partners, L.L.C.	Non-U.S. Equity	MSCI ACWI ex US + 2-3%	85,349	8.8%
			<u>\$ 174,485</u>	<u>18.1%</u>
Global Equity				
Blackrock MSCI ACWI Minimum Volatility Index	Low Volatility Global Equity	MSCI ACWI Min Vol	\$ 76,659	8.0%
Private Equity				
Wilshire MNCPPC Employee Retirement System Global, L.P. (I)	Buyout / Venture Capital / Growth Equity / Distressed Debt / Special Situations	MSCI ACWI (N) + 3%	\$ 52,350	5.4%
Wilshire MNCPPC Employee Retirement System Global, L.P. (II)			27,576	2.9%
			<u>\$ 79,926</u>	<u>8.3%</u>
Fixed Income				
C.S. McKee, L.P.	Core	Bloomberg Barclays Agg. + .5%	\$ 53,653	5.6%
Eaton Vance Management	Core	Bloomberg Barclays Agg. + .5%	41,059	4.3%
Golub Capital Partners 9, L.P.	Middle Market Direct Lending	Bloomberg Barclays Agg.	17,500	1.8%
Golub Capital Partners 11, L.P.	Middle Market Direct Lending	Bloomberg Barclays Agg.	12,000	1.2%
Loomis Sayles High Yield Full Discretion Trust	High Yield	Bloomberg Barclays HY + 1%	34,206	3.5%
Neuberger Berman High Yield Bond Fund, LLC	High Yield	ML HY Master II Constrained + 1%	34,593	3.6%
Voya Senior Loan Fund	Bank Loans	S&P/LSTA Leveraged Loan + 1%	33,322	3.5%
Western Asset Global Multi-Sector, LLC	Global Multi-Sector	3-month Libor + 3% ²	20,515	2.1%
Oaktree Real Estate Debt Fund, L.P.	Real Estate Debt	Bloomberg Barclays Agg.	3,526	0.4%
Oaktree Opportunities Fund VIII, L.P.	Distressed Opportunities	Bloomberg Barclays Agg.	239	0.0%
White Oak Yield Spectrum Fund, L.P.	Middle Market Direct Lending	Bloomberg Barclays Agg.	19,204	2.0%
			<u>\$ 269,817</u>	<u>28.0%</u>
Private Real Assets				
Principal U.S. Property Account	Core Private Real Estate	NCREIF ODC (EW) + 1%	\$ 59,782	6.2%
Aberdeen Energy & Resources Partners II, L.P.	Real Assets	CPI +5%	9,372	1.0%
Aberdeen Real Estate Partners II, L.P.	Real Estate	NCREIF ODC NOF +2%	3,646	0.4%
Aberdeen Energy & Resources Partners III, L.P.	Real Assets	CPI +5%	16,729	1.7%
Aberdeen Real Estate Partners III, L.P.	Real Estate	NCREIF ODC NOF +2%	12,688	1.3%
GCM Grosvenor Real Asset Investments, L.P.	Real Estate & Real Assets	CPI +5%	38,793	4.0%
			<u>\$ 141,010</u>	<u>14.6%</u>
Public Real Assets				
SSgA Custom Real Asset Non-Lending Strategy	Real Assets	Blended Index ³	\$ 33,721	3.5%
Cash			<u>\$ 21,890</u>	<u>2.2%</u>
TOTAL			<u>\$ 963,894</u>	<u>100.0%</u>

¹Market values provided by Wilshire Associates are not prepared by, reviewed or approved by any of the ERS' partnerships, general partners or any of their respective affiliates.

²Absolute objective return = 3-month Libor + 3%; Volatility = 5-7%.

