



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

**BOARD OF TRUSTEES MEETING MINUTES**

**Tuesday, June 6, 2023; 10:00 a.m.**

**Kenilworth Office Building, Riverdale, MD**

**(Virtual Meeting via Microsoft Teams)**

The Maryland-National Capital Park and Planning Commission ("Commission") Employees' Retirement System ("ERS") Board of Trustees ("Board") met virtually through Microsoft Teams with CHAIR SHAPIRO leading the call on Tuesday, June 6, 2023. The meeting was called to order at 10:00 a.m. by CHAIR SHAPIRO.

**Board Members Present**

Peter A. Shapiro, Board of Trustees Chair, Prince George's County Commissioner

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

Howard Brown, F.O.P Represented Trustee

Lisa Blackwell-Brown, MCGEO Represented Trustee

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

*Arrived at 10:01 a.m.*

*Arrived at 10:04 a.m.*

**Board Members Absent**

Vacant, Montgomery County Commissioner

**ERS Staff Present**

Andrea L. Rose, Executive Director

Jaclyn F. Harris, Deputy Executive Director

Sheila Joynes, Accounting Manager

Alicia C. Stanford, Administrative Specialist

**Presentations**

Cheiron - Patrick Nelson, FSA, CERA, EA, MAAA, Consulting Actuary

Cheiron - Janet Cranna, FSA, FCA, EA, MAAA, Principal Consulting Actuary

Wilshire Advisors, LLC – Bradley A. Baker, Managing Director and LouAnn Eisenhut, Assistant Vice President

**Other Attendees**

Ben Rupert – M-NCPPC Office of General Counsel, Principal Counsel

**ITEM 1. APPROVAL OF THE JUNE 6, 2023, CONSENT AGENDA**

**ACTION:** MR. RUSSELL made a motion, seconded by MS. GOGOL to approve the Consent Agenda of June 6, 2023. The motion PASSED (8-0). Lisa Blackwell-Brown and Asuntha Chiang-Smith were absent for this vote. (Motion # 23-20).

**ITEM 2. CHAIR'S ITEMS** – No discussion or questions from the Trustees.

Lisa Blackwell-Brown arrived at 10:01 a.m.

**ITEM 3. MISCELLANEOUS** - No items to report.

Asuntha Chiang-Smith arrived at 10:04 a.m.

**ITEM 4. CONSULTANT PRESENTATIONS**

**ITEM 4.A. CHEIRON**

Patrick Nelson and Janet Cranna presented the Annual Economic Assumption Review dated June 6, 2023 which included the June 30, 2022 actuarial valuation results and current economic assumptions. The report analyzed the impact of an investment return assumption decrease from 6.70% to 6.65% with projected results as of June 30, 2023.

Beginning in 2013, the Board annually considers the appropriateness of the investment return assumption prior to each actuarial valuation. The Board has gradually reduced the investment return assumption from 7.5% in 2013 to 6.70% effective June 30, 2022.

The investment return assumption is the single most powerful assumption. Factors to consider in selecting the investment return assumption include industry trends, historical experience, expectations for the future, and the investment portfolio's risk and target allocation profile. The Board reviewed these factors as part of Cheiron's presentation.

Data from Wilshire on projected asset returns was also included in Cheiron's analysis. The expected return for a 30-year time horizon based on the portfolio's target allocation is 8.15%. The probability of achieving a 6.70% investment return is 55.29% with an expected risk of 10.90%. According to the most recent data from NASRA, the average return assumption is 6.93% for public pension plans. Decreasing the investment return assumption to 6.65% as of June 30, 2023, increases unfunded actuarial liabilities by \$7 million; the employer contribution by an estimated \$1 million; and decreases the funded ratio from 91.3% to 90.7%, assuming the experience is identical to the assumptions. The trustees discussed the current return assumption and whether the data presented supported a decrease in the assumption rate. Cheiron expressed a high level of comfort with the ERS either holding the current rate or reducing it by 5 basis points.

Mr. Baker presented Wilshire Advisor's analysis of the Actuarial Return Assumption & Liability Discount Rate which supported maintaining the investment return assumption at 6.70% based upon Wilshire's forward-looking asset class return assumptions.

Staff's recommendation was to maintain the 6.7% investment return assumption given the data provided by Wilshire Advisors and Cheiron.

**ACTION:** MR. COHEN made a motion, seconded by MS. CHIANG-SMITH to keep the investment return assumption at 6.70% for the June 30, 2023 actuarial valuation. The motion PASSED (10-0) (Motion # 23-21).

