

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Introduction

This Popular Annual Financial Report summarizes the Maryland-National Capital Park and Planning Commission Employees' Retirement System's (ERS) more detailed 2015 Comprehensive Annual Financial Report (CAFR) which is prepared in conformity with generally accepted accounting principles. The CAFR provides in-depth information about the financial, investment and actuarial aspects of the ERS.

The CAFR can be viewed online or downloaded from the ERS' website at <http://ers.mncppc.org> under the Forms and Publications tab.

About the Employees' Retirement System

The ERS covers employees of the Maryland-National Capital Park and Planning Commission ("Commission"). The ERS was established in 1972 as a single employer defined benefit pension plan. Today, the ERS consists of five defined benefit pension plans: Plan A, the original plan; Plan B, for non-police and integrated with Social Security; Plans C and D, for park police; and, Plan E, for non-police and appointed officials hired on or after January 1, 2013 and integrated with Social Security.

The ERS provides normal and early retirement benefits, active member death benefits, and post-retirement death benefits for members of the ERS.

The Board of Trustees ("Board") administers the ERS in accordance with the Trust Agreement between the Board and the Commission. The Board's main responsibility is to administer the ERS for the sole benefit of the members and to ensure payment of the promised benefits.

The administrative operations of the ERS are the responsibility of the Administrator and the Staff who are employed by the Board.

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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, CPA

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 expires: 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

Message from the Chairman

Dear Members, Retirees and Beneficiaries:

On behalf of the Board of Trustees ("Board") of the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS), I am pleased to present the Popular Annual Financial Report ("Annual Report") for 2015. This Annual Report summarizes the more detailed Comprehensive Annual Financial Report (CAFR) which is available on the ERS' website, <http://ers.mncppc.org>. More important, this report provides information to help you understand and confirm the financial health of the ERS.

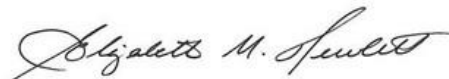
The one-year ending on June 30, 2015 was challenging from a performance perspective with returns falling short of the expected rate of return of 7.3%. Despite this recent performance, the Board puts greater emphasis on long-term performance, which is a more relevant measure of overall financial health. Returns as of June 30, 2015 for the 1-year, 3-years, and 5-years were .6%, 9.0%, 10.1%, respectively.

I am particularly proud of the continued proactive approach taken by the Board, staff, and consultants to protect the long-term funding of the ERS. As pension plans across the country consider changes in investment return assumptions, the Board approved its third consecutive reduction in the investment return assumption from 7.3% to 7.25%, along with corresponding reductions in other economic assumptions. Given the economic environment, beginning in 2013, the Board determined it prudent to annually evaluate the economic assumptions and consider incremental changes. Additionally, the Board adopted a Pension Funding Policy ("Policy"), which is considered a "best practice". The objectives of the Policy are to ensure funding of future benefit payments to the members; to maintain equity among generations of taxpayers; and to minimize the volatility of the employer's annual contribution to the ERS. Both of these initiatives safeguard the long-term funding of the ERS.

The theme moving into fiscal year 2016 is similar to 2015. The Board is undertaking two studies with the assistance of consultants and staff. The Asset/Liability Study will explore alternative portfolio structures that maximize the safety of benefits and minimize the economic cost while ensuring the funding of benefits. The Experience Study will determine whether the actuarial assumptions are consistent with plan experience and future expectations. Differences between experience and assumptions can result in actuarial gains and losses, which ultimately affect the funding of the plan. The results of both studies will be available in mid-2016.

Once again, I wish to thank the Board, the ERS team and our professional advisors for their unwavering professionalism, their hard work and their demonstrated commitment to our employee members, retirees and plan beneficiaries.

Kind regards,



Elizabeth M. Hewlett
Chairman, Board of Trustees

Awards for Excellence in Financial Reporting



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

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

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014


Executive Director/CEO

The Government Finance Officers Association (GFOA) of the United States and Canada presented an **Award for Outstanding Achievement in Popular Annual Financial Reporting** to the Employees' Retirement System (ERS) for its Popular Annual Financial Report for the fiscal year ended June 30, 2014.

