



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

**REGULAR BOARD OF TRUSTEES MEETING
MINUTES**

Tuesday, May 3, 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, May 3, 2011 at 10:00 a.m. Voting members present were: Josh Ardison, Patricia Colihan Barney, Richard Bucher, Ph.D., Guy Jones, Elton King, Samuel J. Parker, Jr., Barbara Walsh and Joe Zimmerman. Joe Alfandre, Lynn Kelly and Khalid Afzal were not present.

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

Presentations by Global Transition Solutions - Stephen Malinowski, Managing Director and Wilshire Associates - Mike Dudkowski, Managing Director.

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 May 3, 2011 Board of Trustees Meeting Agenda
- B. Minutes of Regular Meeting, April 5, 2011
- C. Minutes of Executive Session, April 5, 2011 (*Confidential*)
- D. Ratification of the Unanimous Written Consent of the Board of Trustees Approving FLAG Energy & Resources II, LLC to amend the Partnership Agreement and Extend the Fundraising Period to May 20, 2011
- E. Disbursements Granted Report – March 2011

MS. BARNEY requested Items B and C be removed and amended.

DR. BUCHER made a motion, seconded by MR. JONES to approve Items A, D and E. The motion PASSED unanimously (8-0). (Motion #11-57)

DR. BUCHER provided the names of the trustees who made and seconded Motion #11-56 for Item B - Minutes of Regular Meeting, April 5, 2011.

DR. BUCHER made a motion, seconded by MS. WALSH to approve the Minutes of Regular Meeting, April 5, 2011. The motion PASSED unanimously (8-0). (Motion #11-58)

DR. BUCHER said he will provide the amendments to the Minutes of Executive Session, April 5, 2011 to the ERS Administrator, Andrea Rose, for inclusion on the June 7, 2011 Board of Trustees Meeting Agenda.

2. CHAIRMAN'S ITEMS

- A. Board of Trustees Conference Summary
 - i. Elton King – Wilshire Conference Report

3. MISCELLANEOUS

4. MANAGER REPORTS/PRESENTATIONS

- A. Global Transition Solutions
 - Presentation by Stephen Malinowski, Managing Director
 - i. Post-Trade Analysis Global Equity: 3/7/2011

Stephen Malinowski presented the results of the transition from AllianceBernstein International Fund to Capital Guardian and Earnest Partners. Mr. Malinowski reviewed the Post Trade Analysis explaining that Global Transition Solutions' (GTS') job is to be a risk manager; move assets consistent with the long-term investment strategy; and, reduce exposure to the market. The overall transition costs totaled 60 basis points (\$420,453) which was well within expectations. Mr. Malinowski noted that savings could have been improved if trading occurred later in the day; however, the risk of trading at the last hour wasn't worth it from a risk basis.

Mr. Malinowski presented the results of the brokerage analysis which included a fixed income stress test and execution cost management analysis. The brokerage analysis will be conducted on an annual basis to review transactions costs and ensure managers are utilizing best practices. The goal of the fixed income stress test is to identify any mark-to-market differentials. The results reflected that current market prices of the portfolio decreased by 87 basis points in comparison to the mark-to-market prices given. Mr. Malinowski indicated the result was good reflecting a lot of liquidity and price transparency. The value lines up closely to the Northern Trust reports which indicates that managers are paying attention to the values Northern gives the portfolios.

The execution cost management analysis can only be performed on separately managed accounts. The goal is to provide an independent review and evaluation of external manager brokerage practices and transaction costs. GTS only received enough data to evaluate Ranger Capital. Earnest Partners will be evaluated in 6 months when additional data is available. All other equity portfolios are in commingled accounts for which Northern Trust does not have trade data.

During the trade period February 28, 2010 – February 28, 2011, GTS found the average cost for each trade was 78.11 basis points which was in line with GTS' broker industry cost average of 62.30 basis points for small cap assets. The Ranger Capital execution differential resulted in approximately \$65,858 of incremental transaction costs versus the industry average. GTS confirmed this to be within the acceptable range. The Board will continue its fiduciary duty and evaluate transaction costs annually to ensure managers are performing with best practices and within acceptable ranges.

- B. United States Department of the Treasury
 - i. Legacy Securities Public-Private Investment Program (Legacy Securities PPIP) – Additional Frequently Asked Questions (July 8, 2009)
 - ii. Program Update – Quarter Ended December 31, 2009
 - iii. Program Update – Quarter Ended March 31, 2010
 - iv. Program Update – Quarter Ended June 30, 2010
 - v. Program Update – Quarter Ended September 30, 2010
 - vi. Program Update – Quarter Ended December 31, 2010

Ms. Rose pointed out the United States Department of the Treasury reports were provided to trustees as requested at the April 5, 2011 Board meeting and are for informational purposes only.

Mike Dudkowski presented Wilshire's 2011-2012 Work Plan. MS. BARNEY asked if Wilshire could prepare an Investment Program Report Card that summarizes and benchmarks the Boards work program for the calendar year. Mr. Dudkowski agreed to prepare a Report to go along with the Investment Advisor Letter that is prepared in September to go into the ERS' Annual Report. Ms. Rose noted that the September 6, 2011 Board meeting would be a good time to present the Report Card.

5. REPORT OF THE ADMINISTRATOR

Presentation by Administrator, Andrea L. Rose

A. Northern Account Balances – April 13, 2011

Ms. Rose explained the ERS will not be able to upgrade to ePersonality in late May, as previously reported. HighLine decided to include the ERS' software fixes in their next major release which is scheduled for late May/early June. Staff will have to coordinate the upgrade with the end-of-fiscal-year schedule.

Ms. Rose reported that Northern Trust's Harland Abraham, Amy Sproull and Joanna Urban-Pomagier conducted training to Staff on the Web Cash Movement and Trade Order Entry applications. Implementation of these two online web applications enables the ERS to enter trade information for execution of settlements and transfer cash between accounts from anywhere there is Internet access and a compatible web browser. The applications are similar to the Benefit Payment web application that staff utilizes for setting up benefit payments to retirees and beneficiaries. These web applications are convenient, secure, and more efficient than the current method.

6. COMMITTEE REPORTS/RECOMMENDATIONS

A. Audit Committee

Presentation by Committee Chairman, Barbara Walsh

- i. Regular Report of April 26, 2011

Barbara Walsh presented the Audit Committee's Regular Report of April 26, 2011. The Committee met with the ERS' Auditors from Clifton Gunderson for a pre-Audit Approach presentation. The Audit Committee had no concerns regarding the approach.

The Board of Trustees meeting of May 3, 2011 adjourned at 11:40 a.m.

Respectfully,

Heather D. Brown
Administrative Assistant

Andrea L. Rose
Administrator