



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