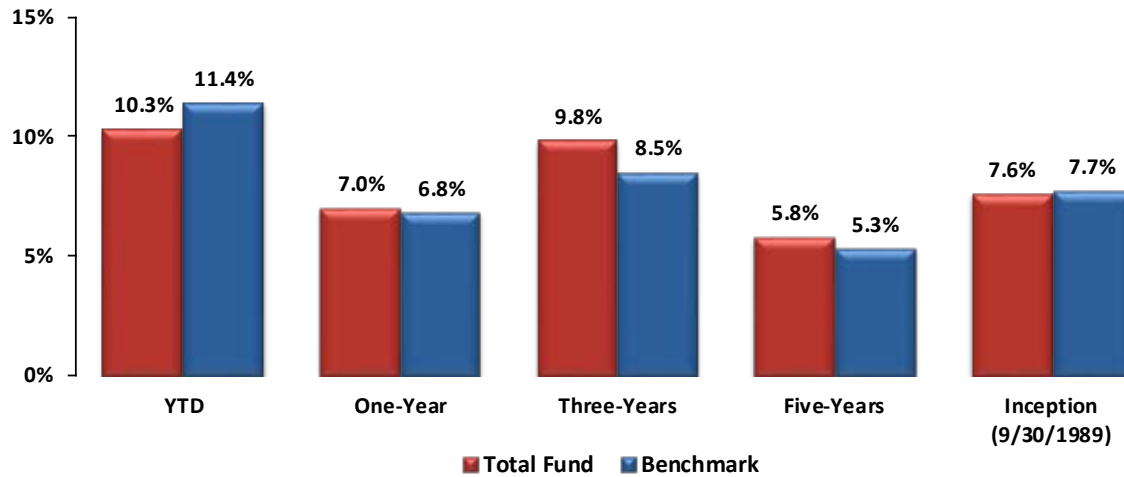
³Comprised of the following: 30% Bloomberg Roll Select Commodity Index, 30% Dow Jones U.S. Select REIT Index, 20% Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index, 10% S&P Global LargeMidCap Commodity and Resources Index, and 10% S&P Global Infrastructure Index + 4%.

INVESTMENT PERFORMANCE

Investment returns are reported net of investment expenses, on an average annualized basis. The total fund is measured against a policy benchmark and asset classes are measured against a relevant broad market benchmark. Benchmarks are standards used to measure investment performance. The investment portfolio was valued at \$963,894 million as of June 30, 2019.

Total Fund vs. Benchmark

As of June 30, 2019



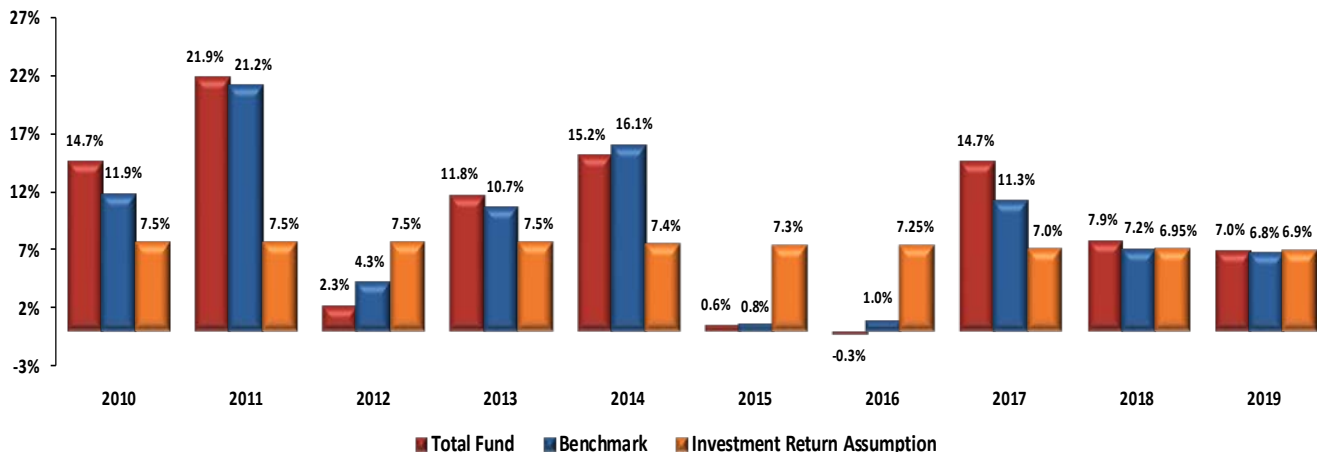
For the one-year ending June 30, 2019, the total fund return of 7.0% outperformed the policy benchmark return of 6.8% and the assumed rate of return of 6.9%. All asset classes posted positive returns which attributed to this strong performance.

For the three-years, five-years, and since inception periods ending June 30, 2019, total portfolio returns were 9.8%, 5.8%, and 7.6%, respectively. Strong U.S. and Non-U.S. equity markets combined with a maturing private equity portfolio contributed to longer-term performance.

Total Fund vs. Benchmark and Investment Return Assumption

For Fiscal Years Ended June 30

This chart shows returns compared to the policy benchmark and investment return assumption for the last 10 years.



