



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

BOARD OF TRUSTEES MEETING MINUTES

Tuesday, September 5, 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 via Microsoft Teams with CHAIR SHAPIRO leading the call on Tuesday, September 5, 2023. The meeting was called to order at 10:04 a.m. by CHAIR SHAPIRO.

Board Members Present

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

James Hedrick, Board of Trustees Vice Chair, Montgomery County Commissioner

Arrived at 11:05 a.m.

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

Pamela F. Gogol, Montgomery County Public Member

Sheila Morgan-Johnson, Prince George's County Public Member

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

Board Members Absent

Theodore J. Russell III, Prince George's County Open Trustee

Caroline McCarthy, Montgomery County Open Trustee

ERS Staff Present

Andrea L. Rose, Executive Director

Jaclyn F. Harris, Deputy Executive Director

Sheila Joynes, Accounting Manager

Alicia C. Stanford, Administrative Specialist

Presentations

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 SEPTEMBER 5, 2023, CONSENT AGENDA

ACTION: MR. COHEN made a motion, seconded by MS. CHIANG-SMITH to approve the Consent Agenda of September 5, 2023. The motion PASSED (8-0). VICE CHAIR Hedrick was absent for this vote. (Motion # 23-30).

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

ITEM 3. RESOLUTION TO APPOINT CHAIR AND VICE CHAIR

ACTION: MS. CHIANG-SMITH made a motion, seconded by MR. COHEN to appoint Peter A. Shapiro as Chair and James Hedrick as Vice Chair of the ERS Board of Trustees for the term ending June 30, 2025. The motion PASSED (9-0). (Motion # 23-31).

ITEM 4. CONSULTANT PRESENTATIONS

ITEM 4.A. Wilshire Advisors, LLC

Mr. Baker and Ms. Eisenhut provided an overview of Wilshire's Diversity, Equity, and Inclusion (DEI) and Diverse-Owned Manager Initiative. Wilshire publishes an annual review of their DEI initiatives detailing how they strive to promote equal access and opportunity for asset management firms owned by people from underrepresented groups. Wilshire is also committed to DEI internally and provided statistics on the Firm's diversity demographics. Ms. Eisenhut reported that in 2022, 56% non-white or female were representative of the new hires for Wilshire's U.S. staff. The demographics of Wilshire's entire staff in 2022, included 56% non-white or female, 38% non-white, and 34% female. For 2022, the diversity breakdown of Wilshire's staff is characterized as 3% African American, 25% Asian/Hawaiian/Pacific Islander, 8% Latino/Hispanic, 62% White.

Mr. Baker highlighted that Wilshire continues to execute the identification, research, and evaluation of minority owned businesses for consideration in the ERS' investment manager searches as outlined in the Statement of Investment Policy. The onboarding of diverse-owned firms has had some success but there are ongoing challenges. Win-rates for manager searches have slightly grown as diverse-owned managers represent 10% of Wilshire's manager database. However, industry-wide, firms with substantial (defined as 25-49%) or majority (50% or higher) women or diverse ownership represent just 8.6% of the industry's total number of firms. Mr. Baker added that investment manager searches for the ERS must meet minimum qualifications and be competitively top tier to be considered for allocation in the portfolio, regardless of their minority ownership status.

Mr. Baker provided a Quarterly Executive Summary on the Fund's performance for the quarter ending June 30, 2023. The ERS total return was 1.51% (net of fees) for the quarter, underperforming by 116 basis points the target policy benchmark return of 2.67%. For the FYTD, three, five, and ten-years ended June 30, 2023, the ERS total return (net of fees) was 7.30%, 8.59%, 6.78%, and 7.09%, respectively compared to the target policy benchmark return of 8.88%, 6.01%, 5.55% and 6.16%, respectively. The total market value as of June 30, 2023 was \$1.1 billion. The U.S. stock market was up 8.43% for the 2nd Quarter and is up 19.03% for the past 12 months. The best performing sectors were information technology (+17.2%), consumer discretionary (+14.6%), and communication (+13.1%). The worst performing sector was utilities (-2.5%).

ITEM 5. COMMITTEE REPORTS/RECOMMENDATIONS

ITEM 4.A. Investment Monitoring Group

Ms. Harris provided a summary of the Investment Monitoring Group's (IMG) June 20, 2023 regular report. During this meeting, Northern Trust, provided a presentation on their company profile and reported on services provided for the ERS. As of March 31, 2023, the ERS has over \$1 billion in assets and 28 accounts with Northern Trust, 3,817 active benefit participants, a total of \$61.7 million in annuity and \$1.9 million in lump sum payments in 2022 and

received \$3,188 in class action proceeds in 2022. Ms. Harris noted that Northern Trust reported gross revenue earnings for the ERS' securities lending program of \$4,043,752 million over the last 20 years, with a current fee split of 70/30 (ERS receives 70% and Northern Trust 30% of revenue).

