



EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission

REGULAR BOARD OF TRUSTEES MEETING MINUTES

Tuesday, February 1, 2011; 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 1, 2011 at 10:00 a.m. Voting members present were: Khalid Afzal, Patricia Colihan Barney, Richard Bucher, Ph.D., Guy Jones, Elton King, Lynn Kelly, Samuel J. Parker, Jr., Barbara Walsh and Joe Zimmerman. Joe Alfandre was not present.

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

Presentations by AON Hewitt - Chet Andrzejewski, Senior Vice President and Theresa Long, Vice President.

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 February 1, 2011 Board of Trustees Meeting Revised Agenda
- B. Minutes of Regular Meeting, January 4, 2011
- C. Minutes of Executive Session, January 4, 2011
- D. Disbursements Granted Report – December 2010

The Agenda was revised to include Item 5.A.iii.

MR. JONES made a motion, seconded by MS. BARNEY to approve or accept the February 1, 2011 Board of Trustees Meeting Revised Agenda; Minutes of Regular Meeting, January 4, 2011, as submitted; Minutes of Executive Session, January 4, 2011, as submitted; and, the Disbursements Granted Report – December 2010. The motion PASSED unanimously (9-0). (Motion #11-19)

2. CHAIRMAN'S ITEMS

- A. Board of Trustees Conference Summary
- B. 2011 Calendar – Board of Trustees Meetings, Committee Meetings & Manager Presentations
- C. Approval of Appointment of Josh Ardison as the Newly Elected Municipal and County Government Employees Organization Representative for the Term Ending June 30, 2013
- D. Miscellaneous

DR. BUCHER made a motion, seconded by MS. BARNEY to approve the appointment of Josh Ardison as the newly elected Municipal and County Government Employees Organization

Representative for the term ending June 30, 2013. The motion PASSED unanimously (9-0). (Motion #11-20)

3. MANAGER REPORTS/PRESENTATIONS

A. AON Hewitt

Presentations by Chet Andrzejewski, Senior Vice President and Theresa Long, Vice President

i. 2010 Actuarial Assumption Review

Chet Andrzejewski and Terri Long presented the 2010 Actuarial Assumption Review. Experience for calendar years 2006 through 2010 was reflected in the review. Ms. Long described the methodology used in the review; compared the actual experience with the existing actuarial assumptions reflected in previous actuarial valuations; and, presented the analysis and AON Hewitt's recommendations.

The following demographic and economic assumptions were reviewed: retirement rates, termination rates, mortality rates, disability rates, investment return, salary increase rates and cost-of-living increases. AON Hewitt is recommending a change to the following assumptions:

- Reduce the 4% plus merit salary increase to 3% plus merit salary increase for the non-police plans
- Lower the retirement assumptions at lower service levels (normal retirement at age 60 and 5 years of service) for the non-police plan
- Adjust retirement rates at higher service levels for police and non-police
- Lower termination rates from 5 -10 years for both police and non-police
- Change the mortality table to the RP 2000-generational table

The Board discussed the economic conditions and likelihood of salary adjustments over the next three years. The Board determined that a more conservative salary assumption was appropriate. The Board agreed to modify the salary assumption to 2% plus merit salary increases for three (3) years then 3% plus merit salary increases thereafter for both police and non-police plans. Andrea Rose questioned the assumption regarding the number of MCGEO participants who were allowed to retire at 29 years with a full benefit. Ms. Rose will follow up with Ms. Long to review the actual results and determine impact on the results.

AON Hewitt will amend the 2010 Actuarial Assumption Review with the revised salary assumptions for the Board's final approval.

4. REPORT OF THE ADMINISTRATOR

Presentation by Administrator, Andrea L. Rose

A. Northern Account Balances – January 20, 2011

Andrea Rose reported that eight (8) proposals were received in response to the Investment Consulting Services Request for Proposal which was due by January 31, 2011. Finalists will be selected by the Investment Monitoring Group to present at the April 2011 Board meeting.

5. COMMITTEE REPORTS/RECOMMENDATIONS

A. Administration & Personnel Oversight Committee

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

- i. Regular Report of January 18, 2011
 - a. Recommendation to Approve the FY2012 Proposed Operating Budget
 - b. Recommendation to Approve the Proposed Job Description for the Board of Trustees
- ii. Confidential Report of January 18, 2011
- iii. Memo dated January 28, 2011 Subject: Board of Trustee's Secure Access Area

DR. BUCHER presented the proposed FY2012 Operating Budget of \$1,453,217, which is a 3.3% decrease from FY2011. The decrease is primarily due to the reduction in the Commission's payroll following two retirement incentives and a reduction-in-force which lowered covered payroll. The ERS' actuarial assumptions provide for administrative expenses equal to 1% of estimated covered payroll.

