The Employees' Retirement System
A Blended Component Unit of
The Maryland-National Capital Park and Planning Commission

Comprehensive Annual Financial Report

For Fiscal Years Ended June 30, 2015 and June 30, 2014

Comprehensive Annual Financial Report

For Fiscal Years Ended June 30, 2015 and June 30, 2014

Prepared by the Employees' Retirement System
A Blended Component Unit of
The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

MISSION STATEMENT

The Mission of the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS) is to prudently manage, protect, diversify, and administer the funds for the sole benefit of the members and beneficiaries to ensure sufficient assets are available to pay the promised benefits.

OUR CORE VALUES

Quality Customer Service

•

Accountability and Transparency

•

Professionalism and Respect

•

Trustworthiness and Stewardship

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2015 and June 30, 2014

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EMPLOYEES' RETIREMENT SYSTEM
The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

(301) 454-1415 - Telephone
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http://ers.mncppc.org

Andrea L. Rose
Administrator

October 16, 2015

The Board of Trustees:

The Maryland-National Capital Park and Planning Commission ("Commission") Employees' Retirement System's (ERS) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2015 is hereby submitted. The responsibility for the accuracy of the data and completeness and fairness of the presentation, including disclosures, rests with the ERS' staff. We believe all data in the report is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of the operation of the ERS. All disclosures necessary to enable the reader to gain an understanding of the ERS' financial activities are included.

Management's Discussion and Analysis immediately follows the Independent Auditors' Report and provides a narrative introduction with an overview of the basic financial statements. Management's Discussion and Analysis complements this letter of transmittal and is suggested to be read in conjunction with this letter.

This CAFR has been prepared in accordance with the principles of governmental accounting and reporting promulgated by the Governmental Accounting Standards Board (GASB). The accrual basis of accounting has been used to record assets, liabilities, additions and deductions. Revenues are recorded when earned, regardless of the date of collection, and expenses are recorded when incurred, regardless of when payment is made. The accounting firm of CliftonLarsonAllen, LLP was selected to conduct the ERS' audit. I am pleased to advise, the auditors issued an unmodified opinion, the highest possible outcome of the audit process.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting for the ERS' CAFR for the fiscal year ended June 30, 2014. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting and its attainment represents a significant accomplishment. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and we will be submitting our CAFR for the current year to the GFOA.

The Public Pension Coordinating Council (PPCC) recognizes public pension systems that meet the professional standards for public retirement system management and administration as set forth by the PPCC. The ERS was awarded the Public Pension Standards Award for Funding and Administration 2014. The Award recognizes achievement of high professional standards in the area of plan funding and administration. The PPCC encourages all state and local governments to meet these standards.

Reporting Entity and Plan History

The ERS covers employees of the Commission, a body corporate of the State of Maryland, established by the Maryland General Assembly in 1927. The Commission is the bi-county agency empowered to acquire, develop, and administer a regional system of parks in the defined Metropolitan District, and to prepare and administer a general plan for the physical development of a defined Regional District for Montgomery and Prince George's Counties. The ERS was established as a single employer defined benefit pension plan effective July 1, 1972, in accordance with the Trust Agreement between the Commission and the Board of Trustees ("Board"). Prior to that date, Commission employees were covered under Maryland's State Retirement System. Employees who were covered by the State Retirement System were given the option of remaining with that System or transferring to the ERS' Plan. Revisions to the Social Security tax structure and other fiscal considerations made it prudent to develop a new retirement plan, based on the principle of Social Security excess. Therefore, effective January 1, 1979, the Plan became the Maryland-National Capital Park and Planning Commission Employees' Retirement System, encompassing three defined benefit plans: Plan A, the original plan; Plan B, for non-police, integrated with Social Security; and Plan C, only for Park Police. Commission Park Police are not covered by Social Security.

On July 1, 1990, a collectively bargained Plan D replaced Plan C, which was closed, and all members transferred to the new Park Police Plan D. Effective July 1, 1993, again as a result of collective bargaining with the Park Police union, Plan D was closed to new employees, and Plan C was amended and reopened to provide benefits for Park Police Officers hired after July 1, 1993. Pursuant to a 2002 collective bargaining agreement, Plan D members were given a one-time election to transfer to Plan C on or before October 25, 2002.

Faced with continued fiscal challenges, the Commission approved a new defined benefit plan designated as Plan E for all non-police employees, Commissioners and appointed officials hired on or after January 1, 2013. Therefore, effective December 31, 2012 Plan B was closed to new employees.

Today, the ERS consists of five defined benefit pension plans: Plan A, the original plan; Plan B, for non-police, Plans C and D, for park police; and, Plan E, for non-police and appointed officials hired on or after January 1, 2013.

The administrative operations of the ERS are the responsibility of the Administrator and Staff employed by the Board. The Plan Document establishes all benefit provisions. The Commission reserves the right to amend the provisions of the ERS, consistent with the Trust Agreement, provided that no amendments may adversely affect the benefits that have accrued prior to the effective date of such amendment, except as may be legally required to continue to qualify the ERS under section 401(a) of the Internal Revenue Code, or any successor thereto of similar importance.

Benefits and Services Provided

The ERS provides normal and early retirement benefits, spouse and children survivor benefits, ordinary death benefits, and post-retirement death benefits for members of the ERS. Disability retirement benefits were prospectively removed in August 1982, with income replacement provided to employees through a long-term disability (LTD) insurance program administered by the Commission. Members on LTD receive free credited service until their normal retirement date. Annual cost-of-living adjustments are provided for ERS annuitants. The ERS has a comprehensive membership education program which includes on-site workshops and one-on-one counseling. In accordance with the Uniform Management of Public Employees Retirement Systems Act, the ERS provides Annual Benefit Statements that project benefits at normal retirement; a Popular Annual Financial Report, which contains a summary of key financial and actuarial information; and a Summary Plan Description, which describes the provisions and benefits of the ERS. The ERS communicates with members via *LifeTimes*, which is published monthly in the Commission's Update newsletter. One-on-one counseling is available to all active members to discuss benefits and retirement options. Employees are encouraged to take advantage of a retirement counseling session, which is provided for all those retiring from the Commission. The session includes a review of retirement benefits, options, and assistance is provided in completing the necessary paperwork in order to begin benefits. Information can also be accessed via the ERS' website, http://ers.mncppc.org.

Investment Results

For the year ending June 30, 2015, the ERS fund returned 0.6% versus its policy benchmark of 0.8%. The ERS fund return was 9.0% for the three-years ended June 30, 2015 and 10.1% for the five-years ended June 30, 2015 versus the policy index which returned 9.0% and 10.4%, respectively. Refer to the Investment Consultant's Report on page 51 for a market overview with investment results by asset class and a portfolio review highlighting the ERS' restructuring activities.

Initiatives & Accomplishments

Changes in economic and financial conditions are causing plans across the country to reconsider their investment return assumptions. Beginning in 2013, the Board determined it prudent to annually evaluate the 7.5% investment return assumption and consider incremental reductions. In 2013 and 2014, the Board reduced the investment return assumption to 7.4% and 7.3%, respectively. Based on additional discussion and analysis in 2015, the Board reduced the investment return assumption to 7.25%. The Board considered and approved reductions in the salary and post-retirement adjustment assumptions during these years.

The ERS received a favorable determination letter from the Internal Revenue Service and continues to be considered qualified and entitled to be treated as a governmental plan under Section 414(d) of the Internal Revenue Code. The ERS may rely on this favorable determination until January 31, 2019.

The Board adopted a Pension Funding Policy which is considered a "best practice" and recommended by the new Government Accounting Standards 67 & 68, the Government Finance Officers Association and the bond rating agencies. A pension funding policy records the funding objectives and strategy set by the Board to ensure future benefit payments to members.

Additional initiatives and accomplishments for FY2015 include initial funding of the middle market direct lending manager; engagement of Northern Trust as a transition manager for the ERS; search and selection of a small cap value manager to replace the existing manager; authorization for a new staff position for FY2016; continued monitoring of the existing investment managers; and initial discussion of additional commitments for the private real assets program.

Internal Controls

It is the responsibility of management to develop and maintain systems of internal controls, which are designed to provide reasonable, but not absolute, assurances for the safeguarding of assets and the reliability of financial records. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits derived and the valuation of costs and benefits requires estimates and judgments by management. Controls are also put in place to limit the risk of collusion. However, it should be recognized that all internal controls have inherent limitations.

The Trust Agreement requires an annual accounting of the ERS' operation and activities and that the results of this analysis be reported to the Commission. The ERS' independent auditors' unqualified opinion is the highest possible result of the audit process and their report on the basic financial statements is included in the CAFR on pages 16-17.

Annually, the Board prepares and presents an operating budget setting forth projected expenditures for the operation of the ERS for the Commission's review and approval. The Board also prepares certain projected expenses, including banking, investment consulting and investment manager fees for the Commission's information. The Board monitors closely the fees and expenses from consultants and professional advisors to ensure comparability to other public funds of the ERS' size and complexity. Although there is no formal restriction or budget guideline imposed by parties outside the Board, the Board is sensitive to the limitations imposed on the Commission by the two counties.

The revenues necessary to finance retirement benefits are accumulated through employee and employer contributions, and income on investments. The Board establishes investment objectives and policies, determines appropriate asset allocation strategies, selects investment managers for appointment by the Commission, and evaluates investment performance. The ERS' investments are diversified, recognizing that a prudent policy preserves assets and maximizes earnings with appropriate risk, to provide asset growth consistent with long-term needs. For 2015 and 2014, the gains, including investment expense, were $3,340,520 and $107,897,795 respectively. Total contributions increased slightly from $34,163,918 in 2014 to $34,489,708 in 2015. The increase can be attributed primarily to an increase in the employee contribution rates in Plans A and B. Total deductions increased by 5.2% from $39,894,283 in 2014 to $41,970,189 in 2015. Pension benefits and refunds account for $40,382,818 and the remainder of $1,587,371 was attributed to administrative expenses (see page 23).

Funding Status

The ultimate test for a retirement system is the level of funding achieved. The better the level of funding, the larger the ratio of assets accumulated to pay liabilities and the greater the level of investment income potential. The Schedule of Funding Progress directly illustrates the financial stability of the ERS and presents a standardized measure of projected plan liabilities (see page 69). This measure allows the reader to assess the funding status of the ERS on a going concern basis, and to assess progress made in accumulating sufficient assets to pay benefits when due. The measure is the actuarial present value of credited projected benefits and independent of the funding method used to determine contributions. An actuarial valuation performed as of July 1, 2014, indicated that the funded ratio of the actuarial value of assets to the actuarial accrued liability for benefits was 87.2%. As of July 1, 2014, the actuarial value of assets was $766,531,514 and the actuarial accrued liability is $879,190,389.

Acknowledgments

The preparation of this CAFR reflects combined efforts of the ERS' staff. Special recognition is extended to Sheila Joynes for her lead role. This CAFR is intended to provide complete and reliable information as a basis for making management decisions, determining compliance with legal provisions, and for determining responsible stewardship for the assets contributed by the members of the Commission. I thank the Board, Staff, consultants and service providers who have worked so diligently to assure the successful operation of the ERS.

Respectfully Submitted,

Andrea L. Rose

Andrea L. Rose
Administrator

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Maryland-National Capital Park

and Planning Commission

Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2014

Presented to

The Maryland-National Capital Park and Planning Commission Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Board of Trustees

Elizabeth M. Hewlett, Chairman
Prince George's County Commissioner
Term expires: 6/30/2016

Marye Wells-Harley, Vice Chairman
Montgomery County Commissioner
Term expires: 6/30/2017

Khalid Afzal
Montgomery County Open Trustee
Term expires: 6/30/2018

Patricia Colihan Barney
Executive Director
Ex-Officio

Richard H. Bucher, Ph.D.
Prince George's County Public Member
Term expires: 6/30/2017

Jenetha Facey
Prince George's County Open Trustee
Term expires: 6/30/2018

Josh Ardison
MCGEO Represented Trustee
Term expired: 6/30/2016

Howard Brown
FOP Represented Trustee
Term expires: 6/30/2016

Pamela F. Gogol
Montgomery County Public Member
Term expires: 6/30/2017

Barbara Walsh
Bi-County Open Trustee
Term expires: 6/30/2017

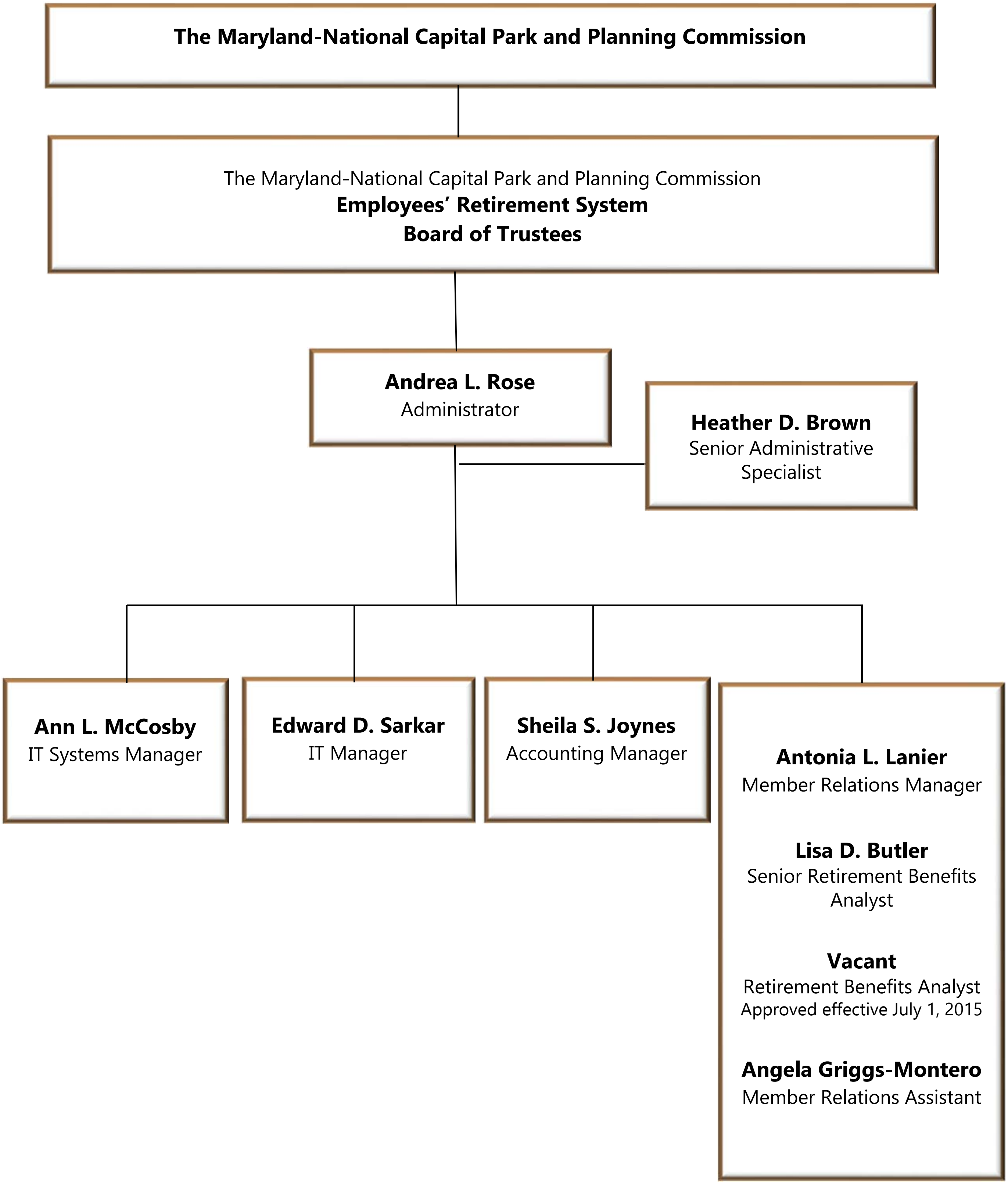
Joseph C. Zimmerman, CPA
Secretary-Treasurer
Ex-Officio

The Board consists of 11 appointed and elected members as adopted by the Commission on July 24, 2001:

- Two Commissioners, one each from Montgomery and Prince George's counties, appointed by the Commission.
- The Commission's Executive Director, Ex-Officio, concurrent with tenure in office.
- The Commission's Secretary-Treasurer, Ex-Officio, concurrent with tenure in office.
- Three Open Trustees, one each from Montgomery and Prince George's counties and one from the Bi-County office (effective July 2003), as a result of an election conducted by the ERS.
- Two Public Members, one each from Montgomery and Prince George's counties, appointed by the Commission.
- Two Represented Trustees, one each from the Municipal and County Government Employees' Organization (MCGEO) and the Fraternal Order of Police (FOP). The MCGEO Representative is selected by the Chief Executive Officer of MCGEO and the FOP Representative is selected pursuant to an internal election process established by the FOP. Represented trustees continue in office until replaced by their successors.