During the June 20, 2023 IMG meeting, Mr. Baker provided recommendations for the Principal U.S. Property Account and Neuberger Berman High Income Fund as a follow-up to the IMG's April 18, 2023 meeting. The IMG recommended the Board place Principal on the Watchlist; authorize a private core real estate search; pursue a fee reduction with Principal; keep Neuberger Berman on the Watchlist through December 2023; and evaluate alternatives if performance does not improve.

ACTION: VICE CHAIR HEDRICK made a motion, seconded by MS. GOGOL to place Principal on the Watchlist and authorize a private core real estate search. The motion PASSED (9-0). (Motion # 23-32).

ACTION: MS. GOGOL made a motion, seconded by MR. COHEN to keep Neuberger Berman on the Watchlist through December 2023 and evaluate alternatives if performance does not improve. The motion PASSED (9-0). (Motion # 23-33).

ITEM 4.B. Administrative and Personnel Oversight Committee

Mr. Cohen briefed the Board on the June 20, 2023 Administration and Personnel Oversight Committee ("Personnel Committee") meeting. The Personnel Committee held a working session to review and discuss the proposed revisions to the new Education Policy, which will be incorporated into the July 2023 version of the Governance Manual. Staff conducted a complete overhaul of the Education Policy that affords the Executive Director and Trustees more flexibility in the education program and customizes education and training specific to the needs of the individual Trustee. A new comprehensive Trustee orientation and orientation packet was also developed. Key revisions to the July 2023 Governance Manual include clarifying responsibility and accountability for terminating investment managers, service providers and staff; formalizing the existing practice of paying a stipend to Public Member Trustees; clarifying mileage reimbursement for Trustees; and revising the prescriptive language in the Pension Funding Policy for annually considering the reasonableness of the investment return assumption. The Personnel Committee recommended the new Education Policy and other key revisions to the Governance Manual dated July 2023 be approved by the Board.

ACTION: MS. CHIANG-SMITH made a motion, seconded by VICE CHAIR HEDRICK for the approval of a new Education Policy and incorporation into the Governance Manual dated July 2023. The motion PASSED (9-0). (Motion # 23-34).

Ms. Rose informed the Board that the Personnel Committee reviewed and discussed revisions to the ERS Employee Handbook, which was last updated in 2021 and provides general guidance about policies and procedures, rules of conduct and employee benefits for employees of the ERS. Key revisions to the Employee Handbook include adding a training and development section to recognize management's commitment to training and development for employees; providing for professional membership fee reimbursement; formalizing the telework program which includes policies and procedures; and revising the Employee Recognition Program. The Personnel Committee recommended the Employee Handbook revisions be approved by the Board.

ACTION: VICE CHAIR HEDRICK made a motion, seconded by MS. GOGOL for the approval of a revised Employee Handbook. The motion PASSED (9-0). (Motion # 23-35).

ITEM 6. EXECUTIVE DIRECTOR'S REPORT

Ms. Rose presented the Executive Director's Report dated August 23, 2023. Ms. Rose reminded the Board that in accordance with the Pension Funding Policy, a Request for Proposal will be issued in the next couple weeks to conduct a full scope audit of the June 30, 2023 actuarial valuation; to audit the work of the consulting actuary; and to confirm the accuracy of work and adequacy of methods, assumptions, and conclusions. Ms. Rose informed the Board that staff submitted the actuarial data, supplemental reports, and information to Cheiron in early August. Data verification for the actuarial valuation is expected to conclude in September and actuarial valuation results from Cheiron are expected to be ready for the November 2023 Board meeting. The external auditor is completing their review of the Financial Statements and Annual Comprehensive Financial Report for fiscal year June 30, 2023 and will report the audit results and opinion at the Audit Committee meeting on September 26, 2023. After the completion of the audit, staff will prepare the Popular Annual Financial Report for members. Staff continue to make headway on the MemberDirect self-service portal and ERS website redesign and anticipate launching November and December of 2023, respectively.

The Board meeting of September 5, 2023, adjourned at 11:33 a.m.

Respectfully,

Alicia C. Stanford

Alicia C. Stanford
Administrative Specialist

Andrea L. Rose

Andrea L. Rose
Executive Director