



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

***REGULAR BOARD OF TRUSTEES MEETING
MINUTES***

***Tuesday, February 2, 2010; 10:00 A.M.
ERS/Merit Board Conference Room***

The regular meeting of the Board of Trustees convened in the ERS/Merit Board Conference Room on Tuesday, February 2, 2010 at 10:00 a.m. Voting members present were: Khalid Afzal, Joseph Alfandre, Patricia Barney, Richard Bucher, Ph.D., Barbara A. Funk, Guy Jones, Elton King, Samuel J. Parker, Jr., and Alfred Warfield. Gino Renne was not present.

ERS staff included: Andrea L. Rose, Administrator; Heather D. Brown, Administrative Assistant; and, Sheila S. Joynes, Accounting Manager.

Presentations made by Wilshire Associates - Marc Friedberg, Managing Director and Paul Rodgers, Vice President; FLAG Capital Management, LLC - Peter Lawrence, Managing Partner and Jim Gasperoni, Partner; and, Oppenheimer Asset Management - Brian Williamson, Managing Director and Tyler Dritz, Executive Director.

1. Approval of the February 2, 2010 Board of Trustees Meeting Revised Agenda

The Agenda was restructured due to timing issues and to add an Executive Session.

MS. FUNK made a motion, seconded by MR. AFZAL to approve the February 2, 2010 Board of Trustees Meeting Agenda, as revised. The motion PASSED unanimously (9-0). (Motion #10-13)

2. Minutes of Regular Meeting, January 5, 2010

MR. JONES made a motion, seconded by MR. AFZAL to approve the Minutes of Regular Meeting, January 5, 2010, as submitted. The motion PASSED unanimously (9-0). (Motion #10-14)

3. Minutes of Executive Session, December 1, 2009

DR. BUCHER made a motion, seconded by MS. BARNEY to approve the Minutes of Executive Session, December 1, 2009, as submitted. The motion PASSED unanimously (9-0). (Motion #10-15)

4. Minutes of Executive Session, January 5, 2010

MS. BARNEY made a motion, seconded by DR. BUCHER to approve the Minutes of Executive Session, January 5, 2010, as submitted. The motion PASSED unanimously (9-0). (Motion #10-16)

5. Chairman's Items

6. Miscellaneous

7. Disbursements Granted Report – December 2009

MS. FUNK made a motion, seconded by MS. BARNEY to ratify the Disbursements Granted Report – December 2009. The motion PASSED unanimously (9-0). (Motion #10-17)

MINUTES, AS APPROVED, AT THE MARCH 2, 2010 BOARD OF TRUSTEES MEETING

8. Board of Trustees Conference Summary
9. Private Real Asset Finalists
 - a. Wilshire Associates – Private Real Asset Search (Finalists)
Presentation by Marc Friedberg, Managing Director and Paul Rodgers, Vice President

Marc Friedberg introduced a new member of his team, Paul Rodgers.

Mr. Friedberg explained that at its February 3, 2009 meeting, the Board of Trustees (“Board”) approved a revised Asset Allocation Policy which included an allocation to private real assets of 5%. The ERS is searching for a private real asset manager whose main focus is on private real assets where portfolios invest in a portion of assets in private real estate, timber, farmland, infrastructure, and oil and gas partnerships. The ERS is not targeting private real estate since it has a separate allocation. Only established institutional quality products will be considered. The initial commitment is approximately \$15 million depending on which manager is selected.

At its December 15, 2009 meeting the IMG selected FLAG Capital Management, LLC and Oppenheimer Asset Management as finalists in the private real assets search.

- b. FLAG Capital Management, LLC
Presentation by Peter Lawrence, Managing Partner and Jim Gasperoni, CFA, Partner

Peter Lawrence gave an overview of the firm which was founded in 1994 with its headquarters located in Stamford, Connecticut. FLAG Capital Management, LLC (“FLAG”) has \$5 billion in assets under management (based on capital commitments). FLAG’s investment style is diversified real assets; private partnership fund of funds with a focus on private real estate and energy (including oil and natural gas). The fund size is \$125 million with a 12-year term.

Jim Gasperoni talked about FLAG Real Assets Partners II (FRAP II) portfolio construction, strategies and investment team. The program characteristics include two discrete portfolios which allow customization: FLAG Real Estate Partners (FREP) and FLAG Energy & Resources Partners II (FERP). Each portfolio targets 9-12 managers with a focus on uncovering “best ideas”; each manager is active, “all-weather” with operational and asset-level expertise; and, is optimized for performance, not exposure, with flexibility to include secondary purchases.

- c. Oppenheimer Asset Management
Presentation by Brian Williamson, Managing Director and Tyler Dritz, Executive Director

Tyler Dritz gave an overview of the firm which was founded in 2004 with its headquarters located in New York, New York. Oppenheimer Asset Management (“Oppenheimer”) has \$625 million in assets under management. Oppenheimer’s investment style is diversified real assets; private equity fund of funds with a focus on oil and gas, power, agricultural farmland, mined resources, timber, rail and port infrastructure and water infrastructure. The fund size is \$200-300 million with a 10-year term with 2 one-year extension options.

Brian Williamson presented Oppenheimer’s investment strategy, processes and portfolio construction. Oppenheimer does not invest in any real estate. The strategy is to invest globally in natural resources and real asset focused private equity funds and related assets with a focus on small to medium opportunities. Mr. Williamson said Oppenheimer believes that developing countries are reaching the point where individual wealth and resource consumption start to accelerate. The United Nations projects the world population will grow to 8 billion people by 2025 and to 9.2 billion by 2050. Oppenheimer believes this acceleration will put an increase in money supply that will increase

the potential for an inflationary environment which is where Oppenheimer looks for macro investment opportunities with a niche.

10. Executive Session

DR. BUCHER made a motion, seconded by MS. BARNEY to go into Executive Session under authority of State Government Article 10-508(a)(7) to discuss investment of public funds. The motion PASSED unanimously (8-0). (Motion #10-18)

MR. WARFIELD made a motion, seconded by MR. JONES to ratify the actions taken in Executive Session. The motion PASSED unanimously (6-0). (Motion #10-26)

10. Administration & Personnel Oversight Committee

Presentation by Committee Chairman, Richard Bucher, Ph.D.

a. Regular Report of January 19, 2010

- i. Recommendation to Approve Trustees Continue Both Local and Non-local Travel Within the Parameters of the Approved Operating Budget and Staff to be Limited to Local Travel for Conferences Unless the Administration & Personnel Oversight Committee Approves an Exception

DR. BUCHER made a motion, seconded by MR. AFZAL to accept the Committee's recommendation to approve Trustees to continue both local and non-local travel within the parameters of the approved Operating Budget and staff to be limited to local travel for conferences unless the Administration & Personnel Oversight Committee approves an exception. The motion PASSED unanimously (6-0). (Motion #10-27)

MR. JONES left the meeting at 1:23 p.m.

11. Report of the Administrator

Presentation by Administrator, Andrea L. Rose

a. Northern Account Balances – January 21, 2010

Andrea Rose reported that staff met with AON Consulting to discuss the actuarial deficiency calculations developed by the ERS' former actuary. AON is recommending several changes.

Ms. Rose also reported the Audit Committee approved issuing a joint Audit Request for Proposal (RFP) with the Commission which should be issued in the next few weeks.

12. Investment Monitoring Group

a. Regular Report of January 19, 2010

The Board of Trustees meeting of February 2, 2010 adjourned at 1:45 p.m.

Respectfully,

Heather D. Brown
Administrative Assistant

Andrea L. Rose
Administrator