



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

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

***Tuesday, September 7, 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, September 7, 2010 at 10:00 a.m. Voting members present were: Khalid Afzal, Patricia Colihan Barney, Richard Bucher, Ph.D., Elton King, Samuel J. Parker, Jr., Barbara Walsh and Joe Zimmerman. Joseph Alfandre, Gail Heath and Guy Jones were not present.

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

Presentations by Wilshire Associates – Mike Dudkowski, Managing Director and Bradley Baker, Senior Analyst.

CHAIRMAN PARKER introduced the Commission's new Secretary Treasurer, Joe Zimmerman, and welcomed him to the Board.

1. Approval of the September 7, 2010 Board of Trustees Meeting Agenda

DR. BUCHER made a motion, seconded by MS. BARNEY to approve the September 7, 2010 Board of Trustees Meeting Agenda, as submitted. The motion PASSED unanimously (7-0). (Motion #10-76)

2. Minutes of Regular Meeting, July 6, 2010

DR. BUCHER made a motion, seconded by MR. AFZAL to approve the Minutes of Regular Meeting, July 6, 2010, as submitted. The motion PASSED unanimously (6-1-0). MS. BARNEY abstained since she was not present at the July 6, 2010 meeting. (Motion #10-77)

3. Chairman's Items

- a. Ratification of the July 20, 2010 Motion, via email, to Approve Wilshire's Recommendation to Reduce the Securities Lending Loan Amount by up to 35% in Each of the Next Two Quarters
- b. Resignation of and Resolution for Barbara Arm Funk, Prince George's County Open Trustee

Starting in July 2010, Northern Trust implemented a new process for direct lending clients to request a specific "Periodic Loan Cap Adjustment" up to a maximum of 35% on a quarterly basis. Consistent with the notion of limiting exposure, Wilshire believed this was the most prudent step in the interim. On July 20, 2010, via email, the Board voted FOR Wilshire's recommendation to reduce the securities lending loan amount by up to 35% in each of the next two quarters.

DR. BUCHER made a motion, seconded by MS. BARNEY to ratify the July 20, 2010 action to approve Wilshire's recommendation to reduce the securities lending loan amount by up to 35% in each of the next two quarters. The motion PASSED unanimously (7-0). (Motion #10-78)

CHAIRMAN PARKER gave accolades to the ERS Staff for diligently maintaining the ERS' regular work programs while processing the additional retirement incentive retirees. CHAIRMAN PARKER said he has only heard good things about the ERS Staff; he has not received one complaint.

4. Miscellaneous
5. Disbursements Granted Reports – June and July 2010

MR. AFZAL made a motion, seconded by MS. BARNEY to approve the Disbursements Granted Reports – June and July 2010. The motion PASSED unanimously (7-0). (Motion #10-79)

6. Board of Trustees Conference Summary
  - a. Report on NCPERS Advanced Trustee Seminar – Richard Bucher, Ph.D. and Khalid Afzal
  - b. Report on Hedge Funds, Real Estate and Alternative Investing – Patricia Barney
7. Report of the Administrator
 

Presentation by Administrator, Andrea L. Rose

  - a. Northern Account Balances – August 25, 2010
  - b. Recommendation to Approve \$7,710,000 to Cover Administrative Expenses and Benefit Payments for September – November 2010
  - c. Appointment to FLAG Advisory Board

Andrea Rose reported the ERS' Actuary, Aon Consulting, plans to present the results of the June 30, 2010 Actuarial Valuation at the November 2, 2010 Board meeting; Annual Statements and Annual Reports will be distributed to members in November 2010; the ERS' Auditor, Clifton Gunderson, will present the final audit results to the Audit Committee on September 28, 2010; and, as a result of Barbara Funk's September 1, 2010 retirement, an election will be held to find a replacement for the remainder of the Prince George's County Open Trustee term ending June 30, 2012.

DR. BUCHER made a motion, seconded by MR. AFZAL to approve \$7,710,000 to cover administrative expenses and benefit payments for September – November 2010. The motion PASSED unanimously (7-0). (Motion #10-80)

In accordance with the letter agreements between the Employees' Retirement System (ERS) and FLAG Real Estate Company II, LLC and FLAG Energy & Resources Company II, LLC, the ERS can appoint one (1) representative to the Advisory Board. CHAIRMAN PARKER noted that VICE CHAIRMAN ALFANDRE previously expressed interest in serving on the Advisory Board of FLAG.

8. Wilshire Associates
 

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

  - a. Executive Summary of Investment Performance; Quarter Ending June 30, 2010
  - b. Asset Allocation & Contribution to Risk Analysis
  - c. Recommendation to approve the Investment Guidelines for FLAG Real Assets Partners II, L.P.

- d. Recommendation to Modify the Statement of Investment Policy to Prohibit Securities with a Weighted-Average Life of 31 years
- e. Letter dated July 30, 2010 from Ranger Investments
- f. 3yr and 5 yr Rolling Returns; Second Quarter 2010
- g. Summary of Investment Performance; Quarter Ending June 30, 2010

Mike Dudkowski presented Wilshire's Asset Allocation & Contribution to Risk Analysis report. The report graphs the ERS' target allocations and contribution to risk at ten year intervals: 1990, 2000 and 2010. Currently, equities contribute 81.4% of total portfolio risk with a 55% allocation to equities. This compares to the June 30, 1990 mix in which equities contribute 85.3% with a 50% allocation to equities. The ERS has diversified the portfolio over time, while targeting a moderate level of investment return and assuming moderate risk.

Mr. Dudkowski reported on the fund's performance for the quarter ending June 30, 2010. The ERS' total return was -5.29% for the second quarter 2010. The total fund composite outperformed the policy return of -6.14% by 0.85%. The quarter ended with a total market value of \$509.3 million, a net decrease of approximately \$37.0 million. The return for the 1 year ending June 30, 2010 was 14.7% which is in the top quartile. Andrea Rose reported that the Maryland State Retirement and Pension System announced a return for the 1-year ending June 30, 2010 of 14.3%.

MS. BARNEY made a motion, seconded by DR. BUCHER to approve the Investment Guidelines for the investment vehicle FLAG Real Assets Partners II, L.P., which consists of two underlying closed-end commingled funds: FLAG Real Estate Company II, LLC and FLAG Energy & Resources Company II, LLC as recommended by Wilshire Associates. The motion PASSED unanimously (7-0). (Motion #10-81)

DR. BUCHER made a motion, seconded by MS. BARNEY to approve Wilshire's recommendation to modify the Statement of Investment Policy with language to be specified by Wilshire to prohibit securities with a final maturity date greater than 31 years. The motion PASSED unanimously (7-0). (Motion #10-82)

#### 9. 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)(8) for consulting with legal counsel. The motion PASSED unanimously (7-0). (Motion #10-83)

DR. BUCHER made a motion, seconded by MR. AFZAL to ratify the actions taken in Executive Session. The motion PASSED unanimously (7-0). (Motion #10-87)

The Board of Trustees meeting of September 7, 2010 adjourned at 12:39 p.m.

Respectfully,

Heather D. Brown  
Administrative Assistant

Andrea L. Rose  
Administrator