



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

BOARD OF TRUSTEES MEETING MINUTES
Tuesday, January 4, 2022; 10:00 a.m.
Upper Marlboro, MD
(Due to COVID -19 Attend via Microsoft Teams)

Due to COVID-19, the Maryland-National Capital Park and Planning Commission (“Commission”) Employees’ Retirement System (“ERS”) Board of Trustees (“Board”) met virtually through Microsoft Teams with CHAIRMAN HEWLETT leading the call in Upper Marlboro, Maryland on Tuesday, January 4, 2022. The meeting was called to order at 10:00 a.m. by CHAIRMAN HEWLETT.

Board Members Present

Elizabeth M. Hewlett, Board of Trustees Chairman, Prince George’s County Commissioner
Gerald R. Cichy, Board of Trustees Vice Chairman, Montgomery County Commissioner
Howard Brown, FOP Represented Trustee
Asuntha Chiang-Smith, M-NCPPC Executive Director, Ex-Officio
Melissa D. Ford, Prince George’s County Open Trustee
Pamela F. Gogol, Montgomery County Public Member Left 11:35 a.m./Returned 11:50 a.m.
Caroline McCarthy, Montgomery County Open Trustee
Amy Millar, MCGEO Represented Trustee
Sheila Morgan-Johnson, Prince George’s County Public Member
Elaine A. Stookey, Bi-County Open Trustee
Gavin Cohen, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio

ERS Staff Present

Andrea L. Rose, Administrator
Sheila S. Joynes, ERS Accounting Manager

Presentations

Wilshire Associates - Bradley A. Baker, Managing Director and Martel McDuffy, Senior Analyst

Legal Counsel Present

M-NCPPC Legal Department - Tracey Harvin, Senior Counsel

ITEM 1 APPROVAL OF THE JANUARY 4, 2022 CONSENT AGENDA

Ms. Rose noted a correction to the December 7, 2021 Open and Closed Session Minutes. The Board Members Present section was revised to remove Joseph C. Zimmerman, CPA, as the Secretary-Treasurer and to add Gavin Cohen, CPA, as the Secretary-Treasurer.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. CHIANG-SMITH to approve the Consent Agenda, as revised, to reflect the correction to the Open and Closed Session Minutes. The motion PASSED (11-0). (Motion #22-01)

ITEM 2 CHAIRMAN’S ITEMS

The December 7, 2021 meeting adjourned from Closed Session and the action taken was not ratified in Open Session.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. FORD to ratify the action taken in Closed Session on December 7, 2021. The motion PASSED (11-0). (Motion #22-02)

During the Closed Session of December 7, 2021, the following action was taken:

1. Compensation of the Administrator for the performance period January 1, 2021 – December 31, 2021.

ITEM 3 MISCELLANEOUS

No items reported.

ITEM 4 MANAGER REPORTS/PRESENTATIONS

Wilshire Associates

Presentation by Bradley Baker, Managing Director, and Martell McDuffy, Senior Analyst

Brad Baker provided a Quarterly Executive Summary for the quarter ending September 30, 2021 and reported on the fund's performance. The ERS' total fund return was 2.2% (net of fees) for the quarter, outperforming the target policy index return of -0.14%. For the one, three, five, and ten-years ended September 30, 2021 the ERS fund return was 20.2%, 9.5%, 9.8%, and 9.1%, respectively, compared to the target policy return of 14.9%, 8.9%, 8.7%, and 8.5%, respectively. The total market value through September 30, 2021 was \$1.2 billion. In terms of market performance, news of uncertainty related to the ongoing pandemic has directly affected the market.

In comparison to peers as of September 30, 2021, the ERS took much less risk. While the ERS had lower returns than more than 50% of peers, the ERS had a lower risk profile than 97% of peers and ranked in the top quartile in terms of return per unit of risk. The decision to take less risk and was intentional as the ERS consistently lowered the investment return assumption.

MR. COHEN questioned the performance of VOYA and Neuberger Berman and whether these managers were on an official watch list. Mr. COHEN added it would be helpful to highlight any managers on watch in the Executive Summary. Mr. Baker said the ERS does not have an official watch list but acknowledged the suggestion to include a flag in the Executive Summary. Mr. Baker explained the Investment Monitoring Group (IMG) identified performance issues with VOYA in early 2021 and agreed to reevaluate performance at the end of the year, along with analysis of the markets and peers during the time of underperformance. Ms. Rose indicated VOYA and Neuberger Berman were both added to the IMG's 2022 Work Program for review due to performance issues identified in 2021. Both managers are scheduled for reviews at the February IMG meeting. The Board agreed an official watch list may be worth further discussion at another meeting. Chairman Hewlett requested the IMG work with Wilshire Associates to consider an official watch list policy and return to the Board with a recommendation.

