

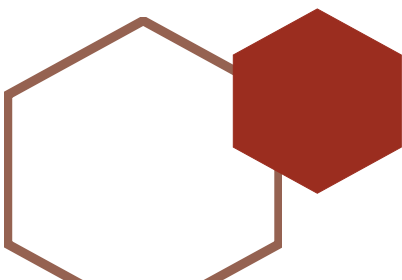
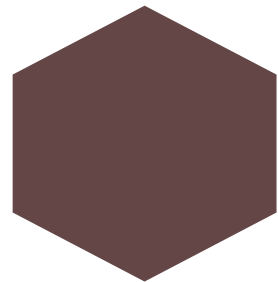


Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2022

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission





POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

This Popular Annual Financial Report summarizes the Maryland-National Capital Park and Planning Commission (“Commission”) Employees’ Retirement System’s (ERS) more detailed 2022 Annual Comprehensive Financial Report (ACFR) which is prepared in conformity with generally accepted accounting principles. The ACFR provides in-depth information about the financial, investment, and actuarial aspects of the ERS.

The ACFR is available online at https://www.mncppc.org/DocumentCenter/View/19014/Annual-Comprehensive-Financial-Report_Final or at the ERS office.

About the Employees’ Retirement System

The Commission is a body corporate of the State of Maryland, established by the Maryland General Assembly in 1927.

To provide its employees with financial security at retirement, on July 1, 1972 the Commission established the ERS, a single employer defined pension plan, in accordance with a Trust Agreement between the Commission and the ERS Board of Trustees (the “Board”). The Trust Agreement sets forth the powers, duties, and liabilities of the Board as they administer the Trust Fund from which members of the ERS receive retirement benefits. The Commission retains the power to amend or terminate the ERS but may not alter the powers of the Board without its consent.

The ERS consists of five defined benefit pension plans sponsored by the Commission for its employees. Three of the Plans, A, B, and D are closed, and two Plans, C and E, are open for park police and general employees, respectively. The ERS provides normal and early retirement benefits, spouse and children survivor benefits, active member death benefits, and post-retirement death benefits for its members.

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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MISSION

To prudently manage, protect, diversify, and administer the Fund for the sole benefit of its members and beneficiaries and 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

A LETTER TO OUR MEMBERS



Peter A. Shapiro
Acting Chairman

Andrea L. Rose
Administrator



To Our Members, Retirees and Beneficiaries:

We are pleased to present the 2022 Popular Annual Financial Report (“Annual Report”) for the Maryland-National Capital Park and Planning Commission (“Commission”) Employees’ Retirement System (ERS). This Annual Report summarizes the more detailed Annual Comprehensive Financial Report (ACFR) which is available on the ERS Website, <http://ers.mncppc.org>. More important, this report provides key statistics to help you understand the financial health of the ERS.

Given the ongoing volatility of global financial markets impacted by rising interest rates, inflation, and the war in Ukraine, it is not surprising investment returns were negative for the one-year ending June 30, 2022. The portfolio returned -1.7% which held up significantly better than the target policy index of -9.1% and the median public fund return of -10.9% with the ERS having top quartile returns and less risk than 95% of public plans.¹ Returns for the 3-years, 5-years, and since inception² ending June 30, 2022 were 6.5%, 6.9% and 7.5%, respectively, beating the 6.75% investment return assumption in the longer timeframes. The funded ratio remains extremely strong at over 90% and places the ERS in the top tier among its peers.³

The Board of Trustees (“Board”) strongly believes adherence to a diversified asset allocation is key to achieving the fund’s goals, making strategic changes, where warranted, to ensure the long-term protection and growth of the portfolio. With the experience and guidance from our consultants, the Board added an infrastructure strategy with the primary goals of diversification, inflation protection and return enhancement; selected a replacement for an underperforming manager; adopted a revised asset allocation which is expected to generate similar returns with less risk; and lowered the investment return assumption from 6.75% to 6.70% effective June 30, 2022 due to economic and financial conditions. We are proud to announce improvements on the horizon for members. Following implementation of a new pension system in 2021, a document imaging solution for all member records was completed in 2022. Efforts are now underway to launch a portal for members to view account information and perform benefit calculations; the portal is expected to rollout in 2023.

We express our deepest appreciation to former Board Chairman Elizabeth M. Hewlett for her leadership and pursuit of excellence. The past year’s accomplishments and performance were largely under her tenure and for that we thank her. We also thank the Board members, consultants, and staff who have worked diligently and responsibly to safeguard the assets, assure successful operation of the ERS, and protect the benefits promised to you, our valued members.

Warm Regards,

Peter A. Shapiro
Acting Chairman, Board of Trustees

Andrea L. Rose
Administrator

¹Wilshire Advisors Quarterly Executive Summary; June 30, 2022

²September 30, 1989

³Cheiron Pension Actuarial Valuation; June 30, 2021

BOARD OF TRUSTEES & ERS STAFF

The Board is charged with the fiduciary responsibility for administering the benefits for the sole benefit of the members and beneficiaries of the ERS. The Board prudently invests the assets and manages the ERS with the objective of ensuring that sufficient assets will be available to fund the benefits when due.