Trustees serve for three-year terms. Trustees elect a chairman and vice chairman to serve for a two-year term. Generally, the Board meets on the first Tuesday of every month, except for August. Board meetings are open to all employees and members of the public. Members of the Board may be contacted in writing through the ERS. Announcements regarding the Board of Trustees are posted on the ERS' website http://ers.mncppc.org and in the Commission's monthly newsletter, *Update.*

ORGANIZATIONAL & REPORTING STRUCTURE



Staff, Consultants & Professional Service Providers

STAFF

Andrea L. Rose
Administrator

Heather D. Brown
Senior Administrative Specialist

Member Relations
Antonia L. Lanier
Member Relations Manager

Lisa D. Butler
Senior Retirement Benefits Analyst

Vacant
Retirement Benefits Analyst

Angela Griggs-Montero
Member Relations Assistant

Technical and Accounting Services
Sheila S. Joynes
Accounting Manager

Ann L. McCosby
IT Systems Manager

Edward D. Sarkar
IT Manager

CONSULTANTS & PROFESSIONAL SERVICE PROVIDERS

Actuary

Boomershine Consulting Group, L.L.C.

Auditor
CliftonLarsonAllen, LLP

Banking
The Northern Trust Company
Bank of America

Investment Consultant
Wilshire Associates, Inc.

Legal
GROOM Law Group
M-NCPPC Legal Department
Robbins Geller Rudman & Dowd, LLP

Note: For the Investment Manager Directory see page 50 and for the Schedule of Broker Commissions see page 60.

Staff and Board members can be contacted at:

Employees' Retirement System
The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737
Telephone (301) 454-1415
Fax (301) 454-1413
http://ers.mncppc.org

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Hours of Service
Monday-Friday
8 a.m. to 5 p.m.

FINANCIAL Section

CliftonLarsonAllen LLP
www.CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Trustees
The Maryland-National Capital Park and Planning Commission
Employees' Retirement System
Riverdale, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of The Maryland-National Capital Park and Planning Commission Employees' Retirement System (the System) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

An independent member of Nexia International

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Employer Contributions, Schedule of Money-Weighted Rate of Returns, and the Notes to Required Supplementary Information (collectively the required supplementary information), as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The Schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants, and the Introductory, Investment, Actuarial, and Statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Schedules of Administrative Expenses, Investment Expenses, and Payments to Consultants (collectively the Supplementary Information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory, Investment, Actuarial, and Statistical sections, as listed in the Table of Contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
October 16, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Report provides readers with a narrative overview and analysis of the financial activities of the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS) for the fiscal years ended June 30, 2015, 2014 and 2013. We encourage readers to consider the information presented here in conjunction with basic financial statements to enhance their understanding of the ERS' financial performance.

FINANCIAL HIGHLIGHTS

- The ERS' assets exceeded liabilities by $792 million and $796.1 million at June 30, 2015 and 2014, respectively. Of this amount, $792 million and $796.1 million may be used to meet the obligations of current and future retirees and beneficiaries. During 2015 total fiduciary net position held in trust for pension benefits decreased by ($4.1) million (.5%) due to investment losses and increased benefit payments and 2014 increased by $102.2 million (14.7%), due primarily to investment gains.

- The ERS' Net Pension Liability as of June 30, 2015 is $130,016,545. The ratio of the Fiduciary Net Position to the Total Pension Liability is 85.9%**.**

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion & Analysis is intended to serve as an introduction to the ERS' basic financial statements. The basic financial statements contain two components: the ERS' Financial Statements and the Notes to the Financial Statements. In addition to the basic financial statements, this report also contains a Schedule of Changes in Net Pension Liability and Related Ratios, a Schedule of Employer Contributions, and a Schedule of Money-Weighted Rate of Returns which are additional supplementary information required by the Governmental Accounting Standards Board.

The Statements of Fiduciary Net Position presents information on all of the ERS' assets and liabilities, with the difference between the two reported as net position restricted for pensions. Over time, increases or decreases in net position may serve as a useful indicator of whether the ERS' financial position is improving or deteriorating.

The Statements of Changes in Fiduciary Net Position presents information showing how the ERS' net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, additions to and deductions from net position are reported in the statements for some items that will only result in cash flows in future fiscal periods (e.g. unrealized gains or losses on investments).

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The Schedules of Changes in Net Pension Liability and Related Ratios, Employer Contributions and Money-Weighted Rate of Returns present historical trend information about the ERS. This information is intended to improve financial reporting for decision making, accountability and transparency.

MANAGEMENT'S DISCUSSION & ANALYSIS

Financial Analysis of the System

Fiduciary Net Position and Changes in Fiduciary Net Position: The following table reflects the ERS' net position and changes in net position as of and for the years ended June 30, 2015, 2014 and 2013 (in thousands).

	June 30, 2015	June 30, 2014	June 30, 2013
Assets			
Total assets	$ 848,205	$ 846,644	$ 777,760
Liabilities			
Total liabilities	56,209	50,509	83,792
Fiduciary net position restricted for pensions	$ 791,996	$ 796,136	$ 693,968

	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013
Changes in fiduciary net position			
Total additions, net	$ 37,830	$ 142,062	$ 101,963
Total deductions, net	41,970	39,894	38,197
Net (decrease)/increase in fiduciary net position	$ (4,140)	$ 102,168	$ 63,766

Current Assets

The largest component of fiduciary net position is the ERS' investments. At June 30, 2015, 2014 and 2013, cash and investments amounted to approximately $847.0 million $845.3 million and $776.2 million, respectively. In 2015 the net decrease in fiduciary net position was as result of a net loss in fair value of investments and an increase in benefit payments. In 2014 and 2013, the increase in fiduciary net position resulted primarily from a net gain from investing activities. Total receivables of $1.2 million, $1.4 million and $1.5 million represent accrued income on investments and receivables of member contributions at June 30, 2015, 2014 and 2013, respectively.

Liabilities

Liabilities are primarily comprised of amounts payable on securities lending transactions and investments payable. Securities lending liabilities amounted to approximately $34.0 million, $48.7 million and $82.2 million at June 30, 2015, 2014 and 2013, respectively. These outstanding balances are offset with cash and investments being held as collateral on securities lending transactions. Investments payable represents purchases not settled by June 30 of each year. Investments payable were approximately $21.0 million, $.8 million and $.3 million at June 30, 2015, 2014 and 2013, respectively.

Financial Analysis of the System (continued)

Additions

The primary sources of net additions for the ERS include member and employer contributions and investment income. The following table reflects the source and amount of additions during the fiscal years ended June 30, 2015, 2014 and 2013 (in millions):

	June 30, 2015	June 30, 2014	June 30, 2013
Employer contributions	$ 28.2	$ 28.8	$ 23.8
Member contributions	6.3	5.4	5.4
Net investment income	3.3	107.9	72.8
Net additions	$ 37.8	$ 142.1	$ 102.0

Contributions

During 2015, the actuarial recommended employer contributions to the ERS decreased from 22.1% ($28,750,323) to 21.8% ($28,149,976) of covered payroll. The decrease can be attributed primarily to a "fresh start" approach using a 15 year open amortization method. Effective July 1, 2007, employer contributions are paid based on the prior year's valuation. The ERS uses a five-year asset smoothing method to determine the actuarial value of plan assets. During the period of July 1, 2013 through June 30, 2014, investment performance on the actuarial value of assets was 12.22%. Over the five-year period ending on the valuation date, July 1, 2014, the return on the actuarial value of assets was 7.04%.

Net Investment Income

The net investment income for the ERS totaled $3.3 million, $107.9 million and $72.8 million for 2015, 2014 and 2013, respectively. In 2015, the $3.3 million investment income was comprised of a net depreciation in fair value of investments of ($.9) million, $7.0 million in dividends and interest, $.1 million from securities lending and $2.9 million advisory and management fees. In 2014 and 2013, respectively, $107.9 million and $72.8 million in net investment income included $9.8 million and $15.1 million in dividends and interest income, $.3 million and $.2 million in securities lending activities, and $2.9 million in investment advisory and management fees for both years. Generally, net investment income has varied during the three-year period due to the changes in the market.

Deductions

The deductions from the ERS include the payment of retiree and survivor benefits, participant refunds and administrative expenses. Deductions for 2015, 2014 and 2013 totaled $42.0 million, $39.9 million and $38.2 million, respectively. Such amounts represent increases of 5.2% and 4.4% over 2014 and 2013, respectively. At the beginning of fiscal year 2015, eligible retirees received a 1.5% cost-of-living adjustment which contributed to the 5.2% increase in deductions from 2014 to 2015**.** The following table reflects the ERS' deductions by type in 2015, 2014, 2013 (in thousands):

	2015	2014	2013
Benefits	$ 39,992	$ 38,170	$ 36,263
Refunds	391	237	369
Administrative expenses	1,587	1,487	1,565
Total deductions	$ 41,970	$ 39,894	$ 38,197

Management's Discussion & Analysis

Financial Analysis of the System (continued)

Request for Information

This financial report is designed to provide an overview of the ERS. Questions concerning any of the information provided in this report should be addressed to Andrea L. Rose, Administrator, Employees' Retirement System, 6611 Kenilworth Avenue, Suite 100, Riverdale, Maryland 20737.

STATEMENTS OF FIDUCIARY NET POSITION

June 30, 2015 and 2014

		2015		2014
INVESTMENTS AT FAIR VALUE (note 3)				
Fixed income securities	$	182,800,936	$	161,226,330
International fixed income securities		3,256,666		8,978,006
Venture capital/alternative investments		83,006,017		56,777,040
Corporate stock		358,642,751		385,730,896
International corporate stock		83,123,277		90,880,351
Real estate		62,937,508		54,261,714
Short term investments		40,043,633		39,539,970
Securities lending short term collateral investment pool		33,103,308		47,700,258
Total investments at fair value		846,914,096		845,094,565
CASH		66,932		176,759
RECEIVABLES				
Accounts receivable-member contributions		439,060		345,851
Accrued income on investments		769,070		1,005,412
Total receivables		1,208,130		1,351,263
OTHER ASSETS				
Prepaid expenses		15,939		14,902
Equipment at cost, net of accumulated depreciation of $253,435 and $247,433		0		7,003
Total other assets		15,939		21,905
Total assets		848,205,097		846,644,492
LIABILITIES				
Investments payable		21,040,331		760,563
Accrued expenses		650,948		678,995
Refunds payable		560,549		328,799
Payable for securities lending collateral		33,957,643		48,740,548
Total liabilities		56,209,471		50,508,905
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS	$	791,995,626	$	796,135,587

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Fiduciary Net position

For the Years Ended June 30, 2015 and 2014

	2015	2014
ADDITIONS		
Contributions (note 2)		
Employer	$ 28,149,976	$ 28,750,323
Employees	6,339,732	5,413,595
Total contributions	34,489,708	34,163,918
Investment income		
Interest	6,690,714	9,253,234
Dividends	322,090	519,833
Net depreciation/appreciation in fair value of	(974,633)	100,696,627
Other	54,740	32,577
Less – investment advisory and management fees	(2,854,345)	(2,875,363)
Net gain from investing activities	3,238,566	107,626,908
Securities lending activity (note 3)		
Securities lending income	117,312	193,474
Borrower rebate	49,595	253,167
Securities lending expenses:		
Management fees	(64,953)	(175,754)
Net income from securities lending	101,954	270,887
Net investment gain	3,340,520	107,897,795
Total additions	37,830,228	142,061,713
DEDUCTIONS		
Benefits and other payments		
Pension benefits	35,806,482	34,347,954
Disability benefits	92,936	91,563
Survivor and death benefits	4,092,771	3,730,157
Refunds of contributions	390,629	237,399
Administrative expenses (note 6)	1,587,371	1,487,210
Total deductions	41,970,189	39,894,283
NET (DECREASE)/INCREASE IN FIDUCIARY NET POSITION	(4,139,961)	102,167,430
FIDUCIARY NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	796,135,587	693,968,157
End of year	$ 791,995,626	$ 796,135,587

The accompanying notes are an integral part of the financial statements.

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The Maryland-National Capital Park and Planning Commission Employees' Retirement System ("ERS"), although a legally separate entity, is considered to be a blended component unit of the Maryland-National Capital Park and Planning Commission ("Commission"). Accordingly, the financial statements of the ERS are included as a pension trust fund in the Commission's basic financial statements.

The ERS is a retirement benefit trust organized by the Commission and is a qualified retirement plan pursuant to, and within the meaning of Section 401(a) of the Internal Revenue Code of 1986. The ERS is considered a single "pension plan" for purposes of financial reporting in accordance with accounting principles generally accepted in the United States of America, as no assets are legally restricted to the payment of certain benefits.

Basis of Accounting

The financial statements of the ERS are prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred; revenues are recorded in the accounting period in which they are earned and become measurable; and investment purchases and sales are recorded as of their trade date. Employee contributions for active members are established by the plan sponsor; set forth in the ERS' plan document; and, recognized when due. Employer contributions are recognized when due pursuant to formal commitments as recommended by the actuary and approved by the plan sponsor. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Use of Estimates

Management of the ERS has made certain estimates and assumptions relating to the reporting of assets and liabilities, and the disclosure of contingent assets and liabilities, to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

Fair Value

The ERS' investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. The investments in short-term investment funds are reported at cost plus allocated interest, which approximates fair value. The securities lending collateral pool, which is a fund operated by the securities lending agent, also is accounted for at fair value, which represents the net asset value of the collateral received. U.S. government obligations, corporate and foreign bonds and notes, and common and preferred stocks, are generally valued based on published market prices and quotations from national security exchanges and securities pricing services.

For alternative investments, which include venture capital, private equity and real estate investments where no readily ascertainable market value exists, management, in consultation with the general partner and investment advisors, has determined the fair values for the individual investments based upon the partnership's most recent available financial information. Securities that are not traded on a national security exchange are valued by the asset manager or third parties based on similar sales.

The pricing services used for fixed income securities are Interactive Data Corporation by Institutional Bid Evaluation daily; international fixed income securities use the PC Bond Group or IBOXX by Institutional Mid Evaluation daily; corporate stock uses the Interactive Data Corporation as of the official close of NASDAQ daily; international corporate stock uses Telekurs by the Last Trade daily; venture capital uses the Limited Partnership by the Institutional Bid Evaluation or Valuation as Priced for US and international; and real estate uses the Investment Managers by Evaluation as priced.

Investment expenses consist of investment managers' fees and those expenses directly related to the ERS' investment operations.

Notes to Financial Statements

2. Organization and Plan Description

The Board of Trustees ("Board") administers the ERS in accordance with the Trust Agreement between the Commission and the Board and delegates the day-to-day operations to the Administrator. The Board's main responsibility is to administer the ERS for the sole benefit of the members and to pay the promised benefits. The assets of the ERS are invested with the objective of ensuring that sufficient funds will be available for meeting benefit payments. The Board consists of 11 appointed and elected members as follows: two Commissioners (one each from Montgomery and Prince George's counties); three employee trustees (one each from Montgomery and Prince George's counties and one from the Bi-County office); two public members (one each from Montgomery and Prince George's counties); two Represented Trustees (one MCGEO Representative and one Fraternal Order of Police Representative); and the Commission's Executive Director and Secretary-Treasurer, who serve as Ex-Officio.

The ERS consists of five contributory, single employer defined benefit pension plans sponsored by the Commission. Three of the plans, Plan A, B and D are closed to new entrants, and two, Plan C and E are open for park police and general employees, respectively. The following description of the ERS provides general information. Participants should refer to the Plan Document for more complete information.

