



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

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

***Tuesday, July 6, 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, July 6, 2010 at 10:00 a.m. Voting members present were: Barbara A. Funk, Gail Heath, Guy Jones, Elton King, Samuel J. Parker, Jr. and Barbara Walsh. Khalid Afzal arrived at 10:07 a.m. Joseph Alfandre, Patricia Colihan Barney and Richard Bucher, Ph.D. were not present.

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

1. Approval of the July 6, 2010 Board of Trustees Meeting Agenda

MS. FUNK made a motion, seconded by MR. JONES to approve the July 6, 2010 Board of Trustees Meeting Agenda, as submitted. The motion PASSED unanimously (6-0). (Motion #10-70)

2. Minutes of Regular Meeting, June 1, 2010

MR. JONES made a motion, seconded by MS. FUNK to approve the Minutes of Regular Meeting, June 1, 2010, as submitted. The motion PASSED unanimously (6-0). (Motion #10-71)

3. Minutes of Executive Session, June 1, 2010

MS. FUNK made a motion, seconded by MR. JONES to approve the Minutes of Executive Session, June 1, 2010, as submitted. The motion PASSED unanimously (6-0). (Motion #10-72)

4. Chairman's Items

- a. Ratification of the June 15, 2010 action to Approve the Consent to an Amendment to Authorize the Investment of up to 20% of available assets in bank loans for Neuberger Berman.

MR. JONES made a motion, seconded by MS. FUNK to ratify the June 15, 2010 action to approve the consent to an amendment to authorize the investment of up to 20% of available assets in bank loans for Neuberger Berman. The motion PASSED unanimously (6-0). (Motion #10-73)

5. Miscellaneous

6. Disbursements Granted Report – May 2010

MS. FUNK made a motion, seconded by MR. JONES to approve the Disbursements Granted Report – May 2010. The motion PASSED unanimously (6-0). (Motion #10-74)

MR. AFZAL arrived at 10:07 a.m.

7. Board of Trustees Conference Summary
 - a. Report on Mid Atlantic Plan Sponsors Conference –
 - i. Andrea L. Rose, Barbara A. Funk and Richard Bucher, Ph.D.
 - b. Report on Stars and Stripes Conference
 - i. Elton King
8. AON Consulting

Presentation by Chet Andrzejewski, FSA, FCA

 - a. Letter dated June 22, 2010 Re: Retirement Incentive Liability

Chet Andrzejewski discussed AON's evaluation of the Retirement Incentive Program for a select group of employees in Montgomery County and said it will cause certain ERS Participants to retire earlier than would have been assumed in the 7/1/2010 actuarial valuation. This earlier than expected retirement date increases the present value of benefits by \$4.2 million (less than 1% of the Plan's totally liability). Since the Commission does not plan to contribute the increase in liability in a lump sum, AON recommends that the Commission amortize the increase in present value of benefits in the amount of \$440,000 over the next 15-year period. The first installment would be due for the fiscal year ending June 30, 2012. Given this approach, AON does not feel there is any significant financial impact on the plan as a result of the incentive.

9. Report of the Administrator

Presentation by Administrator, Andrea L. Rose

 - a. Northern Account Balances – June 17, 2010
 - b. Recommendation to Approve an Additional \$810,000 to Cover Administrative Expenses for July – August 2010

Last month the Board approved the transfer of \$2,150,000 for July and August. Staff is requesting an increase to \$2,710,000 for July and \$2,400,000 for August. Benefit payments for the sixty-two (62) members retiring under the Montgomery County Retirement Incentive are estimated at \$250,000 per month. The additional \$560,000 in July includes two months of benefit payments to the new retirees and funds for year end expenses. The \$250,000 increase in August is the ongoing monthly increase in benefit payments for the new retirees.

MR. JONES made a motion, seconded by MS. FUNK to approve an additional \$810,000 to cover administrative expenses for July – August 2010. The motion PASSED unanimously (7-0). (Motion #10-75)

Ms. Rose advised that in accordance with Wilshire Associates' recommendation, the employer contribution of \$25,633,000 will be allocated approximately as follows: \$4 million to cash; \$6.6 million to Capital Guardian; \$5 million to AllianceBernstein International; \$2 million to Earnest Partners; and, \$8 million to Pyramis Global.

10. Wilshire Associates

Presentations by - Mike Dudkowski, Managing Director and Bradley Baker, Senior Analyst

 - a. Post-Trade Analysis - Goldman Sachs Fixed Income Portfolio
 - b. Post-Trade Analysis – RhumbLine/Artisan to Earnest Partners
 - c. Education Session

MINUTES, AS APPROVED, AT THE SEPTEMBER 7, 2010 BOARD OF TRUSTEES MEETING

- Limits of Traditional Asset Allocation
- Risk-Focused Diversification: Utilizing Leverage within Asset Allocation
- The Use of Leverage in Investment Portfolios: “I’d Gladly Pay You Tuesday for an Exposure Today”

Bradley Baker presented the Post-Trade Analysis reports from GTS Advisors. GTS has completed the fixed income rebalance which included the liquidation of approximately \$24.7 million in fixed income securities from the Goldman Sachs fixed income portfolio and the global equity transition, from RhumbLine and Artisan Partners to Earnest Partners, which involved the liquidation of approximately \$30 million in domestic equity securities. GTS coordinated all pre-transition processes with the underlying custodian, fund managers, and other interested parties associated with the transitions.

The Board of Trustees meeting of July 6, 2010 adjourned at 12:10 p.m.

Respectfully,

Heather D. Brown
Administrative Assistant

Andrea L. Rose
Administrator