This prestigious national award recognizes annual reports for creativity, presentation, understandability and reader appeal and is valid for a period of one year.

This is the fifth consecutive year the ERS applied for and received the Award.

The ERS' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014, was awarded the **Certificate of Achievement for Excellence in Financial Reporting** by GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The ERS received the Certificate of Achievement each time a CAFR was submitted to GFOA for consideration (2008-2014 and previously from 1992-2000). While the ERS is not required to prepare a CAFR, management considers it a "best practice" and plans to annually prepare a CAFR for consideration by GFOA.



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

The ERS earned the Public Pension Coordinating Council's **Public Standards Award for Funding and Administration** for the last ten consecutive years (2005-2014). The Public Pension Standards are intended to reflect minimum expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark by which all public defined benefit plans should be measured.

ERS 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

Eleanor Dagirmanjian
Retirement Benefits Analyst

Angela Griggs-Montero
Member Relations Assistant

Technical Services

Sheila S. Joynes
Accounting Manager

Ann L. McCosby
IT Systems Manager

Edward D. Sarkar
IT Manager

Mission

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 its members and beneficiaries to ensure sufficient assets are available to pay the promised benefits.

Core Values

- Quality Customer Service
- Accountability and Transparency
- Professionalism and Respect
- Trustworthiness and Stewardship

Member Services & Resources

The ERS has a comprehensive membership education program to encourage lifelong retirement planning. The ERS is committed to providing each member with the resources to anticipate future financial needs and to plan for a secure retirement. Please consider taking advantage of the available resources below:

- Onsite Workshops
- One-on-One and Retirement Counseling
- Annual Benefit Statement
- Popular Annual Financial Report
- Comprehensive Annual Financial Report
- Summary Plan Description
- Plan Document
- News Articles published in the Commission's Update Newsletter - ERS Lifetimes
- Retirement Benefit Estimate

The ERS' website, <http://ers.mncppc.org>, contains valuable information for active and retired members. Forms and publications are available to download.

The Member Relations Team is available by email or phone to answer retirement related questions or schedule an appointment for a retirement counseling session.

Email: contactERS@mncppc.org
Phone: 301-454-1415

Membership and Benefits

As of July 1, 2014 Actuarial Valuation

Membership		Active Members	
Active Members	2,070	Average Age	47.78
Retirees and Beneficiaries	1,272	Average Service	12.92
Inactive Members ¹	244	Average Annual Salary	\$66,132
Total Membership	3,586	Active Members Eligible for Normal Retirement within the Next 5 Years	730

The ERS is the Commission's primary retirement plan for its employees. The ERS is a defined benefit plan which means the benefit paid at retirement is a guaranteed benefit, based on salary and credited service. The benefits are not determined by employee contributions or investment earnings.

A Summary Plan Description (SPD) is available for each plan and provides a detailed look at the benefit formula, eligibility requirements, contributions, credited service, and death benefits. A copy of the SPD is available on the ERS' website or a hard copy can be requested by calling the ERS.

The chart below shows average monthly benefit payments, average final salary, and average years of credited service for retirees and survivors.

Average Monthly 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	1,272
Average Monthly Benefit Payments	\$452	\$691	\$1,082	\$1,603	\$2,752	\$3,441	\$4,600	\$2,540
Average Final Salary	\$41,194	\$47,568	\$50,122	\$55,644	\$67,593	\$66,475	\$73,373	\$60,988
Average Years of Credited Service	3.9	8.1	12.9	18.1	23.1	28.7	33.6	21.7

¹Inactive members have terminated employment with the Commission and are entitled but not yet receiving benefits.