The Board consists of 11 appointed and elected members. Trustees serve for three-year terms. Generally, the Board meets on the first Tuesday of every month, except August. Board meetings are open to all members and the public.

The administrative operations of the ERS are the responsibility of the administrator and staff employed by the Board. Current events and announcements regarding the ERS are posted on the ERS' website and in the Commission's monthly newsletter, *Update*.

The Board of Trustees

(as of October 2022)

Peter Shapiro, Acting Chairman

Prince George's County Commissioner
Term expires: 6/30/2025

Vacant

Montgomery County Commissioner
Term expires: 6/30/2023

Asuntha Chiang-Smith

Executive Director
Ex-Officio

Howard Brown

FOP Represented Trustee
Term expires: 6/30/2025

Theodore J. Russell III

Prince George's County Open Trustee
Term expires: 6/30/2024

Pamela F. Gogol

Montgomery County Public Member
Term expires: 6/30/2023

Lisa Blackwell-Brown

MCGEO Represented Trustee
Term expires: 6/30/2025

Sheila Morgan-Johnson

Prince George's County Public Member
Term expires: 6/30/2023

Caroline McCarthy

Montgomery County Open Trustee
Term expires: 6/30/2024

Elaine A. Stookey

Bi-County Open Trustee
Term expires: 6/30/2023

Gavin Cohen, CPA

Secretary-Treasurer
Ex-Officio

ERS Staff

Andrea L. Rose

Administrator

Alicia C. Stanford

Senior Administrative Specialist

Member Relations Team

Antonia L. Lanier

Member Relations Manager

Lisa D. Butler

Senior Retirement Benefits Analyst

Annette E. Silvestri

Senior Retirement Benefits Analyst

Kenya N. Hearn

Retirement Benefits Analyst

Christopher Baysmore

Member Relations Assistant

Technical Services

Sheila S. Joynes

Accounting Manager

Ann L. McCosby

IT Systems Manager

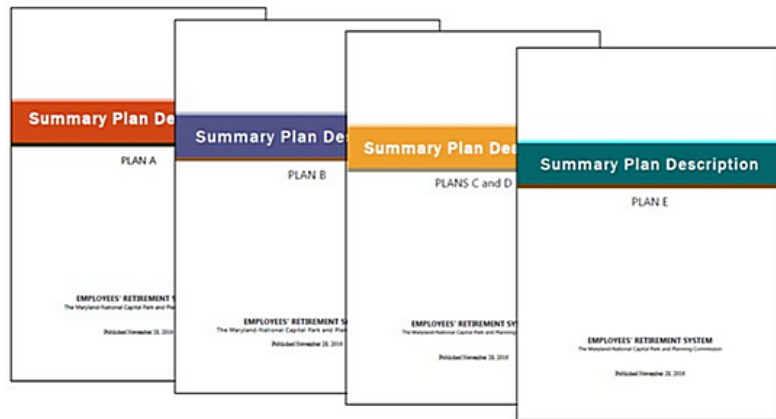
Charles M. Curtis, Jr.

Accountant

MEMBER SERVICES & RESOURCES

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.

Detailed information regarding membership and retirement benefits can be found in the Summary Plan Description (SPD). SPDs are available for each plan and provide a detailed look at the benefit formula, eligibility requirements, contributions, credited service, and death benefits. SPDs can be found on the ERS' website <http://ers.mncppc.org>, along with other valuable information.



The ERS provides the resources below to help members plan for a secure retirement.

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

The Member Relations Team is available by email or phone to answer retirement related questions or by appointment for a retirement counseling session. Due to the COVID-19 pandemic some services have been temporarily suspended while others have been modified to ensure the health and safety of staff and members. Information can also be accessed via the ERS' website, <http://ers.mncppc.org>.

QUESTIONS? CONTACT US.

Employees' Retirement System

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

Telephone: 301-454-1415
Fax: 301-454-1420
Email: contactERS@mncppc.org

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

Visit us on the web at <http://ers.mncppc.org>

Total Membership

	June 30, 2021	July 1, 2020	& CHANGE
Total Membership	4,691	4,592	2.2
Active	2,230	2,225	0.2
Retirees, Beneficiaries, and Disabled	1,741	1,687	3.2
Inactive Non-Vested	499	449	11.1
Inactive Vested	221	231	(4.3)
Active Members	2,230	2,225	0.2
Average Age	47.31	47.06	0.5
Average Years of Service	11.14	11.07	0.6
Average Annual Salary	\$79,824	\$77,477	3.0
Active Members Eligible for Normal Retirement within the Next 5 Years	661	662	(0.2)
Number Receiving Benefits	1,717	1,662	3.3
Average Monthly Benefit	\$2,801	\$2,800	0.0
Average Final Average Salary	\$68,625	\$67,638	1.5
Average Years of Service	22.5	22.2	1.4

Membership by Plan

as of June 30, 2021

	Plan A	Plan B	Plan C	Plan D	Plan E
Total Membership	265	2,752	342	111	1,221
Active	-	992	203	2	1,033
Retirees, Beneficiaries, and Disabled	265	1,276	89	106	5
Inactive Non-Vested	-	279	36	2	182
Inactive Vested	-	205	14	1	1