General Employees. General employees may be members of Plans A, B, or E. Plan A, the original plan effective July 1, 1972, is applicable to all employees who enrolled on a voluntary basis as of December 31, 1978, when membership was closed. Plan B became mandatory for all new full-time career general employees effective January 1, 1979, and ERS staff hired on or after March 1, 1994. Effective January 1, 2009 membership was mandatory for part-time Merit System employees, Commissioners and Appointed Officials of the Commission. Plan B is integrated with Social Security and members vest after five years of credited service, with the exception of Commissioners and Appointed Officials who receive full and immediate vesting. Membership in Plan B closed effective December 31, 2012. Under the terms of Plans A and B, the normal retirement date for participating general employees is the first day of the month coinciding with or immediately following the date on which a participant attains age 60 with at least 5 years of credited service, or upon completion of 30 years of credited service regardless of age. Plan E became mandatory for all full-time and part-time general career employees, ERS Staff, Commissioners and Appointed Officials hired on or after January 1, 2013. Plan E is integrated with Social Security and members fully vest after ten years of credited service with the exception of Commissioners and Appointed Officials who receive full and immediate vesting. Normal retirement in Plan E is age 62 with 10 years of credited service or 30 years of credited service, regardless of age.

Park Police. Park Police may be members of Plans C or D. On July 1, 1990, a collectively bargained Plan D replaced Plan C, which was closed and all members transferred to the new Park Police Plan D. Effective July 1, 1993, again as a result of collective bargaining, Plan D was closed to new employees, and Plan C was amended and reopened to provide benefits for Park Police hired after July 1, 1993. Pursuant to a 2002 collective bargaining agreement, Plan D members were given a one-time election to transfer to Plan C on or before October 25, 2002.

The normal retirement date for Plan D members is the first day of the month coinciding with or immediately following the date on which the participant attains age 55 and has completed 5 years of credited service, or has completed 22 years of credited service, regardless of age. The normal retirement date for Plan C members is the first day of the month coinciding with or immediately following the date on which the participant attains age 55 and has completed 5 years of credited service, or has completed 25 years of credited service, regardless of age.

Benefit Payments. Benefit payments for Plans A, B, C, and D are determined by application of a benefit formula considering the average of an employee's annual base pay during the three consecutive years that produce the highest total earnings prior to retirement, and the number of years of credited service, up to 40 years for

2. Organization and Plan Description (continued)

members of Plan A, 35 years for members of Plan B, 30 years for members of Plan C and 32 years for members of Plan D. Benefit payments in Plan E are determined by application of a benefit formula considering the average of an employee's annual base pay during the five consecutive years that produce the highest total earnings prior to retirement and credited service up to 35 years. Under certain conditions, participants may elect to take early retirement at a reduced benefit level. Joint and survivor options are also available under all the plans.

Disability. Prior to August 1, 1982, disability benefits were available under the plans. Effective August 1, 1982, applications for disability retirement benefits were discontinued. All members who were receiving disability benefits, or who applied for disability benefits prior to August 1, 1982, continue to be covered under the terms of Plans A, B, and C. All applications for disability benefits subsequent to August 1, 1982, are covered under the Commission's Long-Term Disability Insurance Plan, which is not part of the ERS.

Cost-of-Living Adjustment (COLA). On July 1 each year, retirement income for participants retired at least six months is adjusted for changes in the cost-of-living as determined by the Consumer Price Index-All Items Annual Average, Urban Index for Major U. S. Cities (CPI). Plans A, B, C and D provide COLAS at 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to a 5% maximum COLA for the portion of a member's benefit attributable to credited service earned prior to July 1, 2012, including earned and unused sick leave prior to January 1, 2013. The portion of a member's benefit attributable to credited service earned after July 1, 2012, including earned and unused sick leave on and after January 1, 2013, will be subject to a maximum COLA of 2.5%. Plan E provides COLAs at 100% of the change in the CPI up to a maximum COLA of 2.5%.

Death Benefit. Effective July 9, 1986, the ERS was amended to provide a $10,000 post-retirement death benefit to beneficiaries of current and future retired members.

Sick Leave Integration. Effective September 1, 1988, the ERS was amended to permit members to use up to a maximum of 301 days of earned and unused sick leave to meet the length of service requirements for retirement qualification.

Plan Termination. Although the Commission has not expressed any intent to terminate the Plans, it may do so at any time. In the event that the Plans are terminated, beneficiaries receiving benefits at the date of termination shall be entitled to an allocation of the remaining assets based upon the relationship of each individual's actuarial reserve to total actuarial reserves, the balance to be allocated (pro rata) to the remaining members or beneficiaries.

Membership by Plan

As of July 1, 2014, membership in the ERS was as follows:

	Plan A (General)	Plan A (Police)	Plan B	Plan C	Plan D	Plan E	Total
Inactive Plan Members (or their beneficiaries) Currently Receiving Benefits	331	18	775	49	99	-	1,272
Inactive Plan Members Entitled but Not Yet Receiving Benefits			233	9	2	-	244
Active Plan Members	9	-	1,687	179	12	183	2,070
Total membership	340	18	2,695	237	113	183	3,586

NOTES TO FINANCIAL STATEMENTS

2. Organization and Plan Description (continued)

Contributions

The Commission has agreed to make actuarially determined periodic contributions sufficient to provide the ERS with assets for payment of pension benefits. The rate for the Commission's employee group as a whole is expected to remain level as a percentage of annual covered payroll. The contribution rate is based on current service cost plus amortization of the unfunded actuarial accrued liability.

Employee contributions are established and amended by the Commission and set forth in the ERS' Plan Document. Employees participating in Plan A contribute 7% of their base pay. Park Police participating in Plans C and D contribute 8.5% and 7.5%, respectively, of their base pay. Employees participating in Plan B and E contribute 4% of their base pay up to the Social Security covered wage base and 7% and 8%, respectively, thereafter.

The total contributions to the ERS for 2015 and 2014 were $34,489,708 and $34,163,198 respectively. In 2015, the Commission contributed $28,149,976 (21.8% of covered payroll of $129,134,125). Employees contributed $6,339,732 (4.9% of covered payroll). In 2014, the Commission contributed $28,750,323 (22.1% of covered payroll of $129,911,593). Employees contributed $5,413,595 (4.2% of covered payroll). The Commission's contributions decreased 2.1% from 2014 to 2015. The decrease can be attributed primarily to a "fresh start" approach using a 15 year open amortization method.

3. Investments

The Board is authorized by the Trust Agreement dated July 26, 1972 and most recently amended September 16, 2009 to invest and reinvest the Trust Fund, as may be determined by the investment consultant selected by the Commission. The Board is authorized to formulate investment policies, develop investment manager guidelines and objectives, and approve the retention of qualified advisors and investment managers.

Trust Fund assets should be invested to obtain an appropriate long-term total return consistent with prudent risk taking. The Trust Fund shall be diversified across investment classes and among investment managers in order to achieve return as compensation for investment risk. The Board established target allocations for each asset class, as well as ranges of expected exposure as follows:

Asset Class	Target Exposure	Expected Range
U.S. Equities	23.0%	18%-28%
International Equities	23.0%	18%-28%
Private Equities	5.0%	0%-8%
Total Equities	**51.0%**	**46%-56%**
Core Fixed Income	10.0%	7%-13%
High Yield Fixed Income	7.5%	5%-10%
Global Opportunistic Fixed Income	7.5%	5%-10%
Bank Loans	4.0%	2%-6%
Total Fixed Income	**29.0%**	**24%-34%**
Public Real Assets	5.0%	0%-15%
Private Real Assets	15.0%	5%-20%
Total Real Assets	**20.0%**	**10%-25%**

The Board approved revisions to the Statement of Investment Policy ("Policy") on February 3, 2015. The Policy was revised to address the Board's responsibilities in connection with the use of swap agreements by investment managers.

NOTES TO FINANCIAL STATEMENTS

3. Investments (continued)

Each investment manager has a set of guidelines, which contain investment objectives, and risk control provisions, which are appropriate for each manager's mission. Investment managers have discretion within the constraints of these guidelines and are subject to regular review by the Board. Investment manager assignments may be implemented with pooled vehicles. In such circumstances, the ERS may not have control with respect to the investment guidelines and objectives as they are written broadly for multiple investors. The Trust Fund has guidelines, which apply broadly to each asset class as follows:

Public Equity Guidelines (U.S. and International)

- Under normal conditions no more than 5% of the value of the U.S. and International composites should be held in cash equivalents at any time.
- The U.S. and International equity composites are expected to remain broadly diversified by economic sector, industry and individual securities at all times.
- The composites should match the asset class benchmark in terms of capitalization and growth characteristics; and be similar to the asset class benchmark in terms of risk.

Private Equity Guidelines

- The portfolio is expected to be diversified by geographic location with the following weightings: North America (approximately 50%), Europe (approximately 30%), and the Asia-Pacific region and other emerging markets (approximately 20%).
- The composite is expected to be diversified by the following investment types: buyouts, venture capital, growth equity, distressed, and special situations (private equity-like investments, such as mezzanine debt, asset-intensive assets or royalty streams and other opportunistic funds).
- Secondary fund investments and direct co-investments are permitted on an opportunistic basis with a combined maximum limit of 20%.
- Investments should be diversified by vintage year.
- No single partnership investment is expected to be more than 20% of the private equity composite. This guideline shall not apply during initial funding.

Fixed Income Guidelines

- The fixed income portfolio is structured to include exposures to the following sub-classes: core fixed income, high yield fixed income, global opportunistic fixed income and bank loans.
- The fixed income composite may have up to 20% of its value in cash equivalents at any time.
- Except for securities issued by the US Government and/or its Agencies, any single issuer is not expected to exceed 5% of the market value of the fixed income composite at any time.
- Duration of each fixed income sub-class should typically remain with +/- 1.5 years of the sub-class benchmark.
- Credit quality for each sub-class is expected to be similar to that of the designated sub-class benchmark. as measured by a recognized rating agency (Standard & Poor's or Moody's).
- Build America Bonds issued by Montgomery County and Prince George's County are prohibited.
- Flexible global opportunistic fixed income guidelines allow manager to invest globally, seeking to add value through duration management, yield curve positioning, sector/issue selection, country market selection and currency.

Real Assets Guidelines

- The real assets portfolio includes private real assets and public real assets.
- Any un-invested portion of the private real assets allocation should remain invested in public real assets.

3. Investments (continued)

Private Real Assets Guidelines

- Investments will be structured privately in the form of commingled or pooled vehicles such as limited partnerships and diversified among the following investment types: real estate, energy, mining, timber, agriculture, and infrastructure.
- The private real assets portfolio is expected to be diversified by geographic location with a minimum of 50% invested in the United States and no more than 30% invested in emerging markets.
- Investments should also be diversified by vintage year. No single partnership commitment is expected to be more than 20% of the real assets portfolio or more than 20% of the portfolio of a fund-of-funds manager.

Public Real Assets Guidelines

- Investments structured in public real assets include natural resource stocks, real estate securities (including REITs), commodities and inflation indexed bonds that are broadly diversified such that each sub-asset class may contribute to the portfolio's real return and risk profile.

Investments	**Fair Value 2015**	**Fair Value 2014**
Common stock	$ 441,762,994	$ 472,791,644
Preferred stock	0	495,819
Convertible equity	0	364,518
Venture Capital and Private Equity Partnerships	83,006,017	56,777,040
Government bonds	13,018,407	17,060,617
Government agencies	7,838,516	6,401,194
Provincial bonds	336,924	1,229,116
Corporate bonds	54,819,205	74,701,119
Corporate convertible bonds	0	2,952,414
Unit trust equity	3,034	6,852
Government mortgage-backed securities	14,745,485	10,913,824
Government-issued commercial mortgage-backed	18,091	59,328
Commercial mortgage-backed	4,089,835	5,718,687
Asset-backed securities	4,327,799	4,114,107
Index linked government bonds	3,330,212	2,079,681
Fixed income mutual funds	83,533,128	47,926,663
Real estate	62,937,508	54,261,714
Short term investment funds	40,043,633	39,539,970
Securities lending short term collateral investment	33,103,308	47,700,258
Total Investments	$ 846,914,096	$ 845,094,565

Money-Weighted Rate of Return

For the years ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.70% and 15.30%, respectively for one year. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

3. Investments (continued)

Investment Risks

The ERS has investments that are subject to various risks. Among these risks are custodial credit risk, interest rate risk, credit risk, and foreign currency risk. Each one of these risks is discussed in more detail below.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ERS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either a) the counterparty or b) the counterparty's trust department or agent but not in the government's name. The ERS requires that all investments be clearly marked as to ownership and to the extent possible, shall be registered in the name of the ERS.

Of the ERS' $846.9 million in investments at June 30, 2015, $33.1 million were cash collateral reinvestment securities acquired by the custodian, whom is also the lending agent/counterparty. This is consistent with the ERS' securities lending agreement in place with the custodian.

For short term investments, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The amount of the ERS' total cash and short term investments at June 30, 2015 and 2014 were $40,110,565 and $39,716,729, respectively. Cash deposits that were insured and collateralized in the bank account totaled $66,932 and $176,759 at June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, respectively, the ERS held $40,043,633 and $39,539,970 of short term investments in its custodial investment accounts.

As of June 30, 2015, the ERS held $46,971 of short term investments that were exposed to custodial credit risk.

Each investment manager has duration targets and bands that control interest rate risk; however, the ERS does not have a policy relating to interest rate risk.

As of June 30, 2015, the ERS had the following fixed income investments and short term investments with the following maturities:

Investment Type		Fair Value	Weighted Average Maturity-Years
Asset-backed securities	$	4,327,799	7.442397
Commercial mortgage-backed		4,089,835	28.183521
Corporate bonds		54,819,205	9.120076
Government agencies		7,838,516	10.742199
Government bonds		13,018,407	10.135437
Government mortgage-backed securities		14,745,485	22.719181
Gov't-issued commercial mortgage-backed securities		18,091	5.339000
Index linked government bonds		3,330,212	9.639879
Provincial bonds		336,924	24.942000
Fixed income mutual funds		83,533,128	N/A
Short term investment funds		36,932,802	N/A
TOTAL	$	222,990,404	12.166453

3. Investments (continued)

As of June 30, 2014, the ERS had the following fixed income investments and short term investments with the following maturities:

Investment Type		Fair Value	Weighted Average Maturity-Years
Asset-backed securities	$	4,114,107	5.488222
Commercial mortgage-backed		5,718,687	28.603932
Corporate bonds		74,701,119	10.083925
Corporate convertible bonds		2,952,414	11.000145
Government agencies		6,401,194	5.183715
Government bonds		17,060,617	6.568612
Government mortgage-backed securities		10,913,824	23.114863
Gov't-issued commercial mortgage-backed securities		59,328	6.339000
Index linked government bonds		2,079,681	5.534220
Provincial bonds		1,229,116	12.883457
Fixed income mutual funds		47,926,663	N/A
Short term investment funds		34,173,069	N/A
TOTAL	$	207,329,819	10.931997

Asset-backed securities (ABS) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other providers of credit. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Brokerage firms underwrite the securities and reoffer them to the public. The ERS held $4,327,799 and $4,114,107 in ABS at June 30, 2015 and 2014, respectively.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by a nationally recognized statistical rating agency such as Standard & Poor's Services. Individual manager guidelines require investment managers to follow certain controls, documentation and risk management procedures. Managers are required to measure and monitor exposure to counterparty credit risk; however, there is no formal policy relating to a specific investment-related risk. All counterparties must have commercial paper credit ratings of at least A1 or equivalent rating.

Individual investment manager guidelines include limitations on the percentage of securities below investment grade and various types of securities including derivatives. A Derivatives Policy Statement identifies and allows common derivative investments and strategies which are consistent with the Statement of Investment Policy.