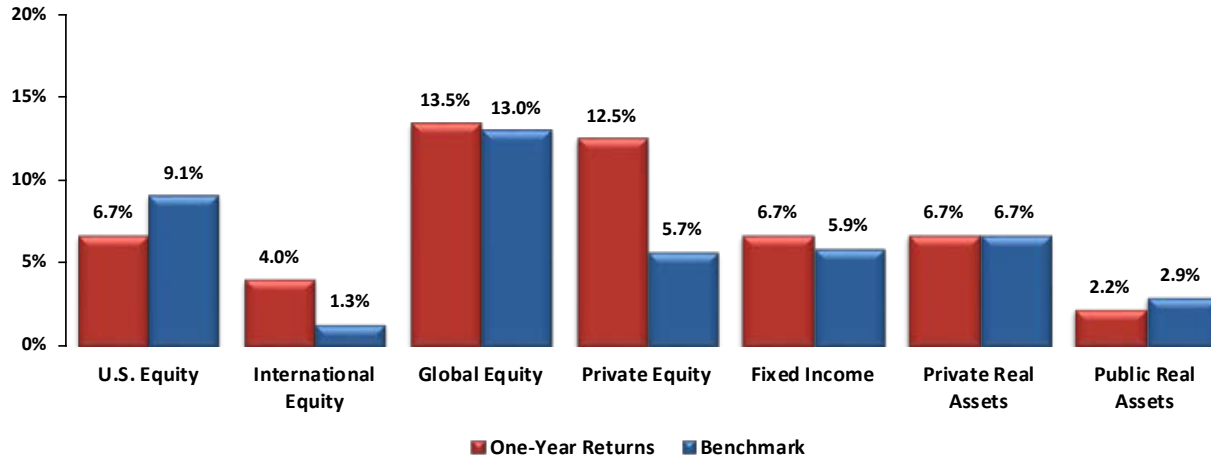


INVESTMENT PERFORMANCE

One-Year Returns vs. Benchmark by Asset Class

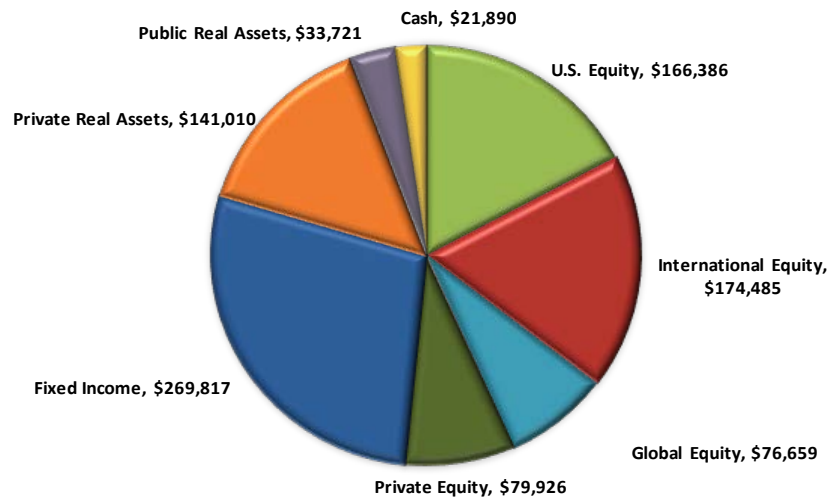
As of June 30, 2019

Individual asset classes generated the following performance for the one-year ending June 30, 2019:



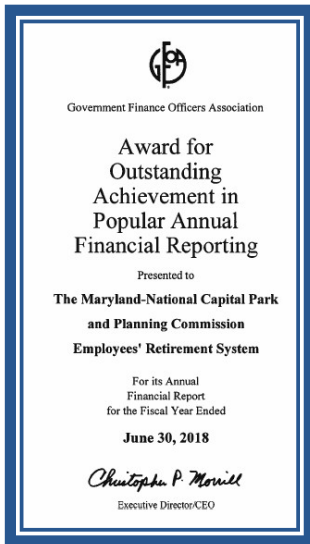
Market Value by Asset Class

As of June 30, 2019



Awards for Excellence

The ERS received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association for its 2018 Popular Annual Financial Report. This marks the 9th consecutive year the ERS has received this award.



For the last 14 years, the ERS earned the Public Pension Coordinating Council's award for Funding and Administration. 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.

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, 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.