Average Monthly Benefit Payment

as of June 30, 2021

YEARS OF CREDITED SERVICE	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number Receiving Benefits	61	195	209	235	303	398	316	1,717
Average Monthly Benefit	\$522	\$750	\$1,190	\$1,830	\$2,934	\$3,824	\$4,881	\$2,801
Average Final Salary	\$49,918	\$51,587	\$57,397	\$64,324	\$72,169	\$74,899	\$83,126	\$68,625
Average Years of Service	4.6	8.5	13.2	18.2	23.2	29.0	34.0	22.5

FUNDING SUMMARY

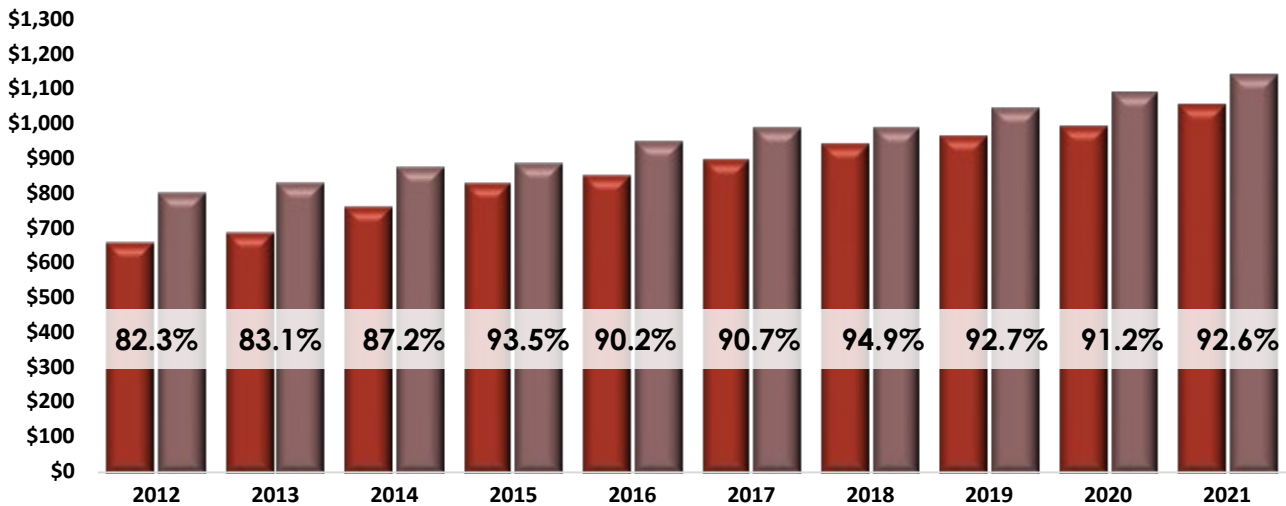
The funded ratio is a measure of a plan's health and is a gauge of progress in accumulating assets to pay the promised benefits. The funded ratio can change annually based on changes in liabilities, investment returns, actuarial assumptions, employee demographics, and more. Analysis of the trend overtime indicates whether the ERS is becoming stronger or weaker. The upwards trend since 2012 is a positive sign. The ERS' ability to provide benefits is strong and secure because the Commission has consistently funded the plan in both the good and bad years.

Valuation of Assets to Liabilities

as of July 1, (\$millions)

- Actuarial Value of Assets
- Actuarial Accrued Liability

% equals Funded Ratio



¹The actuarial value of assets is determined by a smoothing formula to eliminate short-term market fluctuations and will differ from the fair value of assets.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Actuarial Accrued Unfunded Liability (b) - (a)	Funded Ratio % (a) / (b)
7/1/2012	660,231,611	802,077,365	141,845,754	82.32
7/1/2013	690,539,998	831,199,592	140,659,594	83.08
7/1/2014	766,531,514	879,190,389	112,658,875	87.19
7/1/2015	830,052,104	887,487,374	57,435,270	93.53
7/1/2016	856,279,531	949,298,226	93,018,695	90.20
7/1/2017	899,336,519	991,624,737	92,288,218	90.69
7/1/2018	943,070,635	993,322,340	50,251,705	94.94
7/1/2019	968,142,434	1,043,820,211	75,677,777	92.75
7/1/2020	995,043,914	1,091,238,867	96,194,953	91.18
6/30/2021	1,060,873,621	1,145,821,511	84,947,890	92.59

¹Actual valuation date is June 30 as of 2021

SUMMARY STATEMENTS

Summary Statements of Fiduciary Net Position

June 30, 2022 and 2021

The Summary Statements of Fiduciary Net Position are a snapshot of what the ERS owned (assets) and what the ERS owed (liabilities), and the difference (net position) which represents the funds available to pay retirement benefits.

	2022	2021	Amount of Change	% of change
ASSETS				
Investments, at fair value	\$ 1,057,496,629	\$ 1,110,049,746	\$ (52,553,117)	(4.7)
Receivables	1,055,518	729,520	325,998	44.7
Securities lending collateral	32,217,495	39,501,241	(7,283,746)	(18.4)
Other assets	1,241,455	837,640	403,815	48.2
TOTAL ASSETS	1,092,011,097	1,151,118,147	(59,107,050)	(5.1)
LIABILITIES				
Payables and accrued liabilities	2,815,888	2,840,042	(24,154)	(0.9)
Payable for securities lending collateral	33,041,917	40,556,217	(7,514,300)	(18.5)
TOTAL LIABILITIES	35,857,805	43,396,259	(7,538,454)	(17.4)
NET POSITION	\$ 1,056,153,292	\$ 1,107,721,888	\$ (51,568,596)	(4.7)

Summary Statements of Changes in Fiduciary Net Position

For the Years Ended June 30, 2022 and 2021

The Summary Statements of Changes in Fiduciary Net Position are a summary of the flow of money in (additions) and out (deductions) of the ERS.