NOTES TO FINANCIAL STATEMENTS

3. **Investments (continued)**

Credit Quality Ratings as of June 30, 2015:

Credit Quality Distribution for Services		% of Total Portfolio
Agency	AGY	3.568%
Government Agencies	AA	0.926%
Government Bonds	A	0.014%
Government Bonds	BBB	0.028%
Government Mortgage Backed Securities	AA	0.001%
Government Mortgage Backed Securities	NR	0.061%
Gov't-issued Commercial Mortgage-Backed	AA	0.002%
Asset Backed Securities	AAA	0.111%
Asset Backed Securities	AA	0.063%
Asset Backed Securities	A	0.033%
Asset Backed Securities	BBB	0.035%
Asset Backed Securities	NR	0.269%
Commercial Mortgage-Backed	AAA	0.231%
Commercial Mortgage-Backed	BBB	0.056%
Commercial Mortgage-Backed	NR	0.196%
Corporate Bonds	AAA	0.058%
Corporate Bonds	AA	0.470%
Corporate Bonds	A	1.148%
Corporate Bonds	BBB	1.146%
Corporate Bonds	NR	0.104%
Municipal/Provincial Bonds	AA	0.040%
Other Fixed Income	NR	1.039%
Funds - Corporate Bond	NR	3.547%
Funds - Other Fixed Income	NR	8.824%
Funds - Short Term Investment	NR	4.361%

NOTES TO FINANCIAL STATEMENTS

3. Investments (continued)

Credit Quality Ratings as of June 30, 2014:

Credit Quality Distribution for Services		% of Total Portfolio
Agency	AGY	3.318%
Government Agencies	AAA	0.032%
Government Agencies	AA	0.623%
Government Agencies	A	0.038%
Government Agencies	NR	0.064%
Government Bonds	AA	0.014%
Government Bonds	A	0.102%
Government Bonds	NR	0.046%
Government Mortgage Backed Securities	AA	0.002%
Government Mortgage Backed Securities	NR	0.075%
Gov't-issued Commercial Mortgage-Backed	AA	0.007%
Asset Backed Securities	AAA	0.158%
Asset Backed Securities	AA	0.050%
Asset Backed Securities	A	0.024%
Asset Backed Securities	NR	0.254%
Commercial Mortgage-Backed	AAA	0.380%
Commercial Mortgage-Backed	AA	0.032%
Commercial Mortgage-Backed	BBB	0.084%
Commercial Mortgage-Backed	NR	0.180%
Corporate Bonds	AAA	0.035%
Corporate Bonds	AA	0.468%
Corporate Bonds	A	1.491%
Corporate Bonds	BBB	1.502%
Corporate Bonds	BB	0.781%
Corporate Bonds	B	0.660%
Corporate Bonds	CCC	0.235%
Corporate Bonds	D	0.002%
Corporate Bonds	NR	0.098%
Corporate Convertible Bonds	A	0.031%
Corporate Convertible Bonds	BBB	0.051%
Corporate Convertible Bonds	BB	0.170%
Corporate Convertible Bonds	B	0.073%
Corporate Convertible Bonds	NR	0.023%
Municipal/Provincial Bonds	AA	0.076%
Municipal/Provincial Bonds	A	0.049%
Municipal/Provincial Bonds	BBB	0.017%
Municipal/Provincial Bonds	BB	0.005%
Other Fixed Income	NR	0.801%
Funds - Corporate Bond	NR	3.568%
Funds - Other Fixed Income	NR	4.857%
Funds - Short Term Investment	NR	4.044%

Notes to Financial Statements

3. Investments (continued)

The ERS does not have a policy for foreign currency risk. Foreign currency is intentionally unhedged.

The ERS' exposure to foreign currency risk at June 30, 2015 was as follows:

Investment Type	Currency	Fair Value
Common Stock	Brazilian real	$ 1,715,526
Common Stock	British pound sterling	8,319,912
Common Stock	Czech koruna	942,938
Common Stock	Euro	11,655,333
Common Stock	Hong Kong dollar	2,610,374
Common Stock	Indonesian rupiah	704,720
Common Stock	Japanese yen	7,777,837
Common Stock	New Taiwan dollar	2,803,944
Common Stock	Norwegian krone	4,548,798
Common Stock	Singapore dollar	1,659,502
Common Stock	South Korean won	3,135,323
Common Stock	Swedish krona	1,841,170
Common Stock	Swiss franc	2,486,694
Common Stock	Turkish lira	2,114,443
Cash	Hong Kong dollar	46,971
Total		$ 52,363,485

The ERS' exposure to foreign currency risk at June 30, 2014 was as follows:

Investment Type	Currency	Fair Value
Government Bonds	Mexican peso	$ 1,092,127
Government Agencies	Brazilian real	397,728
Government Agencies	Chilean peso	146,463
Government Agencies	Philippine peso	322,651
Corporate Bonds	Australian dollar	236,671
Corporate Bonds	Brazilian real	118,075
Corporate Bonds	Euro	33,570
Corporate Bonds	Mexican peso	152,481
Common Stock	Brazilian real	1,266,120
Common Stock	British pound sterling	8,766,593
Common Stock	Czech koruna	1,048,744
Common Stock	Euro	14,198,099
Common Stock	Hong Kong dollar	4,045,327
Common Stock	Indonesian rupiah	866,111
Common Stock	Japanese yen	8,544,183
Common Stock	Norwegian krone	5,709,010
Common Stock	South Korean won	4,606,098
Common Stock	Swedish krona	2,156,864
Common Stock	Swiss franc	2,836,783
Common Stock	Turkish lira	2,861,148
Municipal/Provincial Bonds	Euro	179,529
Cash	Hong Kong dollar	40,777
Cash	Swiss franc	7,271
Total		$ 59,632,423

Note: These schedules do not agree with the total international obligations and international equities as listed on the Statements of Fiduciary Net Position due to international obligations valued in U.S. dollars but classified as international.

3. Investments (continued)

Cash Received as Securities Lending Collateral

The ERS accounts for securities lending transactions in accordance with GASB No. 28 Accounting and Financial Reporting for Securities Lending Transactions, which established standards of accounting and financial reporting for securities lending transactions.

The Board authorized the lending of fixed income securities, which activity is managed by the custodian bank. The Board authorized a securities lending loan cap of 30% effective October 6, 2010 with an increase to 50% effective February 1, 2011. There were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent as of June 30, 2015 and 2014.

Securities are loaned against collateral that may include cash, U.S. government securities, and irrevocable letters of credit. U.S. government securities are loaned against collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. government securities are loaned against collateral valued at 105% of the market value of the securities plus any accrued interest. Non-cash collateral cannot be pledged or sold unless the borrower defaults. Consequently, the non-cash collateral has not been reported as an asset or liability on the Statements of Fiduciary Net Position. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans were approximately 180 days in 2015 and 113 days in 2014.

Cash open collateral is invested in a short term investment pool, the Core USA Collateral Section, which had an interest sensitivity of 26 days as of this statement date. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to the ERS' accounts on approximately the fifteenth day of the following month.

The custodial bank's responsibilities include performing appropriate borrower and collateral investment credit analysis, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. Loss indemnification is provided when securities are not returned due to the insolvency of a borrower and the trustee bank fails to fulfill its contractual responsibilities relating to the lending of those securities to that borrower.

The following table presents the fair values of the underlying securities, and the value of the collateral pledged at June 30, 2015:

Securities Lent	Fair Value	Cash Collateral Received*
Fixed income securities	$ 12,322,969	$ 12,577,235
Domestic equities	16,837,814	17,177,238
Global equities	3,942,525	4,203,170
Total	$ 33,103,308	$ 33,957,643

The following table presents the fair values of the underlying securities, and the value of the collateral pledged at June 30, 2014:

Securities Lent	Fair Value	Cash Collateral Received*
Fixed income securities	$ 25,747,270	$ 26,273,232
Domestic equities	20,342,350	20,768,127
Global equities	1,610,638	1,699,189
Total	$ 47,700,258	$ 48,740,548

*The securities collateral value is based on the ERS' pro rata share of the value of the securities collateral maintained at The Northern Trust Bank on the program wide collateralization levels.

4. Derivatives Policy Statement

A Derivatives Policy Statement identifies and allows common derivative investments and strategies, which are consistent with the Statement of Investment Policy. The guidelines identify transaction-level and portfolio-level risk control procedures and documentation requirements. Managers are required to measure and monitor exposure to counterparty credit risk. All counterparties must have commercial paper credit ratings of at least A1 or equivalent rating. The duration and other risk exposure limits specified in the managers' guidelines are expected to be satisfied on an ongoing basis. Investment managers are permitted to use such derivatives for hedging purposes, including cross-hedging of currency exposures, to replicate the risk/return profile of an asset or asset class, and to tactically change country exposure. Derivative securities such as "plain vanilla" collateralized mortgage obligations (CMOs) and structured notes are allowed. CMOs which are not "plain vanilla" are restricted to 5% of a manager's portfolio. Any use of derivatives not listed above is prohibited without written approval of the Board**.** At June 30, 2015 and June 30, 2014 the ERS did not hold any derivatives. Gains and losses are determined based on quoted market values and recorded in the Statements of Changes in Fiduciary Net Position. The objective of Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments" is to enhance the usefulness and comparability of derivative instrument information reported by state and local governments.

The following uses of derivatives are prohibited:

- **Leverage**. Derivatives shall not be used to magnify exposure to an asset beyond that which would be allowed by the guidelines.
- **Unrelated Speculation**. Derivatives shall not be used to create exposures to securities, currencies, indices, or any other financial variable unless such exposures would be allowed by the manager's guidelines if created with non-derivative securities.

Typically, investment advisors enter into foreign exchange contracts to make payment for international investments. Foreign exchange contracts are agreements to exchange the currency of one country for the currency of another country at an agreed-upon price and settlement date. The investment advisor uses these contracts primarily for its international investments to settle pending trades. To reduce the risk of counterparty nonperformance, the investment advisors generally enter into these contracts with institutions meeting high standards of credit worthiness. The realized and unrealized gain/loss on contracts are included in the ERS' net position and represents the fair value of the contracts on June 30, 2015 and June 30, 2014, the ERS' contracts to purchase and sell by foreign currencies were as follows:

Foreign Exchange Contracts Settled as of June 30, 2015:

Currency	Purchases	Realized Gain/(Loss)	Sells	Realized Gain/(Loss)
Brazilian real	$ 1,474,273	$ (14)	$ (219,143)	$ (58)
British pound sterling	1,494,452	1,142	(2,064,728)	387
Czech koruna	-	-	(112,643)	245
Euro	1,818,115	(2,152)	(1,851,940)	7,599
Hong Kong dollar	159,499	(5)	(1,319,396)	(144)
Indonesian rupiah	873,206	-	(92,469)	(18)
Japanese yen	-	-	(705,145)	(1,213)
New Taiwan dollar	2,993,719	-	(90,110)	-
Norwegian krone	530,866	2,137	(390,131)	(1,059)
Singapore dollar	1,654,949	(3,490)	(112,076)	(131)
South Korean won	-	-	(321,648)	53
Swedish krona	-	-	(161,321)	(29)
Swiss franc	5	-	(239,562)	(682)
Turkish lira	-	-	(196,810)	1,419

4. Derivatives Policy Statement (continued)

Foreign Exchange Contracts Settled as of June 30, 2014:

Currency	Purchases	Realized Gain/(Loss)	Sells	Realized Gain/(Loss)
Australian dollar	$ -	$ -	$ (16,605)	$ (6)
Brazilian real	144,253	-	(257,703)	(1415)
British pound sterling	-	-	(1,048,291)	(1,232)
Czech koruna	-	-	(100,219)	(142)
Euro	6,519,039	(2,053)	(6,291,711)	(85,948)
Hong Kong dollar	231,611	24	(1,683,588)	88
Japanese yen	377,137	(2,410)	(360,592)	515
Mexican peso	542,953	3,306	(283,384)	(1,122)
Norwegian krone	504,644	4,232	(262,429)	(620)
South Korean won	1,456,548	(760)	(177,543)	(45)
Swedish krona	-	-	(61,808)	94
Swiss franc	2	-	(147,674)	(178)
Turkish lira	2,241,182	(6,818)	(115,440)	(81)

Foreign Exchange Contracts Pending June 30, 2015:

There were no foreign exchange contracts pending as of June 30, 2015.

Foreign Exchange Contracts Pending June 30, 2014:

Currency	Purchases	Unrealized Gain/(Loss)	Sells	Unrealized Gain/(Loss)
British pound sterling	$ -	$ -	$ (173,614)	$ 150
Euro	41,079	315	(236,889)	2,616
Hong Kong dollar	-	-	(40,777)	(4)
Indonesian rupiah	545,973	8,318	-	-

5. Net Pension Liability

The measurement date for implementation of GASB 67 is the ERS' fiscal year end, June 30, 2015. Plan assets (Fiduciary Net Position) are measured as of this date. The Total Pension Liability (TPL) as of this date is based on an actuarial valuation as of July 1, 2014, with adjustments made for the one year difference. Adjustments include Service Cost, Interest on Total Pension Liability, and expected benefit payments during the year. Under GASB 67, the Net Pension Liability (NPL) is established as the difference between the Total Pension Liability and the Plan Fiduciary Net Position.

The components of the net pension liability of the System as of June 30, 2015 are as follows:

	Total for ERS
Total Pension Liability	$ 922,012,171
Plan Fiduciary Net Position	$ 791,995,626
Net Pension Liability	$ 130,016,545
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.9%

5. Net Pension Liability (continued)

Actuarial assumptions

The total pension liability as of June 30, 2015 was determined by an actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement:

COLA:	3.0% compounded annually for benefits accrued until July 1, 2012, 2.5% compounded annually thereafter
Inflation:	2.8%
Salary Increases:	2.8% + variable service based increases
Investment Return:	7.3%, net of investment expense and including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with generational adjustments for mortality improvements based on Scale AA. An alternate table was used for the valuation of disabled members.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010 with the exception of the inflation, salary and investment return assumptions which were revised since July 1, 2013 valuation. The Board agreed to annually review these economic assumptions and consider incremental adjustments. The next assumption review is scheduled for 2016.

Actuarial Cost Method

For financial reporting purposes, the July 1, 2014 actuarial valuation was performed using the Entry-Age Normal Actuarial Cost Method. The Total Pension Liability (TPL) as of this date is based on an actuarial valuation as of July 1, 2014, with adjustments rolled forward for the fiscal year-end as of June 30, 2015. Adjustments include Service Cost, Interest on Total Pension Liability, and expected benefit payments during the year.

Assumed Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, and the final investment return assumption, are summarized in the following table:

Asset Class	**Long-Term Expected Real Return - Portfolio**
Domestic Equity	5.80%
International Equity- Developed	5.90%
International Equity- Emerging	6.70%
Fixed Income – U.S. Investment Grade & Bank Loans	2.10%
Fixed Income – U.S. High Yield	4.00%
Fixed Income – Global Opportunistic	2.50%
Public Real Assets	2.40%
Private Real Assets	4.10%
Private Equity	7.80%
Cash	0.80%
Total Weighted Average Real Return	**4.68%**
Plus Inflation	2.80%
Total Return w/o Adjustment	7.48%
Risk Adjustment	-0.18%
Total Expected Return	**7.30%**

5. Net Pension Liability (continued)

Discount Rate
The discount rate used to measure the total pension liability was 7.3%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rates of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of the Commission, calculated using the discount rate of 7.30%, as well as what the Commission's net pension liability would be if it were calculated using a discount rate that is 1.00% lower and 1.00% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.30%	7.30%	8.30%
Total Pension Liability	$ 1,041,071,272	$ 922,012,171	$ 815,933,403
Plan Net Position	$ 791,995,626	$ 791,995,626	$ 791,995,626
Net Pension Liability	$ 249,075,646	$ 130,016,545	$ 23,937,777
Ratio of Plan Fiduciary Net Position to Total Pension liability	76.1%	85.9%	97.1%

6. Administrative Expenses

The Board employs an internal staff to perform all accounting and administrative services. Administrative expenses are primarily comprised of salaries and related costs, professional fees, and office expenses. In accordance with a Trust Agreement and Memorandum of Understanding between the ERS and the Commission, the administrative expenses are determined by the ERS and paid from the ERS' Trust Fund within the limits of the budget approved by the Commission. The cost of such services for the years ended June 30, 2015 and 2014 was $1,587,371 and $1,487,210, respectively. The administrative expenses are financed by the employer contributions.

The liability for accrued leave as of June 30, 2015 and 2014, was $157,453 and $147,909 respectively, and has been included in accrued expenses in the accompanying financial statements.

Administrative expenses charged to the ERS by the Commission for 2015 were: computer services of $47,200, legal of $64,200, rent of $86,317, postage of $5,754, and copier leasing costs of $4,142. In 2014 the expenses were: computer services of $47,200, legal of $64,200, rent of $78,560, postage of $322, and no copier leasing costs.

7. Federal Income Taxes

The ERS obtained its latest determination letter on November 20, 2014, in which the Internal Revenue Service (IRS) stated that the ERS, as amended, is in compliance with the applicable requirements of the Internal Revenue Code and the related trust is tax exempt. The ERS may rely on this favorable determination until January 31, 2019.

In Announcement 2015-19, the IRS announced elimination of the staggered 5-year determination letter remedial amendment cycles for individually designed plans effective January 1, 2017.