Investment Policy and Asset Allocation

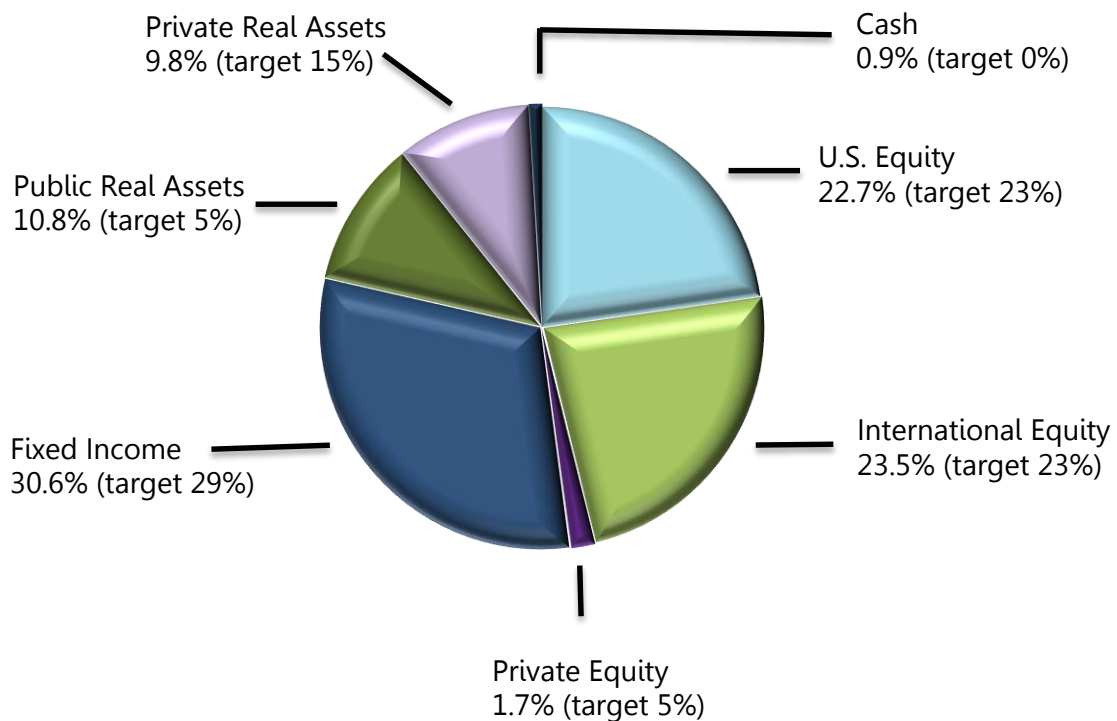
The Statement of Investment Policy outlines the ERS' long-term objectives and investment diversification. A portfolio should be diversified at two levels: between asset classes and within asset classes. This diversification is called asset allocation.

Asset allocation involves dividing the portfolio among different asset classes such as equities, fixed income, and real assets. The goal is to balance the risk and return of the portfolio by including asset classes that move up and down under different market conditions.

Diversification within each asset class is accomplished using multiple investment managers. Each manager has a set of guidelines which outline the manager's mission, objectives, benchmarks, authorized investments and restrictions. Annually, the Board reviews each manager's performance against these guidelines. Please refer to the Investment Manager Matrix on page 7 for investments and investment managers as of June 30, 2015.

The asset allocation policy was amended in the fourth quarter 2013 with an allocation to bank loans and offsetting reduction to the U.S. core fixed income allocation. This asset allocation policy was implemented in the first quarter 2014, with the exception of the private investments which will be funded gradually over time.

**Asset Allocation
As of June 30, 2015**



Investment Manager Matrix

As of June 30, 2015

Manager Name and/or Fund Name	Style	Account Balance \$(000)	% of Fund
U.S. Equity			
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	130/30 Short Extension	22,367	2.8%
Northern Trust Collective Russell 2000 Growth	Small Cap Growth	18,421	2.3%
Rhumblin S&P 500 Pooled Index Trust	Large Core	65,852	8.3%
		<u>\$ 180,489</u>	<u>22.7%</u>
International Equity			
Capital Group 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%
		<u>\$ 186,178</u>	<u>23.5%</u>
Private Equity			
Wilshire MNCPPC ERS 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%
		<u>\$ 242,679</u>	<u>30.6%</u>
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%
		<u>\$ 77,769</u>	<u>9.8%</u>
Public Real Assets			
SSgA Custom Real Asset Non-Lending Strategy	Diversified	\$ 85,344	10.8%
Cash		<u>\$ 7,329</u>	<u>0.9%</u>
TOTAL		<u>\$ 793,638¹</u>	<u>100%</u>

