



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

BOARD OF TRUSTEES MEETING MINUTES
Tuesday, March 5, 2024; 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, March 5, 2024. 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
James Hedrick, Board of Trustees Vice Chair, Montgomery 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
Anton White, FOP Represented Trustee
Lisa Blackwell-Brown, MCGEO Represented Trustee

Left at 10:57 a.m.

Board Members Absent

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

ERS Staff Present

Andrea L. Rose, Executive Director
Jaclyn 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

ITEM 1. APPROVAL OF THE MARCH 5, 2024, CONSENT AGENDA

ACTION: MS. GOGOL made a motion, seconded by VICE CHAIR HEDRICK to approve the Consent Agenda of March 5, 2024. Mr. White abstained from this vote. The motion PASSED (9-0-1) (Motion # 24-7).

ITEM 2. CHAIR’S ITEMS

ITEM 2.A. Conference and Training Summary 2024

No notable items discussed.

ITEM 2.B. Acknowledgement of Sergeant Anton White - Fraternal Order of Police Represented Trustee

Ms. Rose introduced the new Fraternal Order of Police Represented Trustee, Sergeant Anton White. Sergeant White joined the Prince George's County Park Police Division of the Commission in February 2007 and has been an active FOP Lodge #30 member for 17 years. Sergeant White is a former K-9 Handler serving 11 years and a former Mounted Police Officer. He has been a resident of Prince George's County for 40 years.

ACTION: MR. RUSSELL made a motion, seconded by VICE CHAIR HEDRICK to acknowledge Sergeant Anton White as the Fraternal Order of Police Represented Trustee to the ERS Board of Trustees for the remainder of the term ending June 30, 2025. The motion PASSED (10-0) (Motion # 24-8).

ITEM 2.C. Recommendation for Appointment to Audit

Ms. Rose noted that the departure of the previous FOP Represented Trustee left a vacancy on the Audit Committee. CHAIR SHAPIRO asked Sergeant White if he would serve on the Audit Committee. Sergeant White agreed.

ACTION: MS. GOGOL made a motion, seconded by MS. STOOKEY to appoint Sergeant Anton White to the Audit Committee. The motion PASSED (10-0) (Motion # 24-9).

ITEM 2.D. May BOT Meeting, Wednesday, May 8, 2024 – In-person Meeting at PRA Auditorium

ITEM 3. MISCELLANEOUS - No items to report.

ITEM 4. CONSULTATION/MANAGER PRESENTATIONS

ITEM 4.A. CHEIRON

Ms. Harris provided a brief background on the Investment Return Assumption Rate, outlining that according to the Funding Policy, on an annual basis, the Board considers the reasonableness of the investment return assumption to determine whether an adjustment is prudent based on the investment portfolio's asset allocation and forecast of long-term capital market return assumptions. Beginning in 2013, the Board has gradually reduced the investment return assumption from 7.5% to 6.70% effective June 30, 2023.

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 Actuarial Consultant, Cheiron, on an annual basis presents recommendations to the Board regarding the investment return assumption.

Patrick Nelson and Janet Cranna presented the Annual Investment Assumption Review dated March 5, 2024 which included the June 30, 2023 actuarial valuation results and current economic assumptions. The report analyzed the impact of the investment return assumption remaining at 6.70% (no change since 2022) and the impact of a 5-basis point decrease for an investment assumption of 6.65% with projected results as of June 30, 2024. The Board reviewed

the economic assumptions and projected changes to the actuarial liabilities, funded ratio, and employer contributions under the two investment return assumptions.

Cheiron provided the probability of achieving a 6.70% investment return as 54.54% with an expected risk of 10.95%. 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 88.4% to 88.0%, 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. Data from Wilshire on the ERS portfolio's projected asset class returns were also included in Cheiron's analysis. The expected return for a 30-year time horizon based on the portfolio's target asset allocation is 7.95%. Cheiron expressed a high level of comfort with the ERS holding the current rate.

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 6.70% investment return assumption given the data provided by Wilshire Advisors and Cheiron.

ACTION: MR. RUSSELL made a motion, seconded by MS. GOGOL to maintain the investment return assumption at 6.70% for the June 30, 2024 actuarial valuation. The motion PASSED (10-0) (Motion # 24-10).