8. Retirement Contributions for ERS Employees

Effective March 1, 1994, new employees of the ERS are required to participate in the ERS. Those employees remaining in the Board established 401(a) Defined Contribution Plan ("401(a) Plan") receive an ERS contribution at the rate of 8% of base pay, and the employee contribution is at the rate of 6% of base pay.

Upon termination of employment, the amount accumulated in the 401(a) Plan shall be made available to the employee or designee, in accordance with the policies and procedures of the 401(a) Plan and in compliance with IRS regulations. The payroll for two employees covered by the 401(a) Plan for the year ended June 30, 2015 was $261,752 and the total payroll was $773,367. The ERS' contribution to the 401(a) Plan was $20,035 (2.6% of covered payroll) for the year ended June 30, 2015.

The payroll for two employees covered by the 401(a) Plan for the year ended June 30, 2014 was $250,029 and the total payroll was $740,519. The ERS' contribution to the 401(a) Plan was $19,915 (2.7% of covered payroll) for the year ended June 30, 2014.

The payroll for the two employees covered by the 401(a) Plan for the year ended June 30, 2013, was $248,015 and the total payroll was $732,067. The ERS' contribution to the 401(a) Plan was $19,521 (2.7% of covered payroll) for the year ended June 30, 2013.

In addition, employees are eligible to participate in a Section 457 Deferred Compensation Plan. Participation is voluntary, and the ERS does not contribute to the 457 Plan. Upon termination of employment, the amount accumulated in the 457 Plan shall be made available to the employee or designee, in accordance with the policies and procedures of the 457 Plan and in compliance with IRS regulations. ERS employees electing to participate, do so in the Commission's Section 457 deferred compensation plan. The contributions made to this plan are held in trust for the exclusive benefit of participants and their beneficiaries.

9. Other Post-employment Benefits (OPEB)

Plan Description

In addition to the pension benefits provided for the ERS, the Commission provides post-retirement health care benefits under a cost sharing plan, in accordance with Commission approval, to all full-time and part-time career employees of the ERS who have been insured under any Commission-sponsored group medical plan during the three years immediately preceding the date of retirement or ability to prove similar coverage in another plan immediately prior to retirement. These benefits are administered through a separate trust of the Commission. Currently 2 ERS retirees are participating in the Commission's medical plans. The ERS contributes 80% of the amount of medical, dental, prescription and vision insurance rates for retirees. For ERS active employees, the ERS contributes 82.5% of the amount of all medical and dental insurance rates, except for the lowest cost medical plan and the prescription plan. The cost share for the lowest cost medical plan and the prescription plan remains at 85% paid by the ERS. The ERS contributes 80% of the low vision option. Detailed information of the plan may be accessed via the Commission's CAFR.

9. Other Post-employment Benefits (OPEB) (continued)

Funding Policy

In fiscal year 2008, the Commission and plan sponsor of the ERS began phasing in over an eight year period actuarially based funding of Other Post-Employment Benefits (OPEB) in connection with the implementation of the accounting requirements of GASB Statement No. 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions". The ERS pays the contributions based on requested actuarial funding amounts from the Commission. For the years ended June 30, 2015 and 2014, the ERS contributed \$11,934 and \$27,200, respectively. The OPEB is documented as a part of the Commission's CAFR. Questions concerning the OPEB information may be addressed to the Department of Finance, Office of the Secretary-Treasurer, The Maryland-National Capital Park and Planning Commission, 6611 Kenilworth Avenue, Suite 204, Riverdale, Maryland 20737 or via the Commission's website, http://www.mncppc.org (See Budget/CAFR).

10. Risk Management

The ERS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The ERS addresses these risks by purchasing workers' compensation (Maryland state mandatory limits) insurance, unemployment insurance, fiduciary liability, theft, and business owners insurance. The ERS did not pay any claims settlements in excess of insurance coverage in 2015 or 2014 nor was any insurance coverage reduced in 2015 or 2014. The ERS' employees have various options in their selection of health insurance benefits that are offered through the Commission's self-insurance program. The Commission self-insures the following medical plans: a health maintenance organization (HMO), an exclusive provider organization (EPO), a point of service (POS) as well as the prescription drug plan. All other group health insurance plans are fully insured including a dental plan and a vision plan with three coverage options.

11. Accounting Pronouncements

Statement No. 65, *Items Previously Reported as Assets and Liabilities*
This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement was effective for the reporting period ending June 30, 2014.

The adoption of this standard did not have a material impact on the ERS' financial statements.

The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans; an amendment of GASB Statement No. 5." This Statement replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements. The ERS implemented the effects of this Statement for the reporting period for fiscal years beginning after June 15, 2013. The effects of this Statement on the ERS were additional disclosures and required supplementary information as follows; the change to net position restricted for pensions; the money-weighted rate of return; the long term expected real rate of return; schedule of changes in net pension liability and related ratios; and schedule of employer contributions. The additional disclosures and required supplementary information were first included in the June 30, 2014 statements.

NOTES TO FINANCIAL STATEMENTS

11. Accounting Pronouncements (continued)

The GASB recently issued Statement No. 72 "Fair Value Measurement and Application". The statement addresses accounting and financial reporting related to fair value measurements of assets and liabilities. Guidance is provided around valuation techniques to measure fair value and extensive disclosures will be required around the hierarchy of inputs to valuation techniques used to measure fair value as established by the statement. Since the statement generally requires investments to be measured at fair value, the impact to the ERS' financial statements is expected to be minimal. However, the investment-related notes to the combining financial statements will need to be significantly enhanced to comply with this new standard. The requirements are effective for financial statements for periods beginning after June 15, 2015, resulting in planned initial implementation in the ERS' June 30, 2016 report.

12. Subsequent Events

At its June 18, 2014 meeting, the Commission adopted plan design changes as follows:

Effective January 1, 2016, employee contributions in Plan C will increase from 8.5% to 9% and Plan D will increase from 7.5% to 8%.

Required Supplementary Information Under GASB 67[1]

Schedule of Changes in Net Pension Liability and Related Ratios
For Years Ended June 30

	Fiscal Year	
	2015	**2014**
Total Pension Liability		
Service Cost	$19,015,744	$16,635,683
Interest	64,188,829	60,003,715
Changes in benefit terms	-	-
Difference between expected and actual experience	610,807	-
Changes in assumptions	9,147,692	-
Benefit payments, including refunds	(40,382,818)	(38,407,073)
Net Change in Total Pension Liability	$52,580,254	$38,232,325
Total Pension Liability - Beginning of Year	$869,431,917	$831,199,592
Total Pension Liability - End of Year	$922,012,171	$869,431,917
Plan Fiduciary Net Position		
Contributions – employer	$28,149,976	$28,750,323
Contributions – member	6,339,732	5,413,595
Net investment income	3,340,520	107,897,795
Benefit payments, including refunds	(40,382,818)	(38,407,073)
Admin. expenses	(1,587,371)	(1,487,210)
Net Change in Plan Fiduciary Net Position	$(4,139,961)	$102,167,430
Plan Fiduciary Net Position - Beginning of Year	796,135,587	693,968,157
Plan Fiduciary Net Position - End of Year	$791,995,626	$796,135,587
Net Pension Liability - Beginning of Year	$ 73,296,330	$137,231,435
Net Pension Liability - End of Year	130,016,545	$73,296,330
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.9%	91.6%
Covered Employee Payroll	$129,134,125	$129,911,593
Net Pension Liability as a percentage of Covered Payroll	100.7%	56.4%

[1]Data for 2006-2013 not readily available.

REQUIRED SUPPLEMENTARY INFORMATION UNDER GASB 67

Schedule of EMPLOYER Contributions
For Years Ended June 30

Year	Actuarially Determined Employer Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2006	8,337,228	8,337,228	-	106,258,394	7.8%
2007	9,824,590	9,824,590	-	109,579,279	9.0%
2008	10,561,434	10,561,434	-	109,579,279	9.6%
2009[1]	13,983,669	14,933,506	(949,837)	122,825,271	12.2%
2010	17,614,908	17,614,908	-	132,240,949	13.3%
2011[2]	35,206,700	25,633,000	9,573,700	142,590,713	18.0%
2012	32,182,287	32,182,287	-	140,407,414	22.9%
2013	23,806,058	23,806,058	-	132,490,722	18.0%
2014	28,750,323	28,750,323	-	129,911,593	22.1%
2015	28,149,976	28,149,976		129,134,125	21.8%

[1] An additional amount of $949,837 for a retirement incentive program offered by the Commission made the overall Employer Contribution for 2009 equal to $14,933,506.

[2] The Commission made a contribution of $25,633,000. As a result, the unfunded actuarial accrued liability will increase by $9,573,700 and will be amortized over 15 years as part of future annual required contributions.

The information presented in the Required Supplementary Schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the most recent actuarial valuation follows:

Actuarial Valuation Date	Actuarial Cost Method	Remaining Amortization Period	Amortization Method[(A)]	Asset Valuation Method[(B)]	Investment Rate of Return	Projected Salary Increases	Post-Retirement Benefit Increase[(C)]
07/01/14	Entry age Normal	15[(A)]	Open	5 year smoothing	7.3%	2.8% plus variable merit increases	3.0% (prior to 7/1/12/2.5% after 7/1/12)

A. The ERS changed the methodology for amortization of the unfunded actuarial accrued liability. Effective July 1, 2013, the new methodology used a fresh start approach and amortizes the unfunded actuarial accrued liability as of July 1, 2013 in equal payments over a closed 15 year period (ending June 30, 2028), and any remaining unfunded amount, as determined each year, over an open 15-year period.

B. A 5-year asset smoothing method is used as the actuarial value of assets to determine the funding requirements for the ERS.

C. Cost-of-living adjustments (COLA) for the Plans are based on 100% of the change in the CPI up to 3%, plus half of the change in the CPI in excess of 3%, up to 5% maximum COLA. Effective July 1, 2012 the portion of a person's retirement benefits attributable to credited service for periods on or after July 1, 2012 and earned unused sick leave beginning on or after January 1, 2013 are subject to a 2.5% maximum COLA.

Required Supplementary Information Under GASB 67

Schedule of Money-Weighted Rate of Returns[1]
For Years Ended June 30

	2015	2014	2013	2012	2011	2010
Annual money-weighted rate of return, net of investment expense	0.70%	15.30%	12.35%	3.01%	21.80%	14.48%

[1]Data for 2006-2009 not readily available.

Notes to Required Supplementary Information

The **Schedule of Changes in Net Pension Liability and Related Ratios** shows the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service and the liability of the Commission to plan members for benefits provided by the plan.

The **Schedule of Employer Contributions** highlights the historical actuarially determined contribution less the actual Commission contribution and reflects the actual contributions as a percentage of covered-employee payroll for the 10-year period ended June 30, 2015. With the exception of 2009 and 2011, the Commission has consistently contributed 100% of the actuarially determined employer contribution.

The **Schedule of Money-Weighted Rate of Returns** expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Supplementary Schedule

Schedule of Administrative Expenses
Fiscal Years Ended June 30

	2015	2014
Personnel services		
Salaries and wages	$ 773,367	$ 740,519
Social security contributions	56,828	54,539
Retirement contributions	102,067	96,930
Insurance contributions	123,872	113,916
Other employee benefits	35,318	45,479
Unemployment compensation	1,134	336
Total personnel services	1,092,586	1,051,719
Professional and contractual services		
Actuarial	42,360	39,440
Auditing	26,461	29,289
Legal	178,308	113,730
Computer services	70,150	62,175
Other contractual services	3,595	3,010
Total professional and contractual services	320,874	247,644
Communication costs		
Advertising	0	1,970
Printing	0	1,029
Telephone	2,251	684
Postage	5,754	322
Travel, conference and meetings	11,774	14,769
Total communication costs	19,779	18,744
Other services and charges		
Office space rental	86,317	78,560
Equipment leasing	4,142	0
Furniture and equipment	7,187	7,717
Supplies	4,488	3,919
Maintenance	3,170	23,755
Bonding and insurance	35,928	35,253
Dues and subscriptions	2,455	2,255
Other services	3,442	5,944
Total other services and charges	147,129	157,403
Depreciation	7,003	11,670
Total	$ 1,587,371	$ 1,487,210

Supplementary Schedule

Schedule of Investment Expenses
Fiscal Years Ended June 30

	2015	2014
Investment managers		
Fixed income	$ 635,606	$ 685,755
U.S. Equity	276,229	252,192
International equity	1,185,952	1,210,187
Private equity	30	12
Real assets	273,257	234,115
Total investment managers' fees	2,371,074	2,382,261
Other investment service fees		
Custodian fees	286,571	300,402
Investment consulting fees	196,700	192,700
Security lending fees:		
Borrower rebate	(49,595)	(253,167)
Management fees	64,953	175,754
Total other investment service fees	498,629	415,689
Total	$ 2,869,703	$ 2,797,950

Schedule of Payments to Consultants
Fiscal Years Ended June 30

Firm Name	Nature of Service	2015	2014
CliftonLarsonAllen, LLP	Auditor	$ 26,461	$ 29,289
Wilshire Associates, Inc.	Investment Consultant	196,700	192,700
Boomershine Consulting Group, LLC	Actuary	42,360	39,440
GROOM Law Group	Legal	114,108	49,530
The Maryland-National Capital Park and Planning Commission Legal Department	Legal	64,200	64,200
The Maryland-National Capital Park and Planning Commission Finance Department	Computer Services	47,200	47,200
Total		$ 491,029	$ 422,359

INVESTMENT
Section

Investment Manager Directory

U.S. EQUITIES

Artisan Partners, L.P.
BlackRock Institutional Trust Company, N.A.
J.P. Morgan Investment Management
The Northern Trust Company
RhumbLine Advisors, L.P.

INTERNATIONAL EQUITIES

Capital Group
Earnest Partners, L.L.C.

FIXED INCOME

Core Fixed Income

C.S. McKee, L.P.
Eaton Vance Management

High Yield Fixed Income

Loomis Sayles & Company, L.P.
Neuberger Berman Fixed Income, LLC

Opportunistic Fixed Income

Golub Capital
Western Asset Management Company
Oaktree Capital Management, L.P.

Bank Loans

Voya Investment Management

PRIVATE REAL ASSETS

FLAG Capital Management, LLC
Principal Global Investors, LLC

PUBLIC REAL ASSETS

State Street Global Advisors

PRIVATE EQUITY

Wilshire Associates Inc.

INVESTMENT CONSULTANT'S REPORT

To: Andrea Rose, Administrator
The Maryland-National Capital Park and Planning Commission
Employees' Retirement System Board of Trustees

From: Bradley A. Baker, Vice President
Wilshire Associates ("Wilshire")

Date: August 17, 2015

Subject: Annual Investment Consultant's Review

Overview

The overall goal of Maryland-National Capital Park and Planning Commission Employees' Retirement System ("ERS") is to provide benefits, as anticipated under the ERS governing plan document, to its participants and their beneficiaries through a carefully planned and executed investment program. Through this program, the ERS seeks to produce a return on investment commensurate with levels of liquidity and investment risk that are prudent and reasonable given the financial status of the ERS and the prevailing capital market conditions. While the ERS recognizes the importance of the preservation of capital, it also recognizes the critical importance of a reasonable investment return in meeting the long-term financial requirements of the ERS. It adheres to the theory of capital market pricing that maintains that varying degrees of investment risk should be rewarded with varying levels of compensating return. Consequently, prudent risk-taking is both necessary and justifiable.

The asset allocation policy is based on data and calculations resulting from the Actuarial Valuation conducted by the actuary, Boomershine Consulting Group, and the subsequent Asset/Liability study conducted by the investment consultant, Wilshire Associates, presented March 6, 2012.

The asset allocation policy was amended in fourth quarter 2013 following the approval of the Bank Loans allocation and offsetting reduction to U.S. Core Fixed Income allocation. This asset allocation policy has been implemented as of first quarter of 2014, with the exception of the private investments which will fund gradually over time.

Asset Class	Target %	Range %
U.S. Equities	23.0	18-28
International Equities	23.0	18-28
Private Equities	5.0	0-8
Total Equities	***51.0***	***46-56***
U.S. Core Fixed Income	10.0	5-15
High Yield Fixed Income	7.5	5-10
Bank Loans	4.0	2-6
Global Opportunistic Fixed Income	7.5	5-10
Total Fixed Income	***29.0***	***24-34***
Public Real Assets	5.0	0-15
Private Real Assets	15.0	5-20
Total Real Assets	***20.0***	***10-25***

Outline of Investment Policies

The policies and procedures of the investment program guide its implementation and outline the specific responsibilities of the ERS.