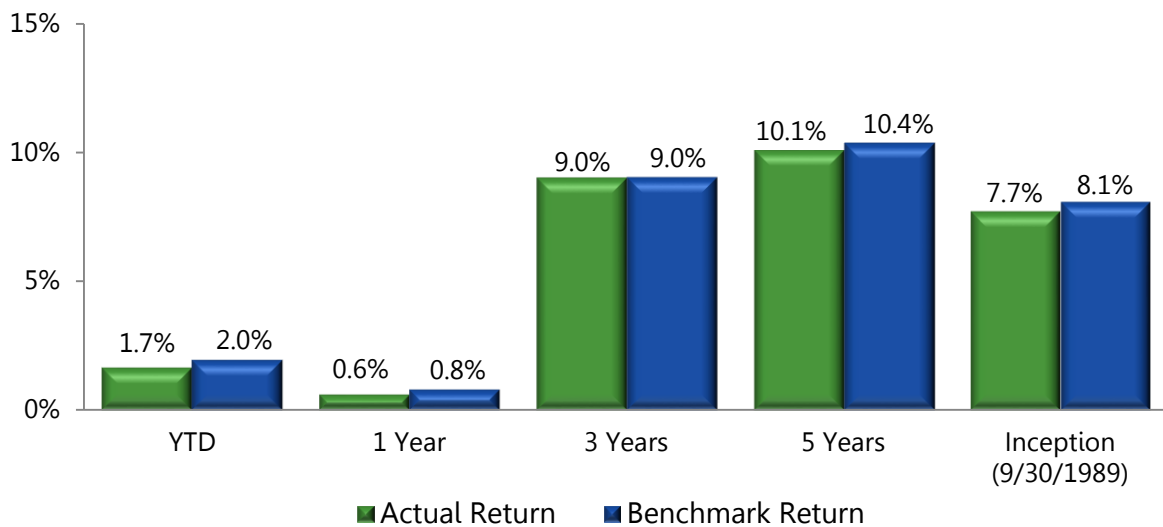
¹ Net of Accrued Income on Investments and Investments Payable