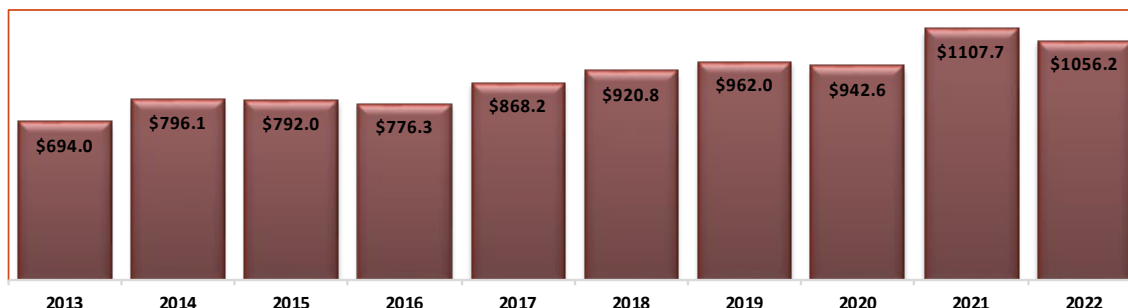
	2022	2021	Amount of Change	% of change
ADDITIONS				
Employee Contributions	\$ 7,728,640	\$ 8,084,657	\$ (356,017)	(4.4)
Employer Contributions	26,174,744	22,312,947	3,861,797	17.3
Net investment gain (loss)	(20,830,306)	194,757,724	(215,588,030)	(110.7)
TOTAL ADDITIONS	13,073,078	225,155,328	(212,082,250)	(94.2)
DEDUCTIONS				
Benefit payments	61,421,374	57,659,732	3,761,642	6.5
Refunds of contributions	823,092	378,267	444,825	117.6
Administrative expenses	2,397,208	1,984,031	413,177	20.8
TOTAL DEDUCTIONS	64,641,674	60,022,030	4,619,644	7.7
INCREASE/ DECREASE IN NET POSITION	(51,568,596)	165,133,298	(216,701,894)	(131.2)
NET POSITION				
BEGINNING OF YEAR	1,107,721,888	942,588,590	165,133,298	17.5
END OF YEAR	\$ 1,056,153,292	\$ 1,107,721,888	\$ (51,568,596)	(4.7)

FINANCIAL SUMMARY

Net Position Growth

As of June 30,
(\$millions)

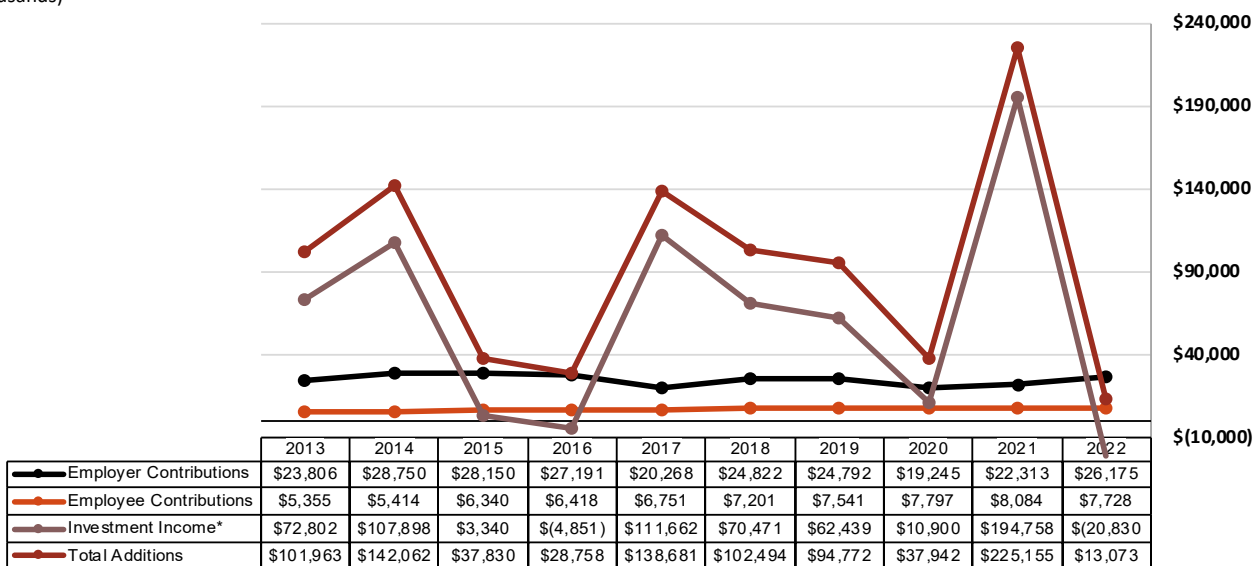
The amount accumulated to pay retirement benefits decreased by \$51.6 million, or 4.7%, from \$1.11 billion in 2020 to \$1.06 billion in 2022 primarily due to a \$215.6 million decrease in investment gains (losses).