Therefore, it is the policy of the ERS to:

1 Base the investment of the assets of the ERS on a financial plan that will consider:

a. The financial condition of the ERS
b. The expected long-term capital market outlook
c. The ERS' risk tolerance
d. Future changes of active and retired participants
e. Projected inflation and the rate of salary increases
f. Cash flow requirements
g. Targeted funding level as a percentage of the actuarial funding target.

In developing its financial plan, the Board has relied on the ERS' investment consultant, as one of the ERS' expert fiduciaries, to advise the Board as to the long-term capital market outlook and the Board's options available to meet its investment objectives in light of that investment outlook. The investment consultant has advised the Board as to the potential impact on the funding level of alternative investment policies in terms of risk and return based on various levels of asset diversification and the current and projected liability structure of the ERS. Based on this advice, the Board has adopted an overall investment performance goal commensurate with the level of risk necessary to reach those goals.

2. Based on the financial plan and the advice of the investment consultant, the Board shall determine the specific allocation of the investments among the various asset classes considered prudent given the ERS' liability structure. The long-term asset allocation shall be expressed in terms of a target and ranges for each asset class to provide sufficient flexibility to take advantage of short-term market opportunities as they may occur. Asset allocation shall be sufficiently diversified to maintain a prudent level of risk, as determined by the Board, based on the investment consultant's expert opinion and projections that utilize reasonable, generally accepted capital market assumptions to ensure the current asset mix has a high probability of achieving the long-term goals of the retirement program.

3. In accordance with the asset allocation guidelines so adopted, the ERS' investment consultant shall advise and recommend to the Board external investment managers with demonstrated experience and expertise whose investment styles collectively will implement the planned asset allocation. Based on these recommendations, the Board will select the investment advisors that it deems most capable of carrying out the ERS' investment objectives. Upon the advice of the investment consultant, the Board will set guidelines for these managers and regularly review their investment performance against stated objectives.

4. It is the responsibility of the Board to administer the investments of the ERS at the lowest reasonable cost, taking into account the need to ensure quality. These costs include, but are not limited to, management and custodial fees, consulting fees, transaction costs, and other administrative costs chargeable to the ERS.

The Board of the ERS has general supervision of the investment and reinvestment of the funds of the ERS (the "Funds"). The specific investment-related duties of the Board and, by delegation, of its investment consultant and advisors, include but are not limited to:

1. Selection and appointment of investment consultant and management professionals to assist the Board to carry out its duties;

2. Establishment and implementation of investment policy with the advice and assistance of the Board's investment consultant and investment advisors;

3. Review and general supervision of the activities of the Board's investment consultant and investment advisors with regard to the ERS' assets.

Investment Results

The investment results provided are calculated by the ERS' investment consultant, Wilshire Associates. The returns are accurate and representative of the actual performance of the Plan. The following describes the performance measurement process that is used to arrive at the investment results:

Performance measurement reporting begins with the monthly collection of data from three sources:

- Banks – Wilshire obtains transaction and asset information from trustee banks electronically. These transactions and security holdings are then loaded into client files on Wilshire's performance measurement system. Wilshire also tracks the availability and timeliness of statements sent by trustee banks. In addition, Wilshire has a dedicated team of data analysts responsible for maintaining statement receipts and portfolio data feeds, and loading asset portfolios into the performance system.

- Investment Managers – Wilshire receives investment manager returns and detailed account statement information to use in the return reconciliation process.

- External Data Vendors and Wilshire Data Sources – Wilshire's centralized security data division collects extensive security level data from external data vendors, while the index department collects returns and portfolios on over 800 benchmarks. Wilshire's manager research department collects manager returns and portfolios for the construction of universes. This data is also loaded into the performance system.

Monthly rates of return are calculated by running each transaction file with time-weighted return software written by Wilshire. Wilshire's calculation procedure is consistent with the recommendations of both the CFA Institute and the Bank Administrative Institute.

Tolerance ranges have been established for each asset class for return variance with the manager. When returns fall outside this tolerance range, Wilshire will review individual holdings, prices, accruals, cash flows and fees to determine where the discrepancies lie. If an error has been made, Wilshire will work with appropriate parties to correct the error. If the difference is due to structural differences in the way the sources perform their calculations, Wilshire will include an explanation in the reconciliation. Reconciliation work is documented and can be provided to the client for its records.

Market Overview

Major Asset Class Returns for Periods Ending June 30, 2015

	QTR	YTD	1 Year	3 Year	5 Year	10 Year
Equity						
Wilshire 5000 Index	0.1	1.7	7.1	17.5	17.3	8.2
Standard & Poor's 500 Index	0.3	1.2	7.4	17.3	17.3	7.9
MSCI EAFE (N) Index	0.6	5.5	-4.2	12.0	9.5	5.1
MSCI ACWI ex-U.S. (N) Index	0.5	4.0	-5.3	9.4	7.8	5.5
MSCI Emerging Market (N) Index	0.7	3.0	-5.1	3.7	3.7	8.1
Fixed Income						
Barclays Aggregate Bond Index	-1.7	-0.1	1.9	1.8	3.4	4.4
Merrill Lynch High Yield BB/B Index	0.0	2.7	0.7	6.8	8.4	7.3
S&P LSTA Leverage Loan Index	-0.1	1.8	0.3	4.4	5.3	--
Barclays Global Aggregate Index	-1.2	-3.1	-7.1	-0.8	2.1	3.5
Treasury Bills (91 Day)	0.0	0.0	0.0	0.1	0.1	1.4
Real Assets						
Barclays U.S. TIPs Index	-1.1	0.3	-1.7	-0.8	3.3	4.1
Bloomberg Commodity Index	4.7	-1.6	-23.7	-8.8	-3.9	-2.6
Wilshire Global REIT Index	-7.8	-4.1	2.6	9.5	14.6	6.4
NCREIF ODCE (N) Index	3.6	6.8	13.4	12.1	13.3	5.9
U.S. CPI	1.1	1.6	0.1	1.3	1.8	2.1

US Equity Market

The U.S. stock market was flat for the second quarter of 2015, up just 0.06%. Although news out of Europe concerning the fate of Greece dominated the headlines as the quarter ended, there is no evidence that the broad market is overly concerned as implied volatility measures remain within a normal range. The likely reason is that Greece does not pose the same threat to the global economy that it once did. Most of its debt is now held by other governments and the IMF while potential contagion economies such as Spain have improved.

Large capitalization stocks outperformed smaller shares during the quarter while growth stocks led value. Sector performance was mixed with five of the ten sectors finishing in positive territory. Health Care and Telecom Services were the leaders and Utilities were the primary laggard.

Employment conditions in the U.S. have slowly but steadily been improving since the Credit Crisis. One aspect of the overall picture that is finally showing signs of life is wages. The Employment Cost Index has strengthened after years of inflation-like increases. Should wage growth continue, it would provide the Federal Reserve additional cover if they decide to raise rates in 2015.

Non-U.S. Equity

The European stock market rally that ushered in 2015 was brought to an abrupt end by the late-June breakdown in negotiations between the European Central Bank and beleaguered Greece, resulting in a second-quarter loss for European region stocks in local currency terms. Pacific region stocks also lost ground in June, but returned positive performance for the second quarter, adding to their strong first-quarter returns. The U.S. dollar fell against European currencies, however, improving performance for U.S.-based investors. China's stock market suffered a deep correction in June, but year-to-date its run-up has been stunning, underpinning gains in emerging market equities as a whole.

Fixed Income

Although the U.S. Federal Reserve refrained from raising short-term interest rates, investors still began selling bonds to lock in gains and prepare for higher rates by year-end. U.S. Treasury yields rose during the quarter at all maturities beyond one year. Short-maturity bonds trimmed their losses relative to longer-term paper, unsurprisingly. Sluggish corporate earnings growth and broad investor rotation out of bonds drove credit spreads somewhat wider during the second quarter.

Portfolio Review

The ERS net of fee investment performance as of June 30, 2015 is detailed in the following table:

Maryland-NCPPC ERS	$'000	Comp %	Calendar YTD %	1 Year %	3 Years %	5 Years %	Inception %
Total Fund (9/30/89)	**793,638**	**100.0%**	**1.7**	**0.6**	**9.0**	**10.1**	**7.7**
Policy Index/Blended Benchmark			*2.0*	*0.8*	*9.0*	*10.4*	*8.1*
Domestic Equity Comp (9/30/89)	**180,489**	**22.7%**	**1.9**	**6.3**	**16.5**	**16.5**	**9.4**
Wilshire 5000 Index			*1.7*	*7.1*	*17.5*	*17.3*	*9.5*
International Equity Comp (3/31/95)	**186,178**	**23.5%**	**3.7**	**-3.7**	**10.8**	**9.0**	**6.2**
Policy Index			*4.0*	*-5.3*	*9.4*	*8.0*	*4.9*
Private Equity Comp (6/30/13)	**13,850**	**1.7%**	**-3.9**	**1.0**	**--**	**--**	**-2.3**
Wilshire 5000 Index			*1.7*	*7.1*	*--*	*--*	*15.7*
Fixed Income Comp (9/30/89)	**242,679**	**30.6%**	**1.7**	**0.9**	**3.7**	**5.9**	**6.7**
Barclays Aggregate Bond Index			*-0.1*	*1.9*	*1.8*	*3.4*	*6.4*
Private Real Asset Comp (9/30/07)	**77,769**	**9.8%**	**1.5**	**8.6**	**8.8**	**10.6**	**0.5**
Policy Index			*4.1*	*5.1*	*9.1*	*11.5*	*1.7*
Public Real Asset Comp (3/31/13)	**85,344**	**10.8%**	**-3.0**	**-9.1**	**--**	**--**	**-2.4**
Policy Index			*-2.9*	*-9.0*	*--*	*--*	*-2.4*
Managed Cash	**7,329**	**0.9%**	**--**	**--**	**--**	**--**	**--**

The chart above shows the calendar YTD, one, three, five and inception-to-date returns for the total fund and each of the underlying composites (Periods greater than one year represent annualized figures). The chart shows the relevant broad market benchmark for the asset classes. As applicable, it also shows the policy index which is a blend of benchmarks used currently and historically; and in some cases represents a weighted benchmark consisting of multiple indexes.

The Maryland-NCPPC ERS' total portfolio posted a positive return of +0.6% over the trailing one-year period ending June 30, 2015. During this period, the portfolio slightly trailed its policy index which returned 0.8%. Over the past one-year period, asset classes that positively contributed to absolute performance were Domestic Equity, Fixed Income, and Private Real Assets, while International Equity and Public Real Assets posted negative returns. Despite somewhat muted results over the one year period, total portfolio results over longer term periods represent substantial gains. Total portfolio returns have been +9.0% and +10.1% over the three year and five year periods, respectively, which are on an average annualized basis. A strong equity market, both domestically and internationally, combined with a continued recovery in the private real estate market have contributed to absolute returns during these longer term periods.

Within equity markets, the domestic equity composite posted a +6.3% return compared to that of the Wilshire 5000 Index over the trailing one year period ending June 30, 2015. Longer term results over the three- and five-year periods were very strong, posting a +16.5% return during each of those time periods. Within international equity markets, the appreciation of the U.S. Dollar was the leading story as investors were greatly impacted by holding international stocks in U.S. Dollars. The MSCI ACWI ex-U.S. Index, comprised of both developed and emerging market stocks, was down -5.3% over the trailing one-year period in U.S. Dollar terms, but posted strong returns of +9.6% in local currency terms. Despite negative absolute returns of -3.7% for the international equity portfolio during this time period, the portfolio outpaced the policy index return of -5.3%. Lastly, private equity investments continue to mature and be funded, however, nearly all investments are still early in their lifecycles and results are not meaningful at this stage.

The fixed income composite returned +0.9% during the past year, whereas the domestic investment grade market represented by the Barclays Aggregate Index returned +1.9%. "Non-core" investment within the fixed income portfolio including high yield and global/opportunistic strategies negatively impacted the total fixed income portfolio relative to the broader investment grade fixed income market. During the year, an additional allocation was made to the aforementioned global/opportunistic portfolio. This commitment will represent investments in private, direct lending primarily focused on senior secured loans in the middle market sector of the U.S. economy, which could offer premium yields over traditional fixed income investments.

While private real assets posted strong trailing one-year absolute returns of +8.6%, public real assets posted negative results of -9.1%. The public real assets composite is implemented with underlying index exposures to Treasury inflation-protected securities, global real estate securities, commodities, and global natural resource equities. Collectively, these publicly traded investments returned -9.1% for the year, closely matching the benchmark for this strategy. Negative absolute returns were primarily driven by the sell-off in the commodity market, directly being affected by a sharp decline in oil prices. The private real assets composite returned +8.6% for the trailing one-year period. A portion of this portfolio has benefited from the continued recovery of the commercial and residential real estate market since the global financial crisis. The remaining portion of the portfolio provides exposure to various natural resource and energy related investments, many of which are early in their lifecycles and results are not fully meaningful at this stage.

The ERS Board continued its efforts in maintaining best practices with its investment monitoring, focused on competitive fees and ongoing education. Current portfolio investment are reviewed and monitored on ongoing basis, while due diligence on potential investments opportunities are conducted on a regular basis.

If you have any questions or need any further information regarding the Plan or investment results, please don't hesitate to contact me.

Sincerely,

Bradley A. Baker

Bradley A. Baker

Vice President

Investment Manager Matrix

As of June 30, 2015

Manager Name and/or Fund Name	Style	Account Balance $(000)	% of Fund
U.S. Equities			
Artisan Small Cap Value Fund	Small Cap Value	$ 17,528	2.2%
Blackrock Equity Index Fund	Large Core	56,321	7.1%
J.P. Morgan Commingled Pension Trust Fund (US Active Core Plus Equity)	130/30 Short Extension	22,367	2.8%
Northern Trust Collective Russell 2000 Growth Index Fund	Small Cap Growth	18,421	2.3%
RhumbLine S&P 500 Pooled Index Trust	Large Core	65,852	8.3%
		$ 180,489	**22.7%**
International Equities			
Capital Group Institutional All Countries Equity Trust	ACWI ex-U.S.	$ 92,896	11.7%
Earnest Partners, L.L.C.	ACWI ex-U.S.	93,282	11.8%
		$ 186,178	**23.5%**
Private Equity			
Wilshire MNCPPC Employee Retirement System Global, L.P.	Other	**$ 13,850**	**1.7%**
Fixed Income			
C.S. McKee, L.P.	Core	$ 41,844	5.3%
Eaton Vance Management	Core	41,336	5.2%
Golub Capital	Middle Market Direct Lending	15,310	1.9%
Loomis Sayles High Yield Full Discretion Trust	High Yield	30,954	3.9%
Neuberger Berman High Yield Bond Fund, LLC	High Yield	30,043	3.8%
Voya Senior Loan Fund	Bank Loans	33,182	4.2%
Western Asset Global Multi-Sector, LLC	Global Multi-Sector	43,781	5.5%
Oaktree Real Estate Debt Fund, L.P.	Real Estate Debt	3,159	0.4%
Oaktree Opportunities Fund VIII, L.P.	Distressed Opportunities	2,984	0.4%
Other[2]		86	0.0%
		$ 242,679	**30.6%**
Private Real Assets			
Principal U.S. Property Account	Real Estate	$ 52,731	6.6%
FLAG Energy & Resources Partners II, L.P.	Real Assets	11,295	1.4%
FLAG Real Estate Partners II, L.P.	Real Estate	7,048	0.9%
FLAG Energy & Resources Partners III, L.P.	Real Assets	4,720	0.6%
FLAG Real Estate Partners III, L.P.	Real Estate	1,975	0.3%
		$ 77,769	**9.8%**
Public Real Assets			
SSgA Custom Real Asset Non-Lending Strategy	Diversified	**$ 85,344**	**10.8%**
Cash		**$ 7,329**	**0.9%**
TOTAL		**$ 793,638**[1]	**100%**

[1] Net of Accrued Income on Investments and Investments Payable

[2] Adelphia and Century Securities Only

List of Largest Held Domestic Equities

As of June 30, 2015

Equity Income Securities	No. of Shares		Fair Value
ADR ARM HLDS PLC SPONSORED ISIN US0420681068	79,555	$	3,919,675
SHIRE PLC ORD GBP0.05	46,819		3,751,563
ICON PLC COM	55,519		3,736,429
DENSO CORP NPV	59,800		2,979,126
EVEREST RE GROUP COM	15,041		2,737,612
DNB ASA NOK10	157,775		2,623,066
ADR NOVARTIS AG	25,386		2,496,459
ROCHE HLDGS AG GENUSSCHEINE NPV	8,870		2,486,694
AMADEUS IT HLDGS EUR0.01	61,690		2,457,620
CARNIVAL CORP COM PAIRED	48,289		2,384,994
CORE LABORATORIES NV NLG0.03	20,911		2,384,690
SECOM CO NPV	33,200		2,155,633
DIAGEO ORD PLC	73,901		2,139,686
ADVANCED SEMICONDT TWD10	1,421,000		1,925,094
GETINGE AB SER'B'NPV	76,577		1,841,170
ADR HDFC BK LTD ADR REPSTG 3 SHS	28,522		1,726,437
ADR ICICI BK LTD	159,451		1,661,479
DBS GROUP HLDGS NPV	108,000		1,659,502
ORIENT O/SEAS INTL USD0.10	303,000		1,549,677
VOESTALPINE AG NPV	36,714		1,527,049

A complete list of assets can be obtained at the office of the Employees' Retirement System.