DR. BUCHER made a motion, seconded by MR. JONES to approve the FY2012 Operating Budget, as proposed. The motion PASSED unanimously (9-0). (Motion #11-21)

DR. BUCHER presented a Job Description of the Board of Trustees which is an excellent tool to be given to prospective trustees interested in serving on the Board. MR. AFZAL requested paragraph 3 be clarified so trustees understand that interpretation of Plan provisions is as a collective body.

DR. BUCHER made a motion, seconded by MS. BARNEY to approve the Job Description for the Board of Trustees, as amended. The motion PASSED unanimously (9-0). (Motion #11-22)

DR. BUCHER reported that a secure access area has been set-up on the ERS' website for Board of Trustees only. This area will contain reference material and ERS policies that are not available to the general public.

B. Investment Monitoring Group (IMG)

Presentation by Committee Chairman, Patricia Barney

- i. Regular Report of January 18, 2011
 - a. Recommendation to Approve an Increase in the Securities Lending Cap to 50% of Lendable Securities
 - b. Recommendation to Approve a Revised Statement of Investment Policy and Investment Manager Guidelines for C.S. McKee, Eaton Vance, Pugh Capital Management, Loomis Sayles & Co., and Western Asset Management to Prohibit the Purchase of Both Montgomery County and Prince George's County Maryland Build America Bonds
 - c. Recommendation to Approve the Revised Investment Guidelines for Neuberger Berman High Yield Fixed Income

MS. BARNEY reported that Wilshire's Mike Dudkowski provided the IMG a refresher course on Northern Trust's Securities Lending Program that included Northern's increased attention and focus on securities lending, the revised investment guidelines for the collateral

pool and the upgraded client reporting. Mr. Dudkowski recommended an increase to 50% of lendable securities and the IMG agreed with that recommendation.

MS. BARNEY made a motion, seconded by MR. AFZAL to approve an increase in the securities lending cap to 50% of lendable securities. The motion PASSED unanimously (9-0). (Motion #11-23)

MS. BARNEY presented the revised Statement of Investment Policy and Investment Guidelines for C.S. McKee, Eaton Vance, Pugh Capital Management, Loomis Sayles & Co., and Western Asset Management that prohibit investment in both Montgomery County and Prince George's County Maryland Build America Bonds.

MS. BARNEY made a motion, seconded by MR. AFZAL to approve the revised Statement of Investment Policy and Investment Manager Guidelines for C.S. McKee, Eaton Vance, Pugh Capital Management, Loomis Sayles & Co., and Western Asset Management to prohibit the purchase of both Montgomery County and Prince George's County Maryland Build America Bonds. The motion PASSED unanimously (9-0). (Motion #11-24)

In June 2010, the Board approved Neuberger Berman's request for consent to an amendment authorizing the investment of up to 20% of its available assets in bank loans. Neuberger then advised that after discussions with certain Shareholders in the Fund, that no more than 10% of the Fund's assets will comprise bank loans and no more than 10% of the Fund's assets will invest in unrated securities. Neuberger Berman updated the Offering Memorandum to include these changes effective December 20, 2010. As a result, the Investment Guidelines for Neuberger Berman require revisions.

MS. BARNEY made a motion, seconded by MR. AFZAL to approve the revised Investment Guidelines for Neuberger Berman. The motion PASSED unanimously (9-0). (Motion #11-25)

6. EXECUTIVE SESSION

DR. BUCHER made a motion, seconded by MR. JONES to go in to Executive Session under authority of State Government Articles 10-508(a)(7) and 10-508(a)(1) to discuss investment of public funds and personnel issues. The motion PASSED unanimously (9-0). (Motion #11-26)

MR. JONES made a motion, seconded by MS. BARNEY to ratify the actions taken in Executive Session. The motion PASSED unanimously (9-0). (Motion #11-36)

The Board of Trustees meeting of February 1, 2011 adjourned at 12:26 p.m.

Respectfully,

Heather D. Brown
Administrative Assistant

Andrea L. Rose
Administrator