² Adelphia and Century Securities Only

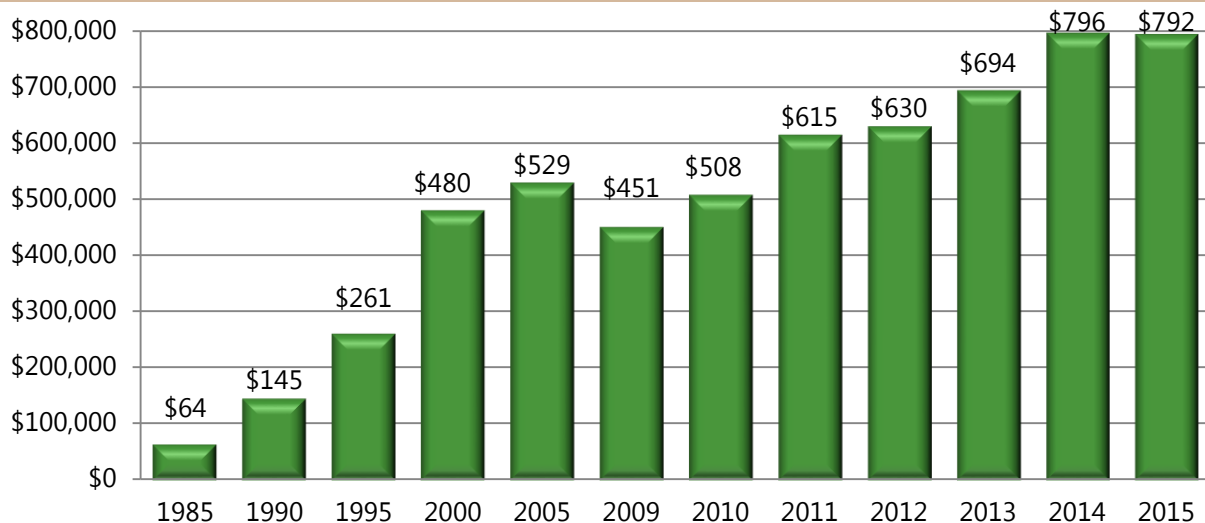
Portfolio Performance

Investment performance for the one-year ending June 30, 2015 was 0.6% versus the policy index of 0.8%. Domestic equity, fixed income, and private real assets positively contributed to the one-year returns, while international equity and public real assets posted negative returns. Total portfolio results over the three-year and five-year periods represent substantial gains with returns of 9.0% and 10.1%, respectively. Domestic and international equity markets, combined with a continued recovery in the private real estate market contributed to returns during these longer-term periods. During 2015, the amount accumulated to pay retirement benefits decreased by \$4.1 million from \$796 million in 2014 to \$792 million in 2015 due to a significant decrease in investment earnings and a slight increase in benefit payments. Please refer to the Summary Statements of Net Position on page 11.