Employer and employee contributions as well as income from investments provide the reserves needed to pay retirement benefits, refund contributions, and administer the ERS.

Additions

For Fiscal Years Ended June 30
(\$thousands)



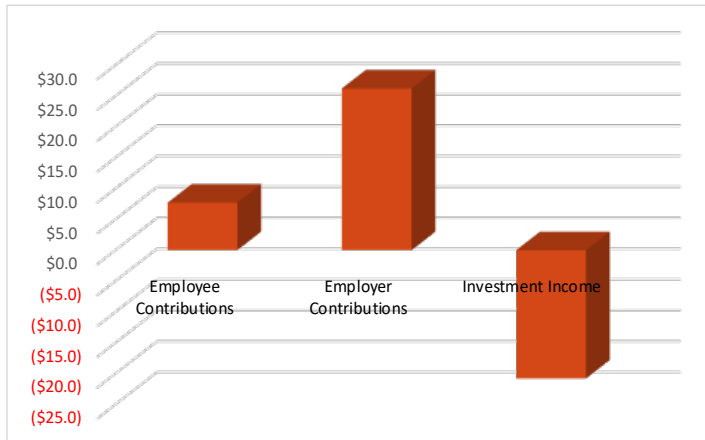
*Net of Fees

For fiscal year 2022, additions totaled \$13.1 million, a decrease of \$212.1 million, or 94.2%, from the prior year. During 2022 and 2021 the employer contributions were \$26.2 million and \$22.3 million, respectively. Employee contributions decreased, by \$356,017, or 4.4%, mainly due to a \$272,405 decrease in the amount of contributions transferred to the ERS. Investment income (loss) decreased \$215.6 million due to investment losses.

FINANCIAL SUMMARY

Additions by Source

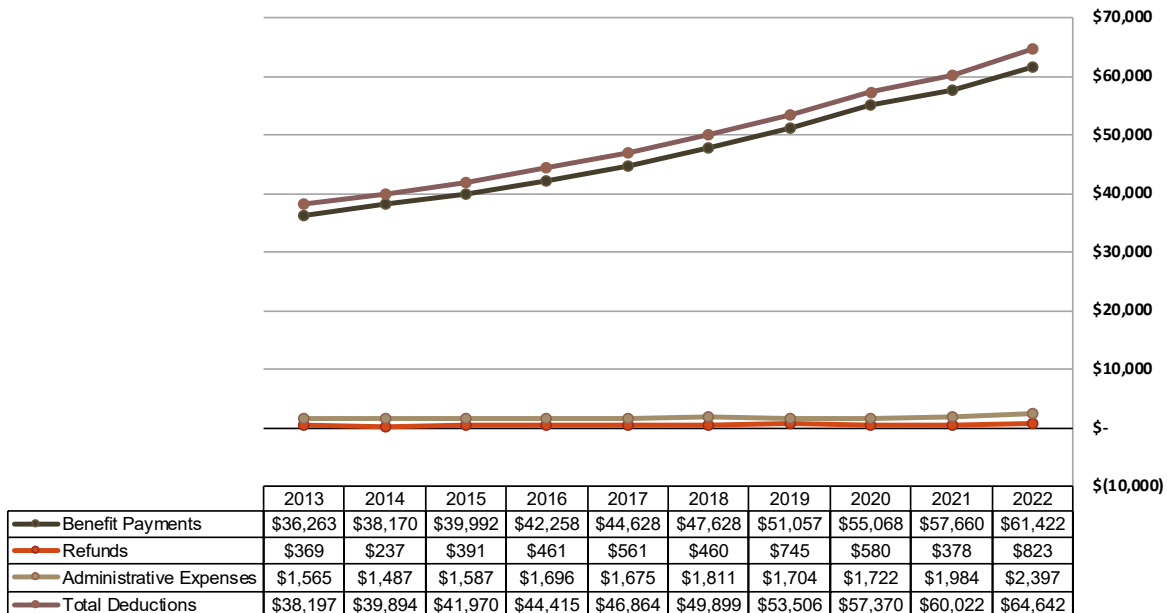
For Fiscal Year Ended June 30, 2022



The ERS was created for the principal purpose of providing retirement annuities and survivor benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, refunds of contributions to terminated employees, and the cost of administering the ERS.

Deductions

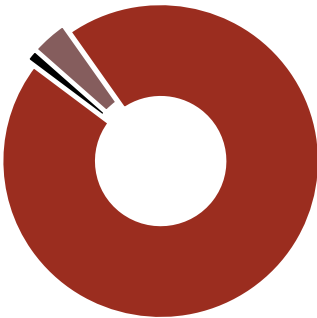
For Fiscal Years Ended June 30
(\$thousands)



For fiscal year 2022, deductions totaled \$64.6 million, an increase of \$4.6 million, or 7.7% from the prior year. As expected, the benefit payments to retirees and beneficiaries were the primary deduction in 2022, totaling \$61.4 million. The increase in benefits from 2021 reflects the 3.2% increase in retired members and beneficiaries and a 1.2% cost-of-living adjustment effective July 1, 2021. Payments to members withdrawing contributions totaled \$823,092 with the remaining \$2.4 million accounting for administrative expenses.

