



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

**REGULAR BOARD OF TRUSTEES MEETING  
MINUTES**

**Tuesday, April 5, 2011; 10:00 A.M. – 2 P.M.**

**ERS/Merit Board Conference Room**

The regular meeting of the Board of Trustees convened in the ERS/Merit Board Conference Room on Tuesday, April 5, 2011 at 10:00 a.m. Voting members present were: Khalid Afzal, Josh Ardison, Patricia Colihan Barney, Richard Bucher, Ph.D., Elton King, Lynn Kelly, Samuel J. Parker, Jr., Barbara Walsh and Joe Zimmerman. Joe Alfandre arrived at 10:20 a.m. Guy Jones was not present.

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

Presentations by Meketa Investment Group - W. Fran Peters, Principal and Henry Jaung, Senior Vice President; Callan Associates - Ron Peyton, CEO and Chairman, Annoesjka West, Vice President and Anthony "Bud" Pellecchia, Senior Vice President; and, Wilshire Associates - Julia Bonafede, President of Consulting, Mike Dudkowski, Managing Director and Bradley Baker, Associate.

**1. CONSENT AGENDA**

The following items are to be approved or accepted by vote on one motion unless a Board member requests separate consideration:

- A. Approval of the April 5, 2011 Board of Trustees Meeting Agenda
- B. Minutes of Regular Meeting, March 1, 2011
- C. Minutes of Executive Session, March 1, 2011 (*Confidential*)
- D. Disbursements Granted Report – February 2011

DR. BUCHER requested Items A, B and C be removed and amended.

DR. BUCHER made a motion, seconded by MS. WALSH to approve Item D – Disbursements Granted Report – February 2011. The motion PASSED unanimously (9-0). (Motion #11-47)

DR. BUCHER added an Item 7 – Executive Session to the April 5, 2011 Board of Trustees Meeting Agenda.

MS. BARNEY made a motion, seconded by MR. AFZAL to approve the revised April 5, 2011 Board of Trustees Meeting Agenda. The motion PASSED unanimously (9-0). (Motion #11-48)

DR. BUCHER provided the names of the trustees who made and seconded Motion #11-45 and Motion #11-46 for the Minutes of the Board of Trustees Regular Meeting and Executive Session for March 1, 2011. The Minutes were amended.

MINUTES, AS APPROVED, AT THE MAY 3, 2011 BOARD OF TRUSTEES MEETING

DR. BUCHER made a motion, seconded by MR. AFZAL to approve the Minutes of Regular Meeting, March 1, 2011 and the Minutes of Executive Session, March 1, 2011, as amended. The motion PASSED unanimously (9-0). (Motion #11-49)

**2. CHAIRMAN'S ITEMS**

A. Board of Trustees Conference Summary

**3. MISCELLANEOUS**

**4. MANAGER REPORTS/PRESENTATIONS**

A. Investment Consultant Finalist Presentations

i. Meketa Investment Group

Presentations by W. Fran Peters, Principal and Henry Jaung, Senior Vice President

a. Presentation to the Maryland-National Capital Park and Planning Commission Employees' Retirement System

Mr. W. Fran Peters, Principal and Mr. Henry Jaung, Senior Vice President, presented Meketa Investment Group's ("Meketa") organizational structure, client services and commitment to research. Mr. Peters has 11 years investment experience and has been with Meketa for 7 years. Mr. Jaung has twenty-five years investment experience and has been with Meketa since 2010. Meketa was established in 1978 and is a full service investment consulting and advisory firm. Meketa has 70 clients, with over 140 funds, who have aggregate assets of over \$280 billion. Meketa derives no revenue from investment managers, commissions, or outside vendors. Meketa is 100% independently owned by ten of the firm's senior professionals. Meketa feels they are staffed to provide an intensive level of client service with approximately 6 people on each management team that consist of: primary consultants, investment analyst, investment data analyst and a client service administrator. Mr. Peters said that Meketa is research focused to provide creative investment solutions; to analyze and review investment concepts and strategies; and, to develop white papers. Meketa conducts over 1,000 manager meetings each year; over 500 hedge fund meetings each year; and, over 300 private equity meetings each year. Mr. Jaung believes Meketa's risk management processes make Meketa unique in the industry; Mr. Peters feels Meketa's strength lies in the independent research. Meketa reviewed the ERS' asset allocation and portfolio structure and made several recommendations.

