



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

**REGULAR BOARD OF TRUSTEES MEETING  
MINUTES**

**Tuesday, November 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, November 1, 2011 at 10:00 a.m. Voting members present were: Khalid Afzal, Richard H. Bucher, Ph.D., Lynn Kelly, Elton King, Barbara Walsh and Joseph C. Zimmerman, CPA. Casey Anderson arrived at 10:21 a.m. Josh Ardison, Patricia Colihan Barney, Elizabeth M. Hewlett 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 AON Hewitt - Chet Andrzejewski, FSA, FCA, Senior Vice President and Theresa E. Long, ASA, EA, Assistant 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 November 1, 2011 Board of Trustees Meeting Agenda
- B. Minutes of Regular Meeting, October 4, 2011
- C. Minutes of Executive Session, October 4, 2011
- D. Disbursements Granted Report – September 2011

In the absence of the chairman and vice chairman, DR. BUCHER opened the meeting.

MR. AFZAL made a motion, seconded by MS. WALSH to approve the Consent Agenda, as submitted. The motion PASSED unanimously (6-0). (Motion #11-90)

DR. BUCHER moved to Item 4.A – AON Hewitt.

Item 2.A.i. was tabled until next month.

**2. CHAIRMAN'S ITEMS**

- A. Board of Trustees Conference Summary
  - i. Richard Bucher, Ph.D. – Reports for the NCPERS Program for Advanced Trustee Studies; July 25-27, 2011 and The Future of Corporate Return Forum; September 6-8, 2011 (Handouts)

### 3. MISCELLANEOUS

### 4. MANAGER REPORTS/PRESENTATIONS

#### A. AON Hewitt

Presentations by Chet Andrzejewski, FSA, FCA, Senior Vice President and Theresa E. Long, ASA, EA, Assistant Vice President

- i. Employees' Retirement System Basic Training as of July 1, 2011
- ii. Employees' Retirement System Review as of July 1, 2011
- iii. Annual Review and Actuarial Valuation as of July 1, 2011
- iv. Recommendation to Approve the Employer Contribution of \$30,635,116 (23.1% of covered payroll) Payable July 1, 2012

Wilshire Associates' Mike Dudkowski, Managing Director and Stephen Marshall, Actuary joined the meeting via conference call.

ERS Staff Ann McCosby, IT Manager/Leader, Lisa Butler, Senior Retirement Benefits Analyst and Tonia Lanier, Member Relations Manager joined the meeting for AON's presentation.

Chet Andrzejewski began with a basic training session covering a review of GAAP accounting rules, actuarial assumptions, funding methods, actuarial value of assets, liabilities and the recommended contribution.

VICE CHAIRMAN ANDERSON arrived at 10:21 a.m.

Theresa Long reviewed the results of the July 1, 2011 Actuarial Valuation including the total recommended employer contribution of \$30,635,116 (23.1% of payroll) payable July 1, 2012.

DR. BUCHER asked what criteria Aon Hewitt uses to determine whether the 7.5% investment return assumption is reasonable. Ms. Long explained Aon Hewitt's return modeling tool that inputs actual plan investments. The modeling tool indicated a 7.42% return with the ERS' current investment mix which is well within the reasonable range. MR. AFZAL questioned the result if there were several consecutive years at less than 7.5%. Ms. Long encouraged a long-term focus since there is too much volatility in the short run. Wilshire's Mike Dudkowski does not anticipate a recommendation to change the investment return assumption, but various returns will be modeled in the upcoming asset/liability study.

MR. ZIMMERMAN questioned whether it was reasonable to include the July 1 employer contribution as a receivable in the July 1 actuarial valuation results. Ms. Long explained that this creates a gain that is spread over 15 years and results in a slight increase in the funding level and reduction in the employer contribution. Mr. Andrzejewski confirmed the approach to be reasonable and indicated the auditors should not have concerns since this is strictly for funding purposes only.

MR. ZIMMERMAN made a motion, seconded by DR. BUCHER to recognize the July 1 employer contribution as a receivable in the July 1 actuarial valuation beginning July 1, 2011. The motion PASSED unanimously (7-0). (Motion #11-91)

Aon Hewitt agreed to revise the actuarial valuation report to reflect this change.

DR. BUCHER made a motion, seconded by MR. ZIMMERMAN to accept and approve the revised recommended employer contribution payable July 1, 2012 that includes recognition of the July 1, 2011 employer contribution as a receivable in the July 1, 2011 actuarial valuation. The motion PASSED unanimously (6-0). MR. AFZAL was out of the room. (Motion #11-92)

## **5. COMMITTEE REPORTS/RECOMMENDATIONS**

- A. Administration & Personnel Oversight Committee
  - Presentation by Committee Chairman, Richard Bucher, Ph.D.
  - i. Regular Report of October 18, 2011
  - ii. Executive Session Report of October 18, 2011

DR. BUCHER presented the regular and executive session reports for the Administration & Personnel Oversight Committee's meeting of October 18, 2011.

- B. Investment Monitoring Group
  - Presentation by Committee Chairman, Patricia Colihan Barney
  - i. Regular Report of October 18, 2011

In the absence of the Committee Chairman, Andrea Rose reported on the Investment Monitoring Group's meeting of October 18, 2011.

- C. Audit Committee
  - Presentation by Committee Chairman, Barbara Walsh
  - i. Regular Report of November 1, 2011 (Handout)
    - a. Financial Statement Audit, Report to the Audit Committee
    - b. Letter dated September 30, 2011
    - c. Management Letter dated September 30, 2011
    - d. Memo dated October 17, 2011 Re: Response to Clifton Gunderson's September 30, 2011 Letter Regarding Contributions by Part-time Employees
    - e. Comprehensive Annual Financial Report

MS. WALSH reported on the Audit Committee's November 1, 2011 meeting. Clifton Gunderson conducted a full scope audit for the fiscal year ended June 30, 2011 and issued an unqualified "clean" opinion on the ERS' financial statements.

**6. REPORT OF THE ADMINISTRATOR**

Presentation by Administrator, Andrea L. Rose

**A. Northern Account Balances – October 21, 2011**

Ms. Rose reported that in accordance with Senate Bill 370; State and Local Pension Systems – Retirement Systems Act (UMPERSA) the Annual Reports, Annual Statements and Summary Plan Descriptions (SPD) will be distributed in November 2011 to all active, vested and non-vested members. Retirees and survivors will receive Annual Reports and SPDs. UMPERSA requires that all participants and beneficiaries receive an updated SPD every five years. The last SPD produced and distributed was in 2006.

**7. EXECUTIVE SESSION**

DR. BUCHER made a motion, seconded by MR. AFZAL to go in to Executive Session under authority of State Government Articles 10-508(a)(7) to discuss investment of public funds. The motion PASSED unanimously (7-0). (Motion #11-93)

DR. BUCHER made a motion, seconded by MR. AFZAL to ratify the motions taken in Executive Session. The motion PASSED unanimously (7-0). (Motion #11-96)

MS. WALSH made a motion, seconded by DR. BUCHER to adjourn the Board of Trustees meeting of November 1, 2011 at 12:33 p.m. The motion PASSED unanimously (7-0). (Motion #11-97)

Respectfully,

Heather D. Brown  
Administrative Assistant

Andrea L. Rose  
Administrator