



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

**REGULAR BOARD OF TRUSTEES MEETING
MINUTES**

Tuesday, September 6, 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, September 6, 2011 at 10:00 a.m. Voting members present were: Khalid Afzal, Casey Anderson, Patricia Colihan Barney, Lynn Kelly, Elton King, Barbara Walsh and Joseph C. Zimmerman, CPA. Elizabeth M. Hewlett arrived at 10:06 a.m. Josh Ardison, Richard H. Bucher, Ph.D., 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, Associate and FLAG Capital Management - Jim Gasperoni, Partner.

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 September 6, 2011 Board of Trustees Meeting Agenda
- B. Minutes of Regular Meeting, July 12, 2011
- C. Disbursements Granted Reports – June and July 2011
- D. Recommendation to Approve the Transfer of \$8,300,000 to Cover Administrative Expenses and Benefit Payments for September - November 2011

In the absence of a chairman and vice chairman, MS. BARNEY opened the meeting and removed Item 1.A from the Consent Agenda. The approval of the September 6, 2011 Revised Agenda was done after Item 2.C.

MR. ZIMMERMAN made a motion, seconded by MR. AFZAL to approve Consent Agenda Items B, C, and D. The motion PASSED unanimously (7-0). (Motion #11-77)

2. CHAIRMAN'S ITEMS

- A. Board of Trustees Conference Summary

These items were moved to the October 4, 2011 Board of Trustees Meeting.

- i. Khalid Afzal, Patricia Colihan Barney and Richard Bucher – Report of the NCPERS Program for Advanced Trustee Studies; July 25-27, 2011

MINUTES, AS APPROVED, AT THE OCTOBER 4, 2011 BOARD OF TRUSTEES MEETING

ii. Guy Jones – IFEBP International Investing and Emerging Markets; July 25-27, 2011

B. Recommendation for Appointment of the Chairman of the Board of Trustees for the term ending June 30, 2013

MS. BARNEY made a motion, seconded by MS. WALSH to approve Elizabeth M. Hewlett as the Chairman of the Board of Trustees for the term ending June 30, 2013. The motion PASSED unanimously (7-0). (Motion #11-78)

C. Recommendation for Appointment of the Vice Chairman of the Board of Trustees for the term ending June 30, 2013

MS. BARNEY made a motion, seconded by MR. AFZAL to approve Casey Anderson as the Vice Chairman of the Board of Trustees for the term ending June 20, 2013. The motion PASSED unanimously (7-0). (Motion #11-79)

CHAIRMAN HEWLETT arrived at 10:06 a.m.

In the absence of DR. BUCHER and MR. JONES, MS. BARNEY revised the September 6, 2011 Board of Trustees Meeting Agenda as follows: moved Items 2.A.i and 2.A.ii to the October 4, 2011 Board of Trustees Meeting.

VICE CHAIRMAN ANDERSON made a motion, seconded by MS. WALSH to approve the September 6, 2011 Board of Trustees Meeting Agenda, as revised. The motion PASSED unanimously (8-0). (Motion #11-80)

3. Miscellaneous

4. MANAGER REPORTS/PRESENTATIONS

A. Wilshire Associates

Presentations by Mike Dudkowski, Managing Director and Bradley Baker, Associate

- i. Executive Summary of Investment Performance; As of June 30, 2011
- ii. 3yr and 5yr Rolling Returns; As of June 30, 2011
- iii. Summary of Investment Performance; Quarter Ending June 30, 2011
- iv. Investment Program Report Card
- v. Annual Investment Advisor's Review

Mike Dudkowski and Bradley Baker reported on the fund's performance as of June 30, 2011. The total fund experienced strong performance and outperformed the policy index in the one- and three-years periods. The one-year total fund return of 21.9% outperformed the policy index of 21.2%. The three-year total fund return of 4.2% outperformed the policy index of 3.2%. The fund's five-year return of 3.7% was near the policy index of 3.8%. The portfolio has benefited from the restructuring in 2009 and 2010. Mr. Baker highlighted individual managers' performance relative to individual benchmarks, noting outperformance as well as underperformance.

Mr. Dudkowski presented the Annual Investment Advisor's Review letter that will be included in the Comprehensive Annual Financial Report for fiscal year ended June 30, 2011. Mr. Dudkowski reported on Wilshire's Annual Investment Program Report Card. The Report Card shows Wilshire's criteria for each main component of the ERS' portfolio along with comments, recommendations and any further action needed. Wilshire determined that the ERS Board of Trustees is in compliance with all of Wilshire's recommendations except for two areas within the international equity component: exposure to all non-U.S. markets and appropriate excess risk budget. Mr. Dudkowski explained the international portfolio has components benchmarked to both the EAFE (developed markets) and ACWI-ex US (all international markets) with 2.47% excess risk for the five years ending June 30, 2011 versus the EAFE index. Mr. Dudkowski said a Portfolio Structure Study will be conducted following the Asset/Liability Study in 2012 that will determine the appropriate international benchmark.

VICE CHAIRMAN ANDERSON left the meeting at 11:00 a.m.

- B. FLAG Capital Management
 - Presentation by Jim Gasperoni, Partner
 - i. Performance Review; September 6, 2011

Jim Gasperoni presented the ERS' fund summaries for the FLAG Real Estate Partners II (FREP II) and the FLAG Energy & Resources Partners II (FERP II) funds. Each portfolio targets 9-12 managers with a focus on uncovering "best ideas"; each manager is active, "all-weather" with operational and asset-level expertise; and, is optimized for performance, not exposure, with flexibility to include secondary purchases. FLAG's investment style is diversified real assets; private partnership fund of funds with a focus on private real estate and energy (including oil and natural gas). The ERS' investment start date was September 30, 2010.

As of March 31, 2011, the FREP II fund size is \$76 million with \$8.3 million in invested capital (11% of total capital) in 6 underlying managers, approximately \$32 million uninvested committed capital and \$35 million uncommitted capital.

As of March 31, 2011, the FERP II fund size is \$134 million with \$9.9 million invested capital (7.4% of total capital) in 7 underlying managers, approximately \$50 million uninvested committed capital and \$75 million uncommitted capital.

5. REPORT OF THE ADMINISTRATOR

Presentation by Administrator, Andrea L. Rose

- A. Northern Account Balances – August 26, 2011

Andrea Rose reported:

- Aon Hewitt, the ERS' Actuary, plans to present the results of the latest Actuarial Valuation at the November 1st Board meeting.

- In accordance with the Uniform Management of Public Employee Retirement Systems Act (UMPERSA), staff is updating the Summary Plan Descriptions (SPDs). UMPERSA requires retirement systems to update and reissue SPDs every five years. The Annual Report, Annual Statements, and Summary Plan Descriptions will be distributed to all members in November.
- Clifton Gunderson is near completion of the audit field work and will be reviewing the Comprehensive Annual Financial Report. Clifton Gunderson plans to present the final audit results to the Audit Committee at the end of September. The date and time are to be determined.

6. EXECUTIVE SESSION

MS. BARNEY made a motion, seconded by CHAIRMAN HEWLETT 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 #11-81)

MS. BARNEY made a motion, seconded by MR. AFZAL to ratify the actions taken in Executive Session. The motion PASSED unanimously (7-0). (Motion #11-85)

The Board of Trustees meeting of September 6, 2011 adjourned at 12:18 p.m.

Respectfully,

Heather D. Brown
Administrative Assistant

Andrea L. Rose
Administrator