List of Largest Held Fixed Income

As of June 30, 2015

Fixed Income Securities	Par	Fair Value
CF WESTN ASST GBL MULTI-SECTOR LLC FD	2,777,112	$ 43,781,173
CF LOOMIS HIGH YIELD FULL DISCRETION NHIT A FUND	1,652,643	30,954,002
CF NEUBERGER BERMAN HI YEILD BD LLC FD	744,541	30,042,666
UNITED STATES TREAS NTS DTD 00152 4.625%DUE 02-15-2017 REG	6,259,000	6,672,682
UNITED STATES TREAS BDS 3.625 DUE 02-15-2044 TBOND	1,795,000	1,973,518
US OF AMER TREAS NOTES IDX LKD NT 1.375 NTS TIPS 1/15/2020	1,075,000	1,257,328
US TREAS INFL INDEXED BONDS 2.375 DUE 01-15-2025 BEO	810,000	1,195,971
FEDERAL HOME LN MTG CORP POOL #Q2-1661 3.5% 09-01-2043 BEO	1,024,495	1,055,271
FNMA STEP UP DUE 02-28-2028	920,000	916,283
FNMA STEP UP 04-28-2028	858,000	844,735
UNITED STATES TREAS BDS DTD 02/15/2006 4.5% DUE 02-15-2036 REG	670,000	842,420
VERIZON COMMUNICATIONS 6.4 NTS DUE 09-15-2033 USD REG	537,000	615,370
FNMA STEP UP 08-23-2027	570,000	566,529
FEDERAL NATL MTG ASSN GTD MTG POOL #AK3264 3% 02-01-2027 BEO	543,294	564,211
FEDERAL HOME LN MTG CORP POOL #G0-8592 4% 06-01-2044 BEO	527,487	557,866
UNITED STATES TREAS NTS DTD 00306 2.625%DUE 08-15-2020 REG	530,000	554,223
FNMA POOL #890427 3.5% 04-01-2042 BEO	520,225	537,866
GEORGE WASH UNIV 1.827 DUE 09-15-2017	496,000	502,691
UNITED STATES TREAS BDS DTD 08/15/1995 6.875% DUE 08-15-2025 REG	350,000	495,359
UNITED STATES TREAS BDS 2.875 DUE 05-15-2043	514,000	489,826

A complete list of assets can be obtained at the office of the Employees' Retirement System.

Schedule of Broker Commissions

As of June 30, 2015

Broker	Shares	Commissions	Commission per share
BARCLAYS CAPITAL	147,010	1,224	0.833%
BLOOMBERG TRADEBOOK EUROPE LIMITED	432,900	205	0.047%
BLOOMBERG TRADEBOOK LLC	9,600	483	5.031%
BNY CONVERGEX EXECUTION SOLUTIONS	1,785,455	1,641	0.092%
BROCKHOUSE & COOPER NY	1,371	39	2.829%
CANTOR FITZGERALD AND CO.	18,546	51	0.274%
CANTOR FITZGERALD AND CO. INC.	1,763	35	2.000%
CAPITAL INSTITUTIONAL SERV NEW YORK	15,403	539	3.500%
CHEEVERS AND COMPANY, INC.	2,100	42	2.000%
CITIBANK N.A.	2,689	43	1.599%
CITIGROUP GLOBAL MARKETS INC.	260,473	3,732	1.433%
CITIGROUP GLOBAL MARKETS LIMITED	112,289	4,368	3.890%
CITIGROUP GLOBAL MKT TAIWAN SEC CO	28,000	103	0.367%
COLLINS STEWART	11,700	410	3.500%
CREDIT AGRICOLE SECURITIES USA INC	7,742	375	4.839%
DEUTSCHE BANK SECURITIES INC.	58,546	51	0.087%
DEUTSCHE BANK SECURITIES	5,981	1,302	21.774%
GOLDMAN SACHS INTERNATIONAL	1,967	121	6.158%
GOLDMAN, SACHS AND CO.	17,000	40	0.235%
ICAP DO BRASIL DTVM LTDA	4,300	36	0.839%
INVESTMENT TECHNOLOGY GROUP INC.	5,117	195	3.808%
INVESTMENT TECHNOLOGY GROUP LTD.	67,734	572	0.844%
ITG HONG KONG LIMITED	104,000	66	0.063%
J.P. MORGAN CLEARING CORP.	7,798	214	2.742%
J.P. MORGAN SECURITIES LLC	3,000	57	1.898%
J.P. MORGAN SECURITIES PLC	6,100	765	12.540%
JEFFERIES LLC.	274,117	2,059	0.751%
JOH. BERENBERG,GOSSLER UND CO.KG	27,465	174	0.634%
JONES TRADING INSTITUTIONAL SERVICE	21,034	1,916	9.111%
JPMORGAN SECURITIES (ASIA PACIFIC)	667,000	318	0.048%
KEPLER CAPITAL MARKETS	83,212	667	0.801%
MACQUARIE BANK LIMITED	1,500	258	17.193%
MACQUARIE SECURITIES USA INC	17,103	599	3.500%
MERRILL LYNCH AND CO., INC.	9,296	1,322	14.222%
MERRILL LYNCH INTERNATIONAL LIMITED	3,866	779	20.162%
MERRILL LYNCH PIECE FENNER & SMITH	266,000	1,950	0.733%
MIRAE ASSET SECURITIES	199	160	80.472%
MORGAN STANLEY AND CO., LLC	1,485,359	8,645	0.582%
NOMURA FINANCIAL AND INVESTMENT (KO)	635	202	31.874%
OPPENHEIMER AND CO, INC.	11,250	394	3.500%
PAREL	2,876	41	1.414%
PERSHING LLC	7,660	315	4.110%
PIPER, JAFFRAY AND HOPWOOD	8,346	292	3.500%
RAYMOND JAMES AND ASSOCIATES	3,328	296	8.892%
RBC CAPITAL MARKETS, LLC	3,874	136	3.500%
RBC EUROPE LIMITED	143	101	70.497%
ROBERT W. BAIRD CO. INCORPORATED	3,600	126	3.500%
SANFORD C. BERNSTEIN AND CO., LLC	1,100	39	3.500%
SIMMONS & CO - NEW YORK	2,900	102	3.500%
STIFEL NICOLAUS & CO. INCORORATED	32,660	1,315	4.027%
SUNTRUST ROBINSON HUMPHREY, INC.	11,095	388	3.500%
TOPEKA CAPITAL MARKETS	741	26	3.501%
WEDBUSH MORGAN SECURITIES	11,700	410	3.500%
WELLS FARGO BANK, N.A.	34,985	1,645	4.701%
WILLIAM BLAIR AND COMPANY	15,980	573	3.588%
Total	**6,127,608**	**41,957**	

The above table is a condensed version of brokers' commissions. A complete list can be obtained at the office of the Employees' Retirement System.

ACTUARIAL
Section

ACTUARY'S CERTIFICATION LETTER

BOOMERSHINE CONSULTING GROUP, LLC
ACTUARIAL & RETIREMENT PLAN SOLUTIONS

THE MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

October 23, 2014

Board of Trustees
The Maryland-National Capital Park and Planning Commission
Employees' Retirement System
6611 Kenilworth Avenue, Suite 100
Riverdale, MD 20737

Re: The M-NCPPC Employees' Retirement System
Annual Review and Actuarial Valuation as of July 1, 2014

Dear Board Members:

This report presents the results of the Annual Review and Actuarial Valuation of The Maryland-National Capital Park and Planning Commission Employees' Retirement System (System) prepared as of July 1, 2014 and sets forth the recommended contribution for the Fiscal Year ending June 30, 2016, according to the System's funding policy.

The valuation was performed on the basis of employee census data as of July 1, 2014 and investment fund data as of July 1, 2014, submitted by the Retirement System staff to Boomershine Consulting Group (BCG). BCG did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

Beginning with the July 1, 2012 Valuation, the System retained BCG to perform annual valuations.

The report was prepared in accordance with generally accepted actuarial principles and practices. In the opinion of the System and its actuaries, the actuarial assumptions used in our calculations are individually reasonable and reasonable in the aggregate as related to Plan experience and expectations, and represent the best estimate of anticipated Plan experience.

The schedules prepared by BCG, and included in the System's Comprehensive Annual Financial Report, are the following:

- Summary of Actuarial Assumptions and Methods
- Schedule of Employer Contributions (required supplementary information)
- Schedule of Funding Progress
- Solvency Test*

*The amounts in these schedules are based on BCG's results for the valuation dates since and including July 1, 2011 (with revision to AON Hewitt's amounts) and later, and AON Hewitt's results for the valuation dates July 1, 2007 through July 1, 2010. The amounts for the earlier valuation dates are from the actuarial valuation reports of the System's prior actuary.

The amounts in the Schedule of Employer Contributions are based on BCG's valuation results for years since and including fiscal year 2013; AON Hewitt's valuation results for the fiscal years ending June 30, 2009 through June 30, 2012 with modifications by BCG for 2013. The amounts for earlier years are from the actuarial valuation reports of the System's prior actuary. The amounts in the Schedule of Funding Progress are based on BCG's results for the July 1, 2012 through July 1, 2014 valuations; AON Hewitt's results for the valuation dates July 1, 2007 through July 1, 2011, with modifications by BCG for 2011. The amounts for the earlier valuation dates are from the actuarial valuation reports of the System's prior actuary.

FUNDING RECOMMENDATION AND CHANGE IN PLAN COSTS

There was a decrease in the Recommended Contribution as a Percentage of Payroll. The return on the Market Value of Assets and the Actuarial Value of Assets was greater than the expected return for the 2014 Fiscal Year, resulting in an investment gain on the Actuarial Value of Assets.

A contribution of $27,191,305 is the recommended total to meet the System's funding objectives for the 2015-16 fiscal year. This contribution represents 20.14% of covered payroll.

A breakdown of the contribution payable July 1, 2015 between Park Police and Non-Police employees is shown below:

	7/1/2015 Amount	2014 Payroll	% of Payroll
Non-Police	$22,399,554	$121,352,682	18.46%
Park Police	4,791,751	13,689,120	34.55%
Total	$27,191,305	$135,041,803	20.14%

The Net Employer Normal Cost payable at the beginning of the year increased from $11,465,417 (8.9% of payroll) to $13,023,696 (9.6% of payroll). The amortization of the Unfunded Actuarial Accrued Liability decreased from $14,744,989 to $12,317,687 primarily due to an actuarial gain on the Actuarial Value of Assets.

The breakdown of the actuarial gain is as follows:

	7/1/2014 Amount	% of Liability/Assets
NET LIABILITY (GAIN)/LOSS		
Salary Increases More than Expected	6,585,600	0.8%
New Hires	1,403,959	0.2%
New Terminations and Retirements	4,500,061	0.5%
COLA Increases Less Than Expected	(6,566,715)	(0.8)%
Other Experience	(5,438,218)	(0.6)%
Total Liability (Gain)/Loss	484,686	0.1%
ACTUARIAL ASSET VALUE (GAIN)/LOSS	(32,019,579)	(4.2)%
NET ACTUARIAL (GAIN)/LOSS	$(31,534,893)	

Plan Provisions and Assumption Changes in the Funding Valuation

1) The investment assumption was changed from 7.4% to 7.3% with a corresponding decrease in the salary scale assumption by 0.1%.

2) Employee contributions in Plan A was changed from 6.5% to 7.0% and for Plan B was changed from 3.5% to 4% of Base Pay up to the Social Security Wage Base and from 6.5% to 7% of Base Pay in excess of the Social Security Wage Base.

A separate report for accounting purposes, in compliance with GASB Statement 67, will now be issued annually for the System.

Plan Assets

A 5-year asset smoothing method is used as the Actuarial Value of Assets to determine the funding requirements for the System. The return on the Actuarial Value of Assets was 12.2% during the past year, which is greater than the assumed return. Over the five year period ending on the valuation date, the return on the Actuarial Value of Assets was 7.04%. The total Actuarial Value of Assets as of July 1, 2014 is $766,531,514.

The total Market Value of Assets as of July 1, 2014 is $824,285,563. The return on the Market Value of Assets was 15.3% during the past year, which was greater than the assumed return. Over the 5-year period ending on the valuation date, the return on the Market Value of Assets was 12.7%, which is higher than the return assumption.

The Actuaries whose signatures appear below meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. Please call if you have any questions with regard to the matters enumerated in this report.

BCG's relationship with the Plan and the Plan Sponsor is strictly professional. There are no aspects of the relationship that may impair or appear to impair the objectivity of BCG's work.

We appreciate the opportunity to present the results of this valuation to the Pension Trustees.

Sincerely,

David S. Boomershine, EA, MAAA, FCA, MSPA
Senior Actuary and President

Gregory M. Stump, FSA, EA, MAAA, FCA
Senior Actuary

Sunita Bhatia, EA, ASA, ACA, MAAA
Senior Consultant

ACTUARY'S CERTIFICATION LETTER

September 18, 2015

Board of Trustees
The Maryland-National Capital Park
and Planning Commission
Employees' Retirement System
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

Re: The M-NCPPC Employees' Retirement System FY2015 GASB 67-68 Disclosure Information (For Financial Reporting Purposes)

Dear Board Members:

This report presents the Governmental Accounting Standards Board (GASB) information based on the Annual Review and Actuarial Valuation of The Maryland-National Capital Park and Planning Commission Employees' Retirement System (System) prepared as of July 1, 2014.

The valuation was performed on the basis of employee census data as of July 1, 2014 and investment fund data as of June 30, 2015, submitted by the System. BCG did not audit the employee data and financial information used in this valuation. On the basis of our review of this data, we believe that the information is sufficiently complete and reliable and that it is appropriate for the purposes intended.

The report was prepared in accordance with generally accepted actuarial principles and practices. In the opinion of the System and its actuaries, the actuarial assumptions used are reasonably related to Plan experience and expectations, and represent the best estimate of anticipated Plan experience.

The schedules prepared by BCG and included in the System's Comprehensive Annual Financial Report are the following:

- Long Term Expected Real Rate of Return
- Sensitivity of the Net Pension Liability to Changes in the Discount Rate
- Development of Net Pension Liability
- Changes in Net Pension Liability
- Schedule of Employer Contributions (required supplementary information)

The Total Pension Liability under GASB 67, as of June 30, 2015 is $922,012,171, compared to the Plan Fiduciary Net Position of $791,995,626, resulting in a (GASB) funding ratio of 85.9%, and a Net Pension Liability of $130,016,545. The ratio represents a 5.7% decrease from one year ago.

The undersigned are members of the American Academy of Actuaries, and are qualified to render the actuarial opinions presented in this report.

Respectfully Submitted,
BOOMERSHINE CONSULTING GROUP, L.L.C.

Gregory M. Stump, FSA, EA, MAAA, FCA
Chief Actuary

David S. Boomershine, EA, MAAA, FCA, MSPA
Senior Actuary and President

Sunita Bhatia, EA, ASA, ACA, MAAA
Senior Consultant

Actuarial Assumptions and Valuation Methods

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method divides the cost of funding benefits into two parts: the normal cost and the actuarial accrued liability.

Asset Valuation

Assets are valued using a five-year asset smoothing method. Under this method, the difference between expected asset return and actual asset return is recognized 20% per year over a five-year period. The asset value includes a receivable for any contributions made with respect to the prior actuarial valuation by the time this valuation was prepared.