Deductions by Source (in thousands)

For Fiscal Year Ended June 30, 2022

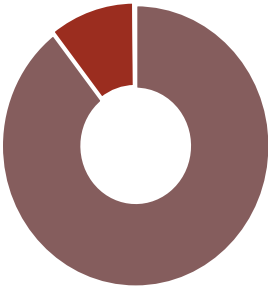


- Benefit Payments
- Refunds of Contributions
- Administrative Expenses

95.0% of deductions were for benefit payments
1.3% of deductions were for refunds of contributions
3.7% of deductions were for administrative expenses

Benefit Payments by Type (in thousands)

For Fiscal Year Ended June 30, 2022



- Retirees
- Survivors
- Disability Benefits*

\$54,966 was paid to retirees
\$6,371 was paid to survivors
\$85 was paid for disability benefits

*Disability retirement benefits were prospectively discontinued on August 1, 1982

ASSET ALLOCATION

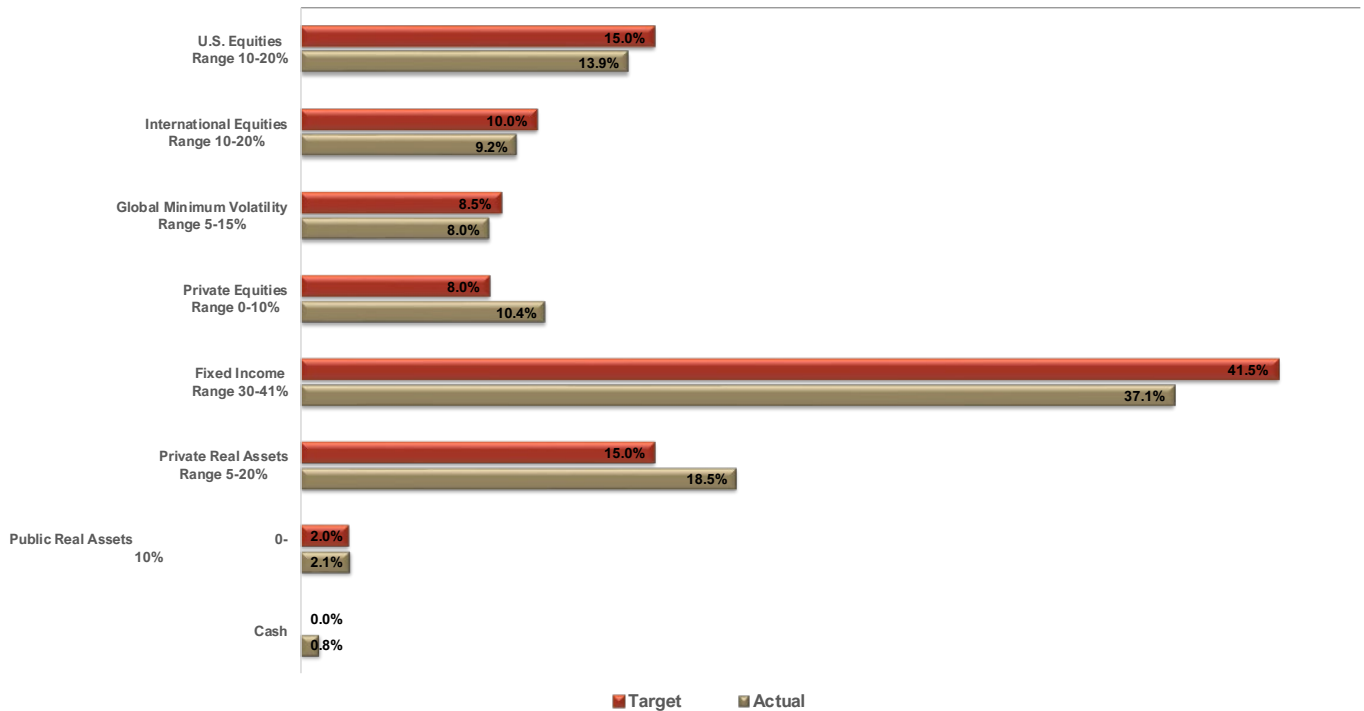
The Board oversees the ERS through a carefully planned and diversified investment portfolio. The Statement of Investment Policy outlines the ERS’ long-term objectives and investment diversification. A portfolio should be diversified at two levels: between asset classes and within asset classes. This 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 58 of the Annual Comprehensive Financial Report.

A new asset allocation policy was approved in April 2022 to add a dedicated allocation to emerging market debt and to reduce U.S. and International Equities. This new policy was fully implemented in fiscal year 2022.