**Actual Returns vs. Benchmark Returns
As of June 30, 2015**

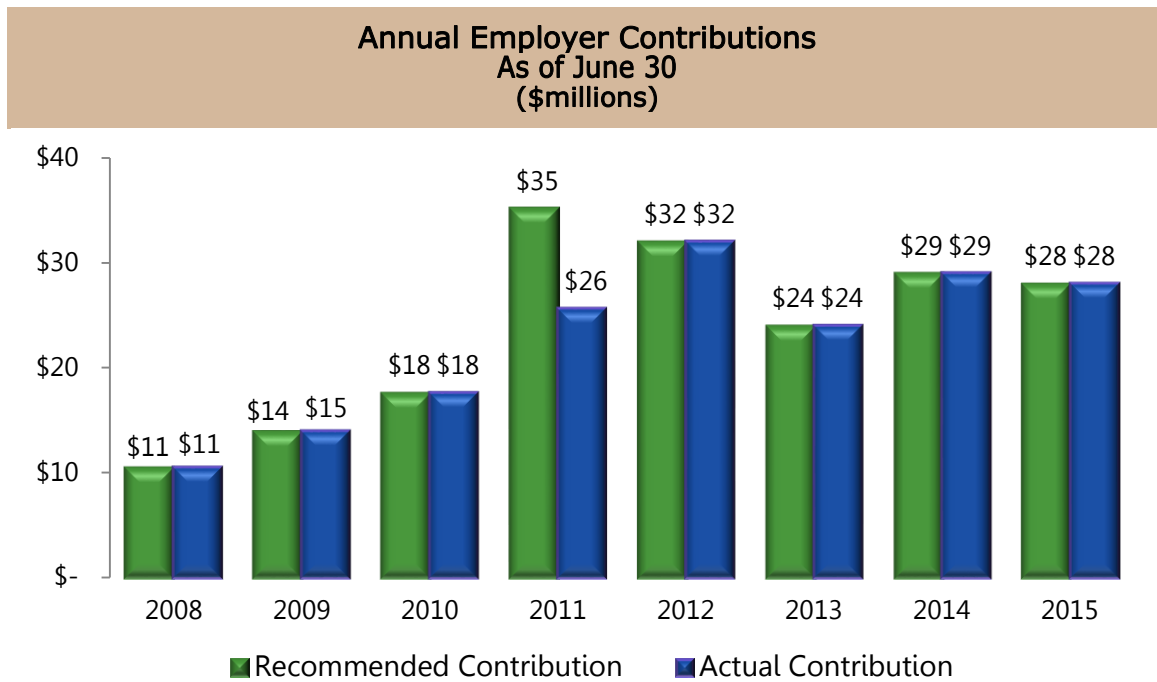


**Growth of Investments
Net Position
As of June 30
(\$millions)**

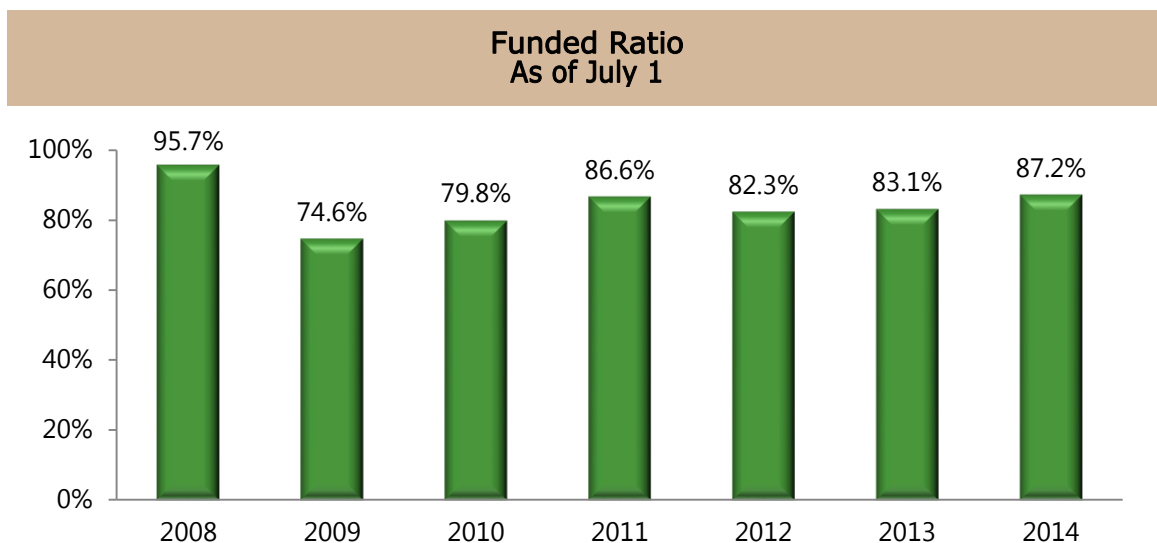


Employer Contributions and Funded Ratio

The ERS retains an independent actuary to perform an annual actuarial valuation to monitor the funded status of the ERS. The purpose of the actuarial valuation is to determine what future employer contributions are required to pay the expected future benefits. Employer contributions can vary based on a number of factors including fluctuations in the market, plan amendments, and changes in actuarial assumptions and employee demographics.