VICE CHAIRMAN ALFANDRE arrived at 10:20 a.m. during Meketa's presentation.

ii. Callan Associates

Presentations by Ron Peyton, CEO and Chairman; Annoesjka West, Vice President; and, Anthony "Bud" Pellecchia, Senior Vice President

a. Investing Consulting Services

Mr. Ron Peyton, CEO and Chairman, said he was honored that Callan was selected as a finalist and provided an overview of Callan Associates. Callan was established in 1973 with investment consulting as the primary focus. Callan has 210 fund sponsor clients with over \$1 trillion in assets which includes more than 70 public funds with over \$660 billion in assets. Mr. Peyton joined Callan in 1974 and is currently the Chairman of Callan's Management Committee and Chairman of the Board of Directors. The primary consulting team would be Mrs. Annoesjka West, Vice President; Anthony "Bud" Pellecchia, Senior Vice President; and, Tom Shingler, Assistant Vice President. Ms. West has been with Callan since 2001 and works with a variety of fund sponsor clients including corporate and public defined benefit plans. Mr. Pellecchia worked at Callan from 1999 to mid-2007 then rejoined Callan in September 2009. While away from Callan Mr. Pellecchia worked as Executive Vice President and Chief Trust Officer of Amalgamated Bank of New York. Mr. Pellecchia works with a diverse group of clients which include public and corporate plans. Mr. Shingler has been with Callan since 2010 and is responsible for supporting consultants in the areas of client service, investment manager reviews, performance measurement, business development, and other special projects.

Mr. Pellecchia reported that Callan's consulting philosophy is strategic long-term planning and not tactical. Callan believes simple, straight forward investment structures are most successful over time and in employing a combination of active and passive management. Callan provided a comparison of the ERS' asset allocation versus a peer group and provided recommendations on the ERS' portfolio structure.

iii. Wilshire Consulting

Presentations by Julia Bonafede, CFA, President of Consulting; Mike Dudkowski, Managing Director and Bradley Baker, Associate

a. Capabilities and Services

b. Conflicts Check Report; January 25, 2011 (*CONFIDENTIAL*)

Mike Dudkowski noted the current relationship between Wilshire and the ERS. Wilshire was hired as the Pension Consultant to the ERS in 2001. The Dedicated Senior Management Consultant Team for the ERS is Mr. Dudkowski, Managing Director, who has been the ERS' lead consultant since May 2010; the Back-up consultant is Mark Brubaker, Managing Director, who was the original lead consultant from 2001 – May 2004; and, Bradley Baker, Associate, who provides investment research and performance measurement statistics. In addition, the management team has access to over 90 other professionals within the consulting business as resources. Wilshire was founded in 1972 and is 100% employee owned. The investment consulting business began in 1980. Wilshire has 125 clients with over \$700 billion in asset under management.

Julia Bonafede and Mr. Dudkowski highlighted Wilshire's strengths in the areas of investment technology, risk management, and investment research. Wilshire's consulting philosophy includes the beliefs that disciplined strategic asset allocation is the key to a successful investment program; structured investment programs are built from the top down; managing risk is as important as achieving return; and, any risk taken should be compensated and understood. Mr. Dudkowski proposes a new asset liability study within the next year and indicated that the Board would most likely be asked to consider private equity.

MS. BARNEY AND MR. ZIMMERMAN left the meeting at 2:12 p.m.

- iv. Recommendation to Approve the New Investment Consultant

MS. BARNEY joined the meeting via conference call at 2:37 p.m.

The Board was pleased that the Investment Monitoring Group selected three exceptionally strong investment consultants for the finals. Trustees discussed the difficulty in selection with such strong competition and compared the three during a lengthy discussion.

In the end, trustees felt that Wilshire was a thought leader and that its technology and investment research was unmatched by its competitors. Trustees discussed expectations for the continued relationship with Wilshire that would include an annual work plan, enhanced reporting, risk analysis, and further discussion on stress factors.