Actual Asset Allocation vs. Target Policy

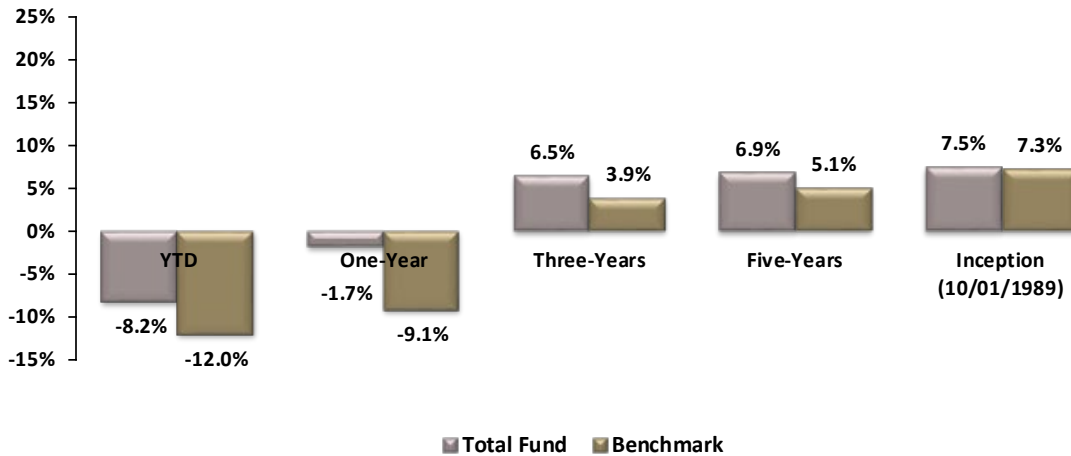


INVESTMENT PERFORMANCE

Investment returns are reported net of investment expenses, on an average annualized basis. The total fund is measured against a policy benchmark and asset classes are measured against a relevant broad market benchmark. Benchmarks are standards used to measure investment performance. The investment portfolio was valued at \$1.06 billion as of June 30, 2022.

Total Fund vs. Benchmark

As of June 30, 2022



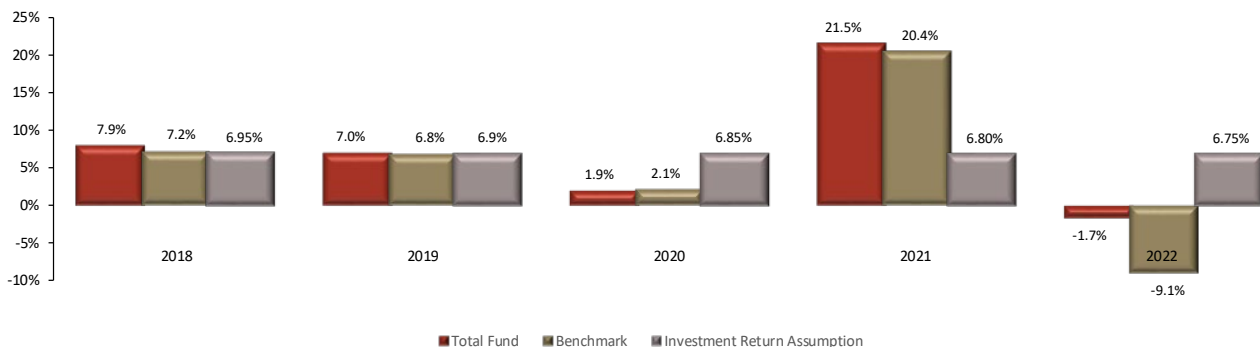
For the one-year ending June 30, 2022, the total fund returned of -1.7% compared to the policy benchmark return of -9.1% and the assumed rate of return of 6.75%. Over the past one-year period all equity asset classes posted negative returns, which were partially offset by fixed income and real asset investments.

For the three-years, five-years, and since inception periods ending June 30, 2022, total portfolio returns were 6.5%, 6.9%, and 7.5%, respectively. Strong U.S. and Non-U.S. equity markets combined with a maturing private equity portfolio contributed to longer-term performance.

Total Fund vs. Benchmark and Investment Return Assumption¹

For Fiscal Years Ended June 30

This chart shows returns compared to the policy benchmark and investment return assumption for the last 5 years.



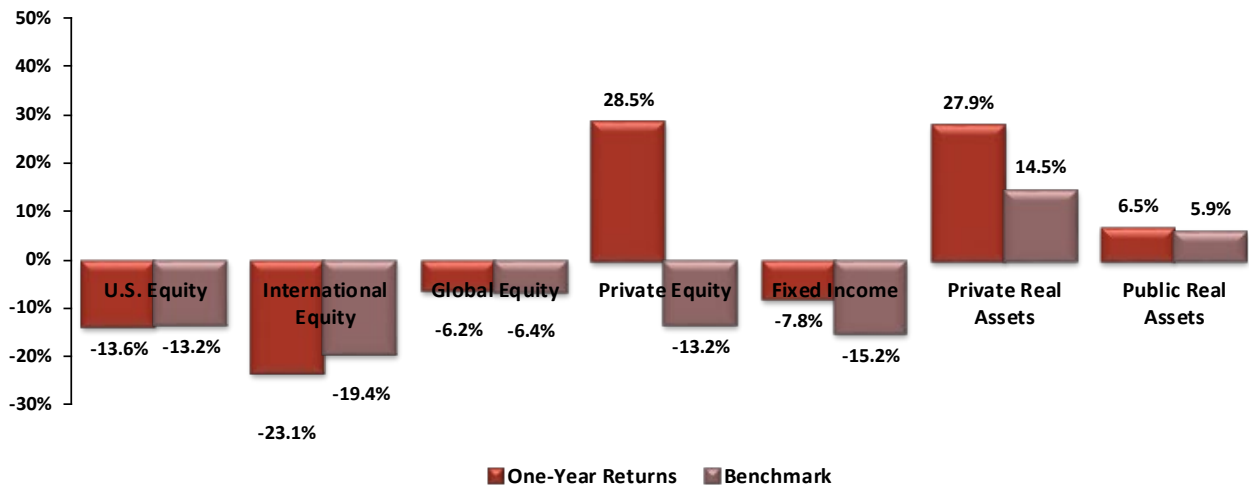
¹ The actuarially estimated rate used to adjust a series of future investment earnings to reflect the time value of money.