ITEM 5 REPORT OF THE ADMINISTRATOR

Presentation by Andrea L. Rose, Administrator

Andrea L. Rose presented the Administrator's Report dated December 22, 2021. The February 1, 2022 Board meeting will include mandatory Ethics and Fiduciary Responsibility training and education and analysis from Cheiron related to the existing Pension Funding Policy and alternate approaches/tools for dampening contribution volatility. All trustees were encouraged to attend the meeting; however, an alternate training session will be scheduled for those unable to attend.

ITEM 6 COMMITTEE REPORTS/RECOMMENDATIONS

A. Investment Monitoring Group

Presentation by Andrea L. Rose, Administrator

Andrea L. Rose presented the Investment Monitoring Group (IMG) Regular Report dated December 21, 2021.

At its December 21, 2021 meeting, the IMG met with Earnest Partners and Capital Group for performance reviews.

Earnest Partners had \$27.7 billion in assets under management with \$5 billion in international equity as of September 30, 2021. Earnest Partners remains 100% employee owned and independent. There have been no personnel changes to the international equity team. Total portfolio performance (net) for five years ending September 30, 2021 was 10.17% versus the MSCI ACWI ex-US Index of 9.44%, for an excess return of 73 basis points. Mr. Malcom admitted if you roll forward or backwards, performance may be above or below the index so reviewing on a rolling basis over periods is a better gauge. Mr. Malcom noted some clients request a specific investment objective; however, Earnest manages the portfolio the same and will not take more risk to get additional outperformance. Earnest attempts to control the downside risk.

Capital Group had \$2.6 trillion in assets under management with \$1.7 billion in the International All Countries strategy as of September 30, 2021. Investment ideas originate from long-tenured analysts with portfolio managers each managing a sleeve based on convictions. In terms of changes, Victor Cohen recently left the team and Akira Horiguchi was added. Total portfolio performance (net) for five years ending September 30, 2021 was 14.70% versus the MSCI ACWI ex-US Index of 8.94%, for an excess return of 576 basis points.

Wilshire's Brad Baker had no concerns regarding performance, personnel and/or the firms, but agreed to analyze any overlap between the two portfolios since both run international equity portfolios.

The IMG met with Aberdeen to discuss the recent departure of staff and personnel plans for investments in the Real Estate II and III and the Energy & Resources II and III funds. Ryan Sullivan, Head of Indirect Real Assets, explained he is leaving to join a university endowment. This change follows the recent departure of Jim Gasperone who was a key man on the team. George Chapman will continue to maintain day-to-day oversight of the current portfolio. Mr. Chapman has a history with the real assets investments and funds and worked closely with Ryan on the transition. The funds, which have committed all capital, continue to be fully supported by Aberdeen's global Real Assets team. Neil Slater, Global Head of Real Assets, anticipates promoting internally and hiring additional members to broaden the team.

The IMG discussed the options and Wilshire agreed to arrange a discussion with George Chapman to review the underlying projections, identify other LPAC members and pursue a fee reduction regardless of any future decisions regarding these investments.

ITEM 7 CLOSED SESSION

At 11:33 a.m. CHAIRMAN HEWLETT requested a motion to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b)(5) for the investment of public funds and Section 3-305(b)(7) to consult with legal counsel.

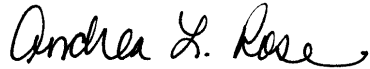
ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. FORD to go into Closed Session. The motion PASSED unanimously (11-0). (Motion #22-03)

During Closed Session, the following action was taken:

1. Approved Eaton Vance's Consent Request for Participation in Affiliated Broker-Dealer Transactions with Mitsubishi UFJ Financial Group
2. Approved State Street Global Advisor's Tax Reclaim Service with Global Tax Services, Inc., subject to further due diligence.

The Board meeting of January 4, 2022 adjourned at 12:00 p.m.

Respectfully,



Andrea L. Rose
Administrator