MR. KING made a motion, seconded by DR. BUCHER to select Wilshire Associates as the Board's Investment Consultant for a three-year contract with the option of two more additional years. The motion PASSED unanimously (9-0). (Motion #11-50)

## **5. REPORT OF THE ADMINISTRATOR**

Presentation by Administrator, Andrea L. Rose

### A. Northern Account Balances – March 24, 2011

Andrea Rose announced that the Certificate of Achievement for Excellence in Financial Reporting has been awarded to the Employees' Retirement System by the Government Finance Officers Association of the United States and Canada (GFOA) for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010.

Ms. Rose reported that the April 1st edition of *Update* will include articles advertising for the Prince George's County Public Member, the Montgomery County Public Member and the Bi-County Open Trustee. The public member seats will also be advertised in the Local Living Section of *The Washington Post* which will be distributed in both counties every Thursday for three weeks beginning April 7, 2011. The Commission makes the appointment of the Public Members. The Bi-County Open Trustee position is determined through an election process. The three-year terms for all the positions begin July 1, 2011.

## **6. COMMITTEE REPORTS/RECOMMENDATIONS**

### A. Administration & Personnel Oversight Committee

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

#### i. Regular Report of March 15, 2011

- a. Recommendation to Approve the Revised Rules of Procedure that Permit Participation by Non-Committee Member Trustees in Committee Meetings Without Voting Rights or Being Counted in determining the Number Required for a Quorum

b. Recommendation to Approve the Revised Board of Trustees Election Policy and Procedures

DR. BUCHER presented the Administration & Personnel Oversight Committee's Regular Report of March 15, 2011. The Committee recommends the Board approve the revisions to the Rules of Procedure that permit participation by non-committee member trustees in committee meetings without voting rights or being counted in determining the number required for a quorum.

DR. BUCHER made a motion, seconded by VICE CHAIRMAN ALFANDRE to approve the revisions to the Rules of Procedure that permit participation by non-committee member trustees in committee meetings without voting rights or being counted in determining the number required for a quorum. The motion PASSED unanimously (10-0). (Motion #11-51)

Staff proposed a revised Board of Trustees Election Policy ("Election Policy") and Procedures for the Personnel Committee's review. The Election Policy applies only to elections for the Prince George's County, Montgomery County and Bi-County Open Trustee positions. The original Election Policy was adopted by the Board on March 5, 2002. The Policy was revised to streamline the process and reflect more current practices. MR. AFZAL asked why the results of elections are done via "secret ballot" with the counts not disclosed. DR. BUCHER withdrew the recommendation and said the Committee would review further and return to the Board.

B. Investment Monitoring Group (IMG)

Presentation by Committee Chairman, Patricia Barney

i. Regular Report of March 15, 2011

- a. Recommendation to Approve Wilshire's Recommendation to Switch from the NCREIF Property Index to the NCREIF Fund Index Open End Diversified Core Equity

Since MS. BARNEY was participating via conference call, Ms. Rose presented the IMG's Regular Report of March 15, 2011.

The IMG reviewed the Supplemental Real Estate Analysis provided by Wilshire Associates that supported the recommendation to consider a change from the NCREIF Property Index to the NCREIF Fund Index – Open End Diversified Core Equity (NFI-ODCE).

MS. BARNEY made a motion, seconded by DR. BUCHER to approve Wilshire's Recommendation to Switch from the NCREIF Property Index to the NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE). The motion PASSED (9-0) unanimously. (Motion #11-52)

**7. EXECUTIVE SESSION**

DR. BUCHER made a motion, seconded by MR. AFZAL to go in to Executive Session under authority of State Government Article 10-508(a)(1) to discuss personnel issues. The motion PASSED unanimously (9-0). (Motion #11-53)

Staff left the meeting at 2:55 p.m.

DR. BUCHER made a motion, seconded by MS. WALSH to ratify the actions taken in Executive Session. The motion PASSED unanimously (9-0). (Motion #11-56)

The Board of Trustees meeting of April 5, 2011 adjourned at 3:00 p.m.

Respectfully,

Heather D. Brown  
Administrative Assistant

Andrea L. Rose  
Administrator