INVESTMENT PERFORMANCE

One-Year Returns vs. Benchmark by Asset Class

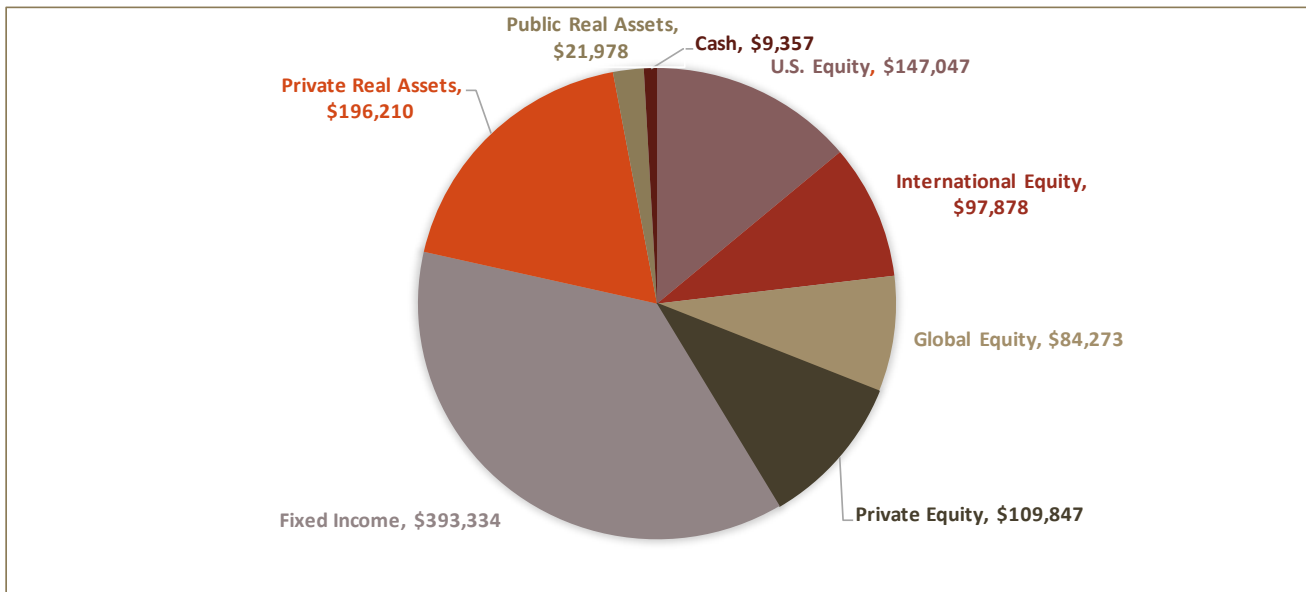
As of June 30, 2022

Individual asset classes generated the following performance for the one-year ending June 30, 2022:



Market Value by Asset Class

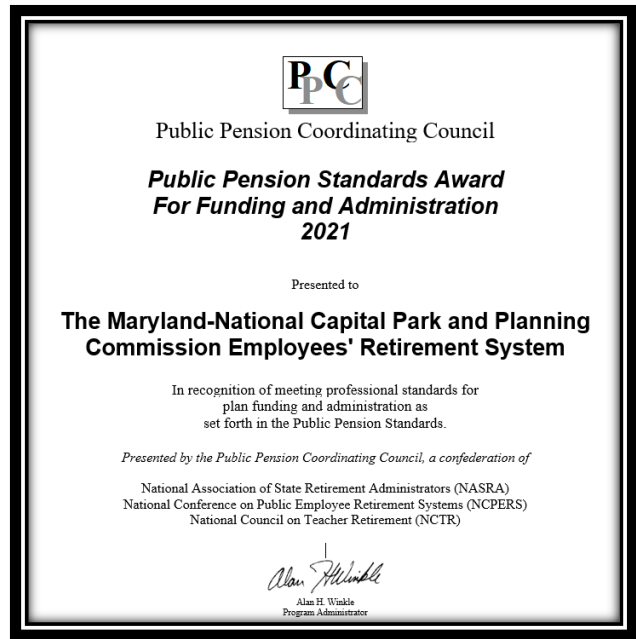
As of June 30, 2022



Awards for Excellence

The ERS received the Award for Outstanding Achievement in Popular Annual Financial Reporting from the Government Finance Officers Association for its 2021 Popular Annual Financial Report. This marks the 12th consecutive year the +ERS has received this award.

For the last 17 years, the ERS earned the Public Pension Coordinating Council's award for Funding and Administration. 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.



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, 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.