#### **ITEM 4.B. Wilshire Advisors, LLC**

Mr. Baker provided a Quarterly Executive Summary for the quarter ending March 31, 2023. The Total Fund return was 2.6% (net of fees) for the quarter, underperforming the target policy index return of 4.3%. For the one, three, five, and ten-years ended March 31, 2023, the ERS return was -0.9%, 10.6%, 6.7%, and 6.9%, respectively; compared to the target policy return of -3.4%, 8.7%, 5.0% and 5.8%, respectively. The Total Fund value as of March 31, 2023 was \$1.1 billion. The U.S. equity market was up 7.3% for the first quarter but down -8.6% for the past 12 months. The best performing sectors were IT (+21.2%) and Communication (+19.8%). The worst performing market sectors were Financial (-5.2%) and Energy (-4.6%).

#### **ITEM 5. EXECUTIVE DIRECTOR'S REPORT**

Ms. Rose presented the Executive Director's Report dated May 26, 2023. Ms. Rose reminded the Board the next Board meeting on July 11, 2023 will include an education presentation on Opportunistic Fixed Income by Wilshire Advisors and investment manager presentations will be held for the Opportunistic Fixed Income manager search. Ms. Rose also informed the Board about preparations for the annual audit. A final meeting with the Audit Committee will be scheduled for the end of September to review the audit results and auditor's opinion. During July and August, staff will prepare the Financial Statements, Annual Comprehensive Financial Report, and the Popular Annual Financial Report.

The ERS will receive an employer contribution from the Commission on July 3, 2023, of \$28.4 million. This is in line with the actuarial contribution recommendation from Cheiron. Staff will consult with Wilshire Advisors regarding the placement of the funds.

The renewal of the ERS Fiduciary Liability Insurance policy is underway for FY2024. The current policy has a limit of liability of \$7.5M with a \$50k deductible and \$44,260 premium.

Ms. Rose informed the Board that on May 17, 2023, the Commission approved Resolution No. 23-08 adopting FY2024 wage adjustments for non-represented merit employees. The ERS typically follows the Commission for wage adjustments for ERS employees. Therefore, Ms. Rose recommended a 3.5% anniversary increase for FY2024 for eligible ERS employees; a 0.5% lump sum payment for eligible ERS employees at top of grade; a 2.5% cost-of-living adjustment effective the first full pay period on or after September 1, 2023; and a 2.5% cost-of-living adjustment effective the first full pay period on or after January 1, 2024.

**ACTION:** MR. RUSSELL made a motion, seconded by MS. CHIANG-SMITH to approve a 3.5% anniversary increase for FY2024 for eligible ERS employees; a 0.5% lump sum payment for eligible ERS employees at top of grade; a 2.5% cost-of-living adjustment effective the first full pay period on or after September 1, 2023; and a 2.5% cost-of-living adjustment effective the first full pay period on or after January 1, 2024. The motion PASSED (10-0) (Motion # 23-22).

#### **ITEM 6. COMMITTEE REPORTS/RECOMMENDATIONS**

##### **ITEM 6.A. Audit Committee**

Gavin Cohen provided a brief update on the Audit Committee meeting held on May 16, 2023. No further discussion was held by the Board.

## ITEM 6.B. Investment Monitoring Group

Sheila Morgan-Johnson gave an update on the Investment Monitoring Group meeting held on May 16, 2023. Ms. Morgan-Johnson informed the Board that Wilshire Advisors presented a preliminary short list of candidates for the Opportunistic Fixed Income manager search, and the IMG used the meeting as a working session to select two (2) finalists. After performing due diligence, the IMG recommended Golub Capital Partners and Audax Group as finalists for the Opportunistic Fixed Income manager search.

ACTION: MR. COHEN made a motion, seconded by MS. MORGAN-JOHNSON to approve the recommendation for Golub Capital Partners and Audax Group as finalists for the Opportunistic Fixed Income Search. The motion PASSED (10-0) (Motion # 23-23).

## ITEM 7. CLOSED SESSION

ACTION: At 11:15 a.m., MS. GOGOL made a motion, seconded by MS. CHIANG-SMITH to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b) (5) to consider matters directly concerning the actual investment of public funds under the authority of the Board. The motion PASSED (10-0) (Motion #23-24).

During Closed Session, the following action was taken by the Board of Trustees:

The Board considered matters related to the investment of public funds under authority of the Board and approved action recommended by Wilshire Advisors. *Board of Trustees in Closed Session:* Chair Shapiro, Gavin Cohen, Lisa Blackwell-Brown, Sheila Morgan-Johnson, Theodore Russell III, Elaine Stookey, Caroline McCarthy, Howard Brown, Asuntha Chiang-Smith, and Pamela Gogol.

ACTION: MS. CHIANG-SMITH made a motion, seconded by MS. GOGOL to ratify the actions taken in Closed Session. The motion PASSED (10-0) (Motion # 23-26).

The Board meeting of June 6, 2023, adjourned at 11:30 a.m.

Respectfully,

*Alicia C. Stanford*

Alicia C. Stanford  
Administrative Specialist

*Andrea L. Rose*

Andrea L. Rose  
Executive Director