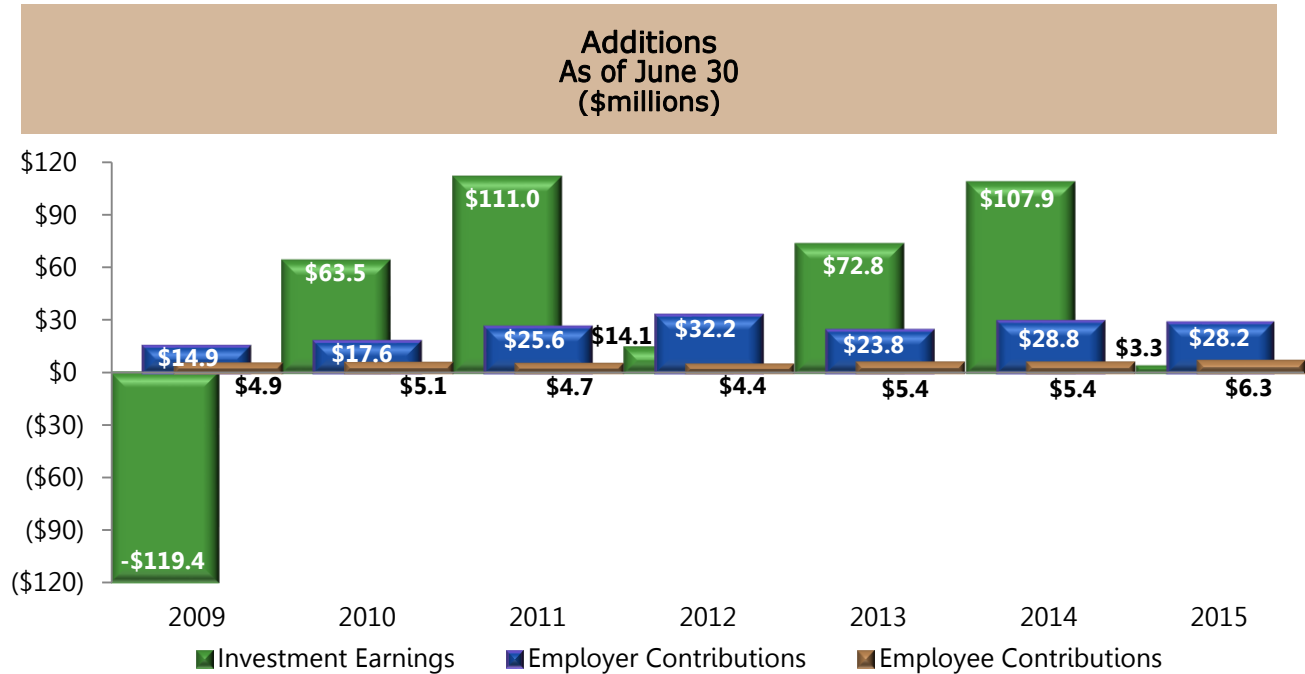


The funded ratio is one measure of a plan's health at a point-in-time and compares assets to liabilities. The funded ratio can change annually based on changes in liabilities, investment returns, actuarial assumptions and employee demographics. Analysis of the trend over time should be viewed in light of the economic situation at the time. The funded ratio dropped significantly following the 2008 credit market crisis; however, the trend since 2009 has been mostly positive.

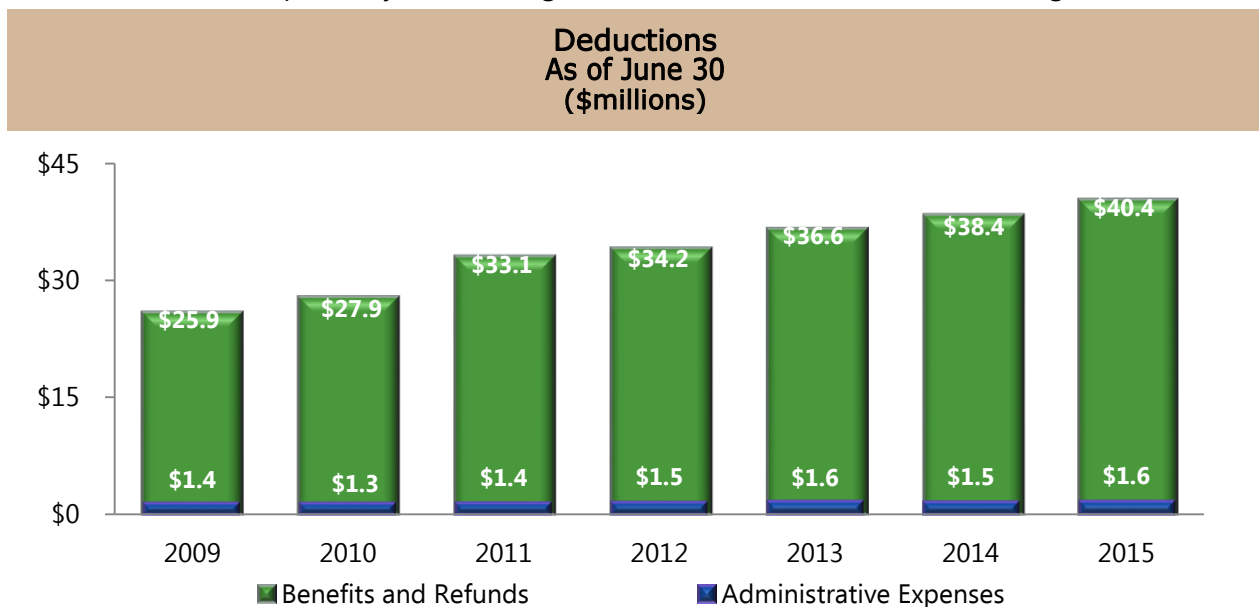


Financial Summary

Employee and employer contributions as well as earnings from investments provide the funds necessary to pay monthly retirement benefits, refund contributions to terminated employees and administer the ERS.