ITEM 4.B. Wilshire Advisors LLC

Mr. Baker presented a Quarterly Executive Summary for the quarter ending December 31, 2023. The ERS total fund return was 5.0% (net of fees) for the quarter, underperforming by 234 basis points, the target policy index return of 7.4%. For the YTD, three, five, and ten-year periods ending as of December 31, 2023, the ERS total fund return was 8.0%, 5.8%, 8.2%, and 6.5%, respectively compared to the target policy return of 13.0%, 3.6%, 7.4%, and 5.8%, respectively. While the total fund return underperformed for the quarter and YTD ending December 31, 2023, the portfolio outperformed the target policy index for the trailing three, five, and ten-year periods. The ERS achieved top quartile returns versus other public plans for the last five years ending as of December 31, 2023. This accomplishment was realized by sticking with the fund's long-term asset allocation policy while taking less risk than other public funds. As of December 31, 2023, ERS total assets stood at \$1.136 billion.

In terms of market performance, the U.S. equity market was up (+12.1%) for the quarter ending December 31, 2023 and up 26.1% for the past 12 months. The best performing markets were real estate (+18.0%) and Information Technology (+17.0%). The worst performing and only negative sector was energy going down (-6.8%). From a size perspective, small-cap outperformed large-cap by 165 basis points. Large cap growth stocks outperformed large cap value during the 3rd quarter and led by 35%-points for all of 2023. In the Non-U.S. Equity market, the eurozone fell into a mild recession in 2023 where business activity declined in December 2023 as new orders fell and job cuts were reported. Germany continues to suffer due to high energy prices and interest rate hikes. The economic outlook for China is lackluster as recent data reveals contraction in the factory and services sectors.

VICE CHAIR HEDRICK left the meeting at 10:57 a.m.

ITEM 5. COMMITTEE REPORTS/RECOMMENDATIONS

ITEM 5.A. Investment Monitoring Group

Ms. Harris provided an overview of the Investment Monitoring Group (“IMG”) meeting of February 20, 2024. At the IMG meeting, Wilshire presented a High Yield Fixed Income Summary and Recommendation. Ms. Harris reminded the Board that both high yield fixed income managers, Neuberger Berman and Loomis Sayles, were put on the watchlist due to underperformance compared to the benchmark and peer universe over the short and long term. Also, during the IMG meeting, Wilshire noted that Neuberger Berman experienced a downgrade in its qualitative rating due to personnel changes in their investment team. Based on that, Wilshire recommended completing an investment manager search and comprehensive review of the high yield fixed income asset class that would include consideration of the portfolio structure and strategy implementation. After extensive discussion, the IMG agreed to recommend the Board approve a comprehensive review of the high yield fixed income asset class, including structure and implementation, and a high yield fixed income manager search, as recommended by Wilshire.

ACTION: MR. RUSSELL made a motion, seconded by MR. COHEN to approve a comprehensive review of the high yield fixed income asset class, including structure and implementation, and high yield fixed income search, as recommended by Wilshire Advisors. The motion PASSED (9-0). VICE CHAIR HEDRICK was absent from this vote. (Motion # 24-11).

ITEM 6. EXECUTIVE DIRECTOR’S REPORT

Ms. Rose presented the Executive Director’s Report dated February 26, 2024. She informed the Board that the April Board meeting is tentative and may be cancelled. The Disaster Recovery Test was successful and helped staff get a better understanding of response time if a disaster were to occur. Ms. Rose also informed the Board that eight (8) responses have been received for the Investment Consultant Services RFP. Staff, along with the IMG, will select 2-3 firms by April 16, 2024 to present at the Wednesday, May 8, 2024 in-person meeting.

Lastly, Ms. Rose noted that staff calculated a Cost-of-Living Adjustment (COLA) using data from the December 2023 Consumer Price Index for All Urban Consumers (CPI-U). The change in the CPI-U for December 2023 was 4.11%. COLAs are applied annually on July 1st based upon the change in the CPI-U at year end. Staff recommended a maximum COLA of 3.6% for Tier 1 Service and 2.5% for Tier 2 Service effective July 1, 2024 for eligible retirees and beneficiaries in accordance with the Employees’ Retirement System Plan Document.

ACTION: MS. MCCARTHY made a motion, seconded by MS. GOGOL to approve a Cost-of-Living Adjustment of 3.6% for Tier 1 Service and 2.5% for Tier 2 Service effective July 1, 2024 for eligible retirees and beneficiaries in accordance with the ERS Plan Document. The motion PASSED (9-0) VICE CHAIR HEDRICK was absent from this vote. (Motion # 24-12).

The Board meeting of March 5, 2024, adjourned at 11:24 a.m.

Respectfully,

Alicia C. Stanford

Alicia C. Stanford
Administrative Specialist

Andrea L. Rose

Andrea L. Rose
Executive Director