



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

BOARD OF TRUSTEES MEETING MINUTES

Tuesday, October 3, 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, October 3, 2023. The meeting was called to order at 10:02 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
Gavin Cohen, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio
Sheila Morgan-Johnson, Prince George's County Public Member
Elaine A. Stookey, Bi-County Open Trustee
Howard Brown, F.O.P Represented Trustee
Asuntha Chiang-Smith, M-NCPPC Executive Director, Ex-Officio
Theodore J. Russell III, Prince George's County Open Trustee
Caroline McCarthy, Montgomery County Open Trustee

Board Members Absent

Pamela F. Gogol, Montgomery County Public Member
Lisa Blackwell-Brown, MCGEO Represented 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

ITEM 1. APPROVAL OF THE OCTOBER 3, 2023, CONSENT AGENDA

ACTION: VICE CHAIR HEDRICK made a motion, seconded by MS. CHIANG-SMITH to approve the Consent Agenda of October 3, 2023. The motion PASSED (7-0-2). MS. MCCARTHY and MR. RUSSELL abstained. (Motion # 23-36).

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

ITEM 3. MISCELLANEOUS - No items presented.

ITEM 4. COMMITTEE REPORTS/RECOMMENDATIONS

ITEM 4.A. Investment Monitoring Group

Ms. Harris provided an overview of the September 19, 2023 IMG meeting. During this meeting, Loomis Sayles provided a performance review of the Loomis Sayles High Yield Fund. Ms. Harris reported that as of August 31, 2023, the ERS had approximately \$56.9 million invested in the Loomis Sayles High Yield Fund, representing 5% of the total investment portfolio. Ms. Harris also reported that Loomis provided a firm update and informed the IMG of the portfolio management transition plan for the upcoming retirement of Co-head and Portfolio Manager, Elaine Stokes. As of August 31, 2023, Loomis reported trailing returns of 6.45% YTD, 6.13% 1-year, -3.02% 2-year, and -1.23% since inception; underperforming the BBG High Yield 2% Issuer Cap benchmark, for all time periods. Loomis explained that the cause of underperformance is attributed to challenges with security selection. Additionally, Wilshire provided an investment review of the Loomis Sayles High Yield Fund, explaining the market environment and how Loomis has not reached their performance objective. Despite their underperformance, Wilshire still has Loomis on its 'focus list' and believes it's prudent to remain in the high yield asset class. Ms. Harris informed the Board that the IMG recommended the Board place Loomis Sayles on the Watchlist.

ACTION: MS. CHIANG-SMITH made a motion, seconded by VICE CHAIR HEDRICK to place Loomis Sayles on the Watchlist. The motion PASSED (9-0). (Motion # 23-37).

ITEM 4.B. Audit Committee

Mr. Cohen provided an overview of the September 26, 2023 Audit Committee meeting. At this meeting, SB & Company presented the audit results of the June 30, 2023 financial statements. Mr. Cohen informed the Board that SB & Company gave an overview of the scope of audit services, audit approach, assessment of the control environment, and audit results. As of June 30, 2023, the ERS had a Fiduciary Net Position Restricted for Pensions of \$1,098,796,486, which is an increase of approximately \$42.6 million from last fiscal year. Mr. Cohen explained to the Board that the increase is primarily due to investment gains associated with financial market conditions, underscoring the impact of portfolio composition and volatility within the stock market. SB & Company issued an unmodified "clean" opinion on the financial statements, noting no instances of fraud, no management letter comments, or audit adjustments.

ITEM 5. EXECUTIVE DIRECTOR'S REPORT

Ms. Rose presented the Executive Director's Report dated September 22, 2023. Ms. Rose informed the Board that a Request for Proposal (RFP) was issued on Monday, September 25, 2023 to conduct a full-scope audit of the June 30, 2023 actuarial valuation. Members of the Administration & Personnel Oversight Committee, the Executive Director, and Deputy Executive Director will evaluate the RFP responses. Ms. Rose mentioned the upcoming launch of MemberDirect, an online Self-Service Portal, that will initially be made available to Active members and eventually retirees. Actives will be able to view account balance information, annual benefit statements, communicate with ERS staff, receive electronic notifications, and run benefit estimates. Ms. Rose informed the Board that the F.O.P negotiated plan amendments related to the conversion of unused sick leave for additional retirement credited service. These changes, along with changes related to Secure 2.0, the collection of overpayments and plan clarifying language are expected to be presented for approval to the Board and Commission in November. Ms. Rose updated the Board on a partial payment of \$2,249,736 received on September 28, 2023 from the Principal U.S. Property Portfolio to satisfy a portion of the ERS' \$25 million withdrawal request. Principal reported as of September 21, 2023, the outstanding total balance subject to the withdrawal limitation was \$1.4 billion with only \$125 million of total withdrawal requests distributed to date. Timing the remaining withdrawal request is uncertain. Ms. Rose made a

recommendation to temporarily increase the annual leave limit for ERS staff from 440 hours to 550 hours until December 31, 2024. The Commission granted the same extension and the ERS usually follows suit.

ACTION: MS. CHIANG-SMITH made a motion, seconded by VICE CHAIR HEDRICK for the approval to authorize a temporary modification to the ERS Handbook to increase the annual leave limit from 440 hours to 550 hours until December 31, 2024. The motion PASSED (9-0). (Motion # 23-38).

ITEM 6. CLOSED SESSION

ACTION: At 10:23 a.m., MR. RUSSELL made a motion, seconded by MR. COHEN 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 and Section 3-305(b)(7) to consult with counsel to receive guidance from legal counsel on matters related to such investments under the authority of this Board. The motion PASSED (9-0) (Motion #23-39).

During the Closed Session, the Board considered matters related to the investment of public funds and consulted with counsel to receive guidance from legal counsel on matters related to such investment under the authority of the Board. *Board of Trustees in Closed Session:* Chair Shapiro, Vice Chair Hedrick, Gavin Cohen, Sheila Morgan-Johnson, Theodore Russell III, Elaine Stookey, Caroline McCarthy, Howard Brown, and Asuntha Chiang-Smith.

ITEM 7. CONSULTANT RECOMMENDATION

ACTION: MS. CHIANG-SMITH made a motion, seconded by VICE CHAIR HEDRICK to approve the Side Letter and proceed with the investment in the Audax Senior Loan Fund V, L.P. as recommended by the Groom Law Group and to elect Ms. Morgan-Johnson as the ERS Trustee representative on the Fund's Advisory Board. The motion PASSED (9-0). (Motion # 23-40).

The Board meeting of October 3, 2023, adjourned at 10:43 a.m.

Respectfully,

Alicia C. Stanford

Alicia C. Stanford
Administrative Specialist

Andrea L. Rose

Andrea L. Rose
Executive Director