Amortization Method

Prior to July 1, 2013 - Amortize July 1, 2005 unfunded actuarial accrued liability in equal payments to January 1, 2016. Amortize subsequent changes in unfunded actuarial accrued liability in equal payments over 15 years.

After July 1, 2013 – Open 15 year amortization of the unfunded actuarial accrued liability.

Valuation Date

July 1, 2014

Investment Rate of Return

7.3% compounded annually.

Salary Increases

2.8% per year plus additional merit increases for 2014 and later as follows:

Years of Service	Park Police	Non-Police
0	.043	.028
5	.033	.0255
10	.023	.0230
15	.013	.018
20	.000	.013
25	.000	.000

Mortality

Healthy Lives

RP-2000 Projected to 2010 and Generational Method applied using Scale AA factors after 2010.

For Park Police, 90% of deaths assumed to be service related; for Non-Police 33% of deaths are assumed to be service-related.

Disabled Lives

Sample rates:

Age	Rate
45	.0538
50	.0558
55	.0582
60	.0626
65	.0691
70	.0769

Termination of Employment

Sample rates:

Years of Service	Park Police	Non-Police
0	.070	.110
5	.030	.050
10	.025	.030
15	.000	.025
20	.000	.015
25	.000	.010
30	.000	.005
35	.000	.000

Disability

Sample rates:

Age	Park Police	Non-Police
25	.00256	.00094
30	.00366	.00147
35	.00508	.00219
40	.00693	.00329
45	.00940	.00511
50	.01354	.00838
55	.02288	.01000
60	.03434	.02107

Retirement Age

Sample rates:

Years of Service	Park Police %
5	10
10	10
15	10
20	15[1]
25	25
30	100

Years of Service	Non Police [2] %
15 – 19	5
20 – 23	10
24 – 25	15
26 – 29	10

[1] Police participants who are under age 55 with 20 to 24 years of service are assumed to retire at a rate of 15% per year except for at 22 years of service they are assumed to retire at a rate of 25%.

[2] Non-police participants who have reached their normal retirement age are assumed to retire at a rate of 10% per year. 100% retirement is assumed at age 70.

Marriage	90% of male participants and 50% of female participants are assumed to be married with wives assumed to be three years younger and husbands three years older than participant.
Expenses	The assumed interest rate is deemed to be net of investment expenses. Prior to July 1, 2013 - Other expenses are added to the normal cost and assumed to be 1.0% of payroll. After July 1, 2013 – Other expenses are added to the normal cost and are assumed to be 0.2% of the actuarial accrued liability.
Post-Retirement Cost-of-Living Adjustment	3.0% compounded annually for benefits accrued until July 1, 2012, and sick leave accrued until January 1, 2013, 2.5% compounded annually thereafter.
Social Security Wage Base Increase	4.0% compounded annually.
New Entrants	None assumed.
Unused Sick Leave Service Credit	0.25 additional months per year of service.
Section 415 Dollar Limitation and Section 401(a)(17) Compensation Limit Increase	3.0% compounded annually.

Schedule of Funding Progress

Ten-year historical trend information about the ERS is presented herewith as required supplementary information. This information is intended to help users assess the ERS' funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due and make comparisons with other public employee retirement systems.

Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) – (1)	(4) Funded Ratio % (1)/(2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
2005	521,369,236	507,393,109	(13,976,127)	102.8	106,058,394	(13.2)%
2006	552,432,436	544,748,263	(7,684,173)	101.4	109,579,279	(7.0)%
2007	600,285,246	615,588,955	15,303,709	97.5	122,825,271	12.5%
2008	633,699,751	662,224,634	28,524,883	95.7	132,240,949	21.6%
2009	541,519,199	726,000,351	184,481,152	74.6	142,590,713	129.4%
2010	609,902,953	763,860,139	153,957,186	79.8	140,407,414	109.7%
2011	659,362,107	761,343,000	101,980,893	86.6	132,490,722	77.0%
2012	660,231,611	802,077,365	141,845,754	82.3	129,911,593	109.2%
2013	690,539,998	831,199,592	140,659,594	83.1	129,134,125	108.9%
2014	766,531,514	879,190,389	112,658,875	87.2	135,041,803	83.4%[1]

[1] This ratio is now reported based on the Net Pension Liability, as defined in GASB 67. Refer to page 37 for the Net Pension Liability. The UAAL as a percentage of payroll is no longer required.

Analysis of the dollar amounts of plan net assets, actuarial accrued liability and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net position as a percentage of the actuarial accrued liability provides one indication of the system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker.

Generally, the greater this percentage is the stronger the system. Trends in the unfunded actuarial accrued liability (or excess of) and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and enables analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage is the stronger the system.

Notes:

- The frequency of the actuarial valuation/review is annual.
- The Entry Age Normal actuarial cost method is used for both funding and for financial reporting purposes.
- The actuarial assumptions are the same for both funding and accounting/GASB purposes.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Total Number of Members	Annual Salary	Annual Average Pay	% Increase/Decrease in Average Pay
General Employees				
7/1/2005	1,818	$ 95,455,839	$ 52,506	6.0
7/1/2006	1,819	98,545,203	54,175	3.2
7/1/2007	1,874	110,019,634	58,708	8.4
7/1/2008	1,904	118,338,594	62,153	5.9
7/1/2009	2,078	128,800,404	61,987	(0.3)
7/1/2010	2,009	126,594,778	63,014	1.7
7/1/2011	1,898	119,358,603	62,887	(0.2)
7/1/2012	1,866	116,927,658	62,662	(0.4)
7/1/2013	1,874	115,936,747	61,866	(1.3)
7/1/2014	1,879	121,352,682	64,584	4.4
Park Police				
7/1/2005	183	$ 10,602,555	$ 57,937	.1
7/1/2006	176	11,034,076	62,694	8.2
7/1/2007	190	12,805,637	67,398	7.5
7/1/2008	197	13,902,355	70,570	4.7
7/1/2009	194	13,790,309	71,084	0.7
7/1/2010	194	13,812,636	71,199	0.2
7/1/2011	187	13,132,119	70,225	(1.4)
7/1/2012	186	12,983,936	69,806	(0.6)
7/1/2013	190	13,197,378	69,460	(0.5)
7/1/2014	191	13,689,120	71,671	3.2
Total				
7/1/2005	2,001	$ 106,058,394	$ 53,003	5.3
7/1/2006	1,995	109,579,279	54,927	3.6
7/1/2007	2,064	122,825,271	59,508	8.3
7/1/2008	2,101	132,240,949	62,942	5.8
7/1/2009	2,272	142,590,713	62,760	(0.3)
7/1/2010	2,203	140,407,414	63,735	1.6
7/1/2011	2,085	132,490,722	63,545	(0.3)
7/1/2012	2,052	129,911,593	63,310	(0.4)
7/1/2013	2,064	129,134,125	62,565	(1.2)
7/1/2014	2,070	135,041,802	65,238	4.3

Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls

	Added to rolls		Removed from rolls		Rolls end of year			
As of date	**No.**	**Annual allowances**	**No.**	**Annual allowances**	**No.**	**Annual allowances**	**% Increase in annual allowances**	**Average annual allowance**
7/1/2014	63	$ 1,827,720	26	$ 622,566	1,272	$ 38,775,456	3.68%	$ 30,484
7/1/2013	75	$ 2,173,664	16	$ 406,440	1,235	$ 37,399,741	5.92%	$ 30,283
7/1/2012	68	$ 1,963,919	28	$ 483,565	1,176	$ 35,310,586	7.00%	$ 30,026
7/1/2011	96	$ 3,425,855	27	$ 528,833	1,136	$ 32,999,162	10.02%	$ 28,691
7/1/2010	102	$ 3,523,036	12	$ 247,267	1,067	$ 29,992,947	11.47%	$ 28,162
7/1/2009	76	$ 2,378,257	23	$ 311,465	977	$ 26,905,810	11.45%	$ 27,539
7/1/2008	NA	NA	NA	NA	924	$ 24,141,406	NA	$ 26,184 [1]

Additions to the rolls include new retirees and the beneficiaries of an active or retired member's death.

Deletions from the rolls include deaths of retirees, deaths of the surviving beneficiaries, surviving children who have reached the age of 18 or 23 if a full-time student, and the expiration of 10-year certain benefits.

The information in this table is presented for the last seven years only. Prior to 2008 the information was not maintained in this format and is not available for comparative purposes.

[1] The average annual allowance results for 7/1/2008 uses an end of the year count of 922, because there are two zero balance deceased benefits in pending status, with no current or future benefits attached.

Solvency Test

	Actuarial Accrued Liabilities for						
Valuation Date	Member Contributions	Vested Terminations, Retirees and Beneficiaries	Active Members (Employer Financed Portion)	Actuarial Value of Assets	% Portion of Accrued Liabilities Covered by Reported Assets		
7/1/2005	50,307,768	234,867,535	222,217,806	521,369,236	100	100	106.3
7/1/2006	47,011,118	268,335,133	229,402,012	552,432,436	100	100	137.5
7/1/2007	52,039,017	296,186,895	267,363,043	600,285,246	100	100	94.3
7/1/2008	53,665,183	327,978,867	280,580,584	633,699,751	100	100	89.8
7/1/2009	57,678,803	362,388,083	305,933,465	541,519,199	100	100	39.7
7/1/2010	58,059,065	408,689,438	297,111,636	609,902,953	100	100	48.2
7/1/2011	57,659,169	461,475,412	242,208,419	659,362,107	100	100	57.9
7/1/2012	61,843,880	466,927,776	273,305,709	660,231,611	100	100	48.1
7/1/2013	64,747,601	501,072,738	265,379,253	690,539,998	100	100	47.0
7/1/2014	68,872,476	516,903,400	293,414,513	766,531,514	100	100	61.6

[1]Note: There was a large drop in assets from 07/01/2008 to 07/01/2009 while liabilities continued to grow. Because the solvency test first fully funds member contributions and the inactives (Vested Terminations, Retirees and Beneficiaries), the active percentage has decreased by a larger percentage because the full asset loss is reflected in this percentage.

STATISTICAL
Section

Statistical Section Narrative

To assist readers, the Statistical Section of this CAFR presents information to add historical perspective, context, and detail to the Financial Statements, Notes to Financial Statements, and Required Supplementary Information presented in the preceding sections. To provide historical perspective, assess the ERS' overall financial condition, and a sense of trend, the exhibits in this Section are presented in multiple-year formats.

The **Schedule of Changes in Fiduciary Net Position** shows the historical combined effects of the additions and deductions of fiduciary net position over the 10-year period ended June 30, 2015 as well as detailing the ERS' largest source of revenue capacity - investment income June 30, 2006 through June 30, 2007 and June 30, 2010 through 2015. Investment loss for the years ended June 30, 2008 and 2009 assists in providing a context on how the ERS' financial position has changed over time.

The **Schedule of Benefit and Refund Deductions From Fiduciary Net Position By Type** provides the general information of payment trends of annuity data by benefit type and refund of contributions for the 10-year period ended June 30, 2015.

The **Schedule of Average Benefit Payments** provides the summary of statistics relating to the average annuitant's receipt of annuities over the seven-year period ended June 30, 2015.

Schedule of Changes in Fiduciary Net Position

For Years Ended June 30
(dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
ADDITIONS										
Employer contributions	$ 28,150	$ 28,750	$ 23,806	$ 32,182	$ 25,633	$ 17,615	$ 14,933	$ 10,561	$ 9,825	$ 8,337
Member contributions	6,340	5,414	5,355	4,396	4,698	5,136	4,893	4,522	4,402	3,898
Investment income (loss)(net of expenses)	3,340	107,898	72,802	14,100	111,044	63,460	(119,445)	(55,310)	90,748	40,529
Total additions	37,830	142,062	101,963	50,678	141,375	86,211	(99,619)	(40,227)	104,975	52,764
DEDUCTIONS										
Benefit payments	39,992	38,170	36,263	33,833	32,775	27,567	25,671	23,636	21,319	19,129
Refunds	391	237	369	317	359	335	249	382	489	360
Administrative expenses	1,587	1,457	1,565	1,453	1,366	1,323	1,359	1,250	1,182	1,078
Total deductions	41,970	39,864	38,197	35,603	34,500	29,225	27,279	25,268	22,990	20,567
CHANGE IN FIDUCIARY NET POSITION	$ (4,140)	$ 102,167	$ 63,766	$ 15,075	$ 106,875	$ 56,986	$ (126,898)	$ (65,495)	$ 81,985	$ 32,197

Schedule of Benefit and Refund Deductions

From Fiduciary Net Position by Type
For Years Ended June 30
(dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Type of Benefit										
Retirees	$ 35,806	$ 34,348	$ 32,618	$ 30,547	$ 29,225	$ 24,289	$ 22,515	$ 20,505	$ 18,640	$ 16,580
Survivors	4,093	3,730	3,555	3,199	3,464	3,192	3,072	3,050	2,600	2,472
Disability benefits	93	92	90	87	86	86	83	81	79	77
Total benefits	$ 39,992	$ 38,170	$ 36,263	$ 33,833	$ 32,775	$ 27,567	$ 25,670	$ 23,636	$ 21,319	$ 19,129
Refund of contributions	$ 391	$ 237	$ 369	$ 317	$ 359	$ 335	$ 249	$ 382	$ 489	$ 360

Schedule of Average Benefit Payments

As of July 1, 2014 — **Years of Credited Service --->**

	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees and Survivors	54	152	145	173	249	270	229	1272
Average monthly benefit	$452	$691	$1,082	$1,603	$2,752	$3,441	$4,600	$2,540
Average final average salary	$41,194	$47,568	$50,122	$55,644	$67,593	$66,475	$73,373	$60,988
Average years of service	3.9	8.1	12.9	18.1	23.1	28.7	33.6	21.7

As of July 1, 2013 — **Years of Credited Service --->**

	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees and Survivors	49	146	137	176	243	261	223	1235
Average monthly benefit	$446	$698	$1,064	$1,605	$2,687	$3,441	$4,545	$2,524
Average final average salary	$40,190	$45,897	$48,727	$55,496	$66,417	$65,815	$72,293	$60,095
Average years of service	3.8	8.2	12.9	18.1	23.1	28.7	33.6	21.8

As of July 1, 2012 — **Years of Credited Service --->**

	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees and Survivors	45	137	129	166	231	250	218	1176
Average monthly benefit	$464	$701	$1,035	$1,615	$2,612	$3,405	$4,450	$2,508
Average final average salary	$38,126	$45,665	$46,972	$54,389	$64,336	$65,415	$71,397	$59,131
Average years of service	3.6	8.2	13.0	18.1	23.1	28.7	33.6	21.9

As of July 1, 2011 — **Years of Credited Service --->**

	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees and Survivors	44	129	121	160	223	246	213	1136
Average monthly benefit	$667	$655	$994	$1,604	$2,489	$3,293	$4,218	$2,431
Average final average salary	$36,863	$43,873	$44,960	$53,170	$62,126	$63,845	$69,781	$57,576
Average years of service	3.5	8.1	13.0	18.1	23.1	28.7	33.5	22.0

As of July 1, 2010 — **Years of Credited Service --->**

	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees & Survivors	42	123	115	155	199	233	200	1067
Average monthly benefit	$390	$635	$950	$1,567	$2,429	$3,191	$4,137	$2,347
Average final average salary	$31,968	$42,356	$44,112	$51,773	$58,916	$61,395	$67,461	$55,213
Average years of service	3.6	8.1	13.0	18.1	23.1	28.6	33.5	21.9

As of July 1, 2009

	Years of Credited Service ---> 0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees & Survivors	43	110	111	151	185	203	174	977
Average monthly benefit	$408	$645	$944	$1,550	$2,423	$3,137	$4,191	$2,294
Average final average salary	$32,038	$41,515	$42,935	$49,951	$56,984	$57,880	$65,423	$52,791
Average years of service	3.6	8.1	12.9	18.1	23.1	28.6	33.4	21.6

As of July 1, 2008

	Years of Credited Service ---> 0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees & Survivors	40	107	116	138	170	191	162	924
Average monthly benefit	$102	$627	$927	$1,406	$2,285	$3,020	$4,114	$2,184
Average final average salary	$30,442	$40,181	$41,689	$45,753	$54,026	$56,042	$65,097	$50,560
Average years of service	3.6	8.2	12.9	18.1	23.1	28.7	33.4	21.5

[1]Data for 2005-2007 not readily available.

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