Additions totaled \$37.8 million as of June 30, 2015 and included employee contributions (\$6.3 million), employer contributions (\$28.2 million) and investment earnings (\$3.3 million). Additions decreased primarily due to a significant decrease in investment earnings.



Deductions totaled \$42.0 million as of June 30, 2015 and included benefit payments (\$39.9 million), participant refunds (\$390,629) and administrative expenses (\$1.6 million). Deductions increased 5.2% from 2014 to 2015 due to an increase in the number of retirees and a 1.5% cost-of-living adjustment for retirees and survivors.

Summary Statements of Net Position

The Summary Statements of Net Position are a snapshot of what the ERS owned (assets) and what the ERS owed (liabilities), and the difference (net position) that was accumulated to pay for retirement benefits as of June 30, 2015, 2014 and 2013.

	As of June 30, 2015	As of June 30, 2014	As of June 20, 2013
ASSETS			
Investments, at fair value	\$ 813,877,720	\$ 797,571,066	\$ 696,165,684
Receivables	1,208,130	1,351,263	1,456,898
Securities lending collateral	33,103,308	47,700,258	80,072,342
Other assets	15,939	21,905	65,546
TOTAL ASSETS	848,205,097	846,644,492	777,760,470
LIABILITIES			
Payables and accrued liabilities	22,251,828	1,768,357	1,551,267
Payable for securities lending collateral	33,957,643	48,740,548	82,241,046
TOTAL LIABILITIES	56,209,471	50,508,905	83,792,313
NET POSITION	\$ 791,995,626	\$ 796,135,587	\$ 693,968,157

Summary Statements of Changes in Net Position

The Summary Statements of Changes in Net Position are a summary of the flow of money in (additions) and out (deductions) of the ERS as of June 30, 2015, 2014 and 2013.

	As of June 30, 2015	As of June 30, 2014	As of June 30, 2013
ADDITIONS			
Employee Contributions	\$ 6,339,732	\$ 5,413,595	\$ 5,354,904
Employer Contributions	28,149,976	28,750,323	23,806,058
Net investment gain	3,340,520	107,897,795	72,801,688
TOTAL ADDITIONS	37,830,228	142,061,713	101,962,650
DEDUCTIONS			
Benefit payments	39,992,189	38,169,674	36,262,962
Refunds of contributions	390,629	237,399	368,762
Administrative expenses	1,587,371	1,487,210	1,565,430
TOTAL DEDUCTIONS	41,970,189	39,894,283	38,197,154
INCREASE IN NET POSITION	(4,139,961)	102,167,430	63,765,496
NET POSITION			
BEGINNING OF YEAR	796,135,587	693,968,157	630,202,661
END OF YEAR	\$ 791,995,626	\$ 796,135,587	\$ 693,968,157

Employee Contributions slightly increased as a result of an increase in the employee contribution rates in Plans A and B. The ERS' Net Position decreased from \$796.1 million in 2014 to \$792.0 million in 2015 primarily due to a significant decrease in investment earnings and a slight increase in benefit payments.



Employees' Retirement System

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

Telephone: (301) 454-1415
Facsimile: (301) 454-1420
Email: contactERS@mncppc.org

Visit us on the web at <http://ers.mncppc.org>
or use your smartphone and SCAN HERE

Office Hours
Monday – Friday
8:00 a.m. to 5:00 p.m.



This Popular Annual Financial Report ("Annual Report") is for informational purposes only and provides general information designed to educate employees and retirees about the Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS). The information found in this Annual Report should not serve as the sole or primary basis for making decisions regarding the financial, investment or funding status of the ERS. To the extent any term or figure in this Annual Report varies from the Plan Document or other governing documents, those pertinent documents will control and the information provided in this Annual Report will not. The Plan Document and other governing documents, policies and procedures may be modified or amended from time to time consistent with law and those amendments likewise will control. More generally, in all circumstances the governing documents and policies and procedures, as amended from time to time, will control over any information provided by the ERS, the Commission or any agent or employee of the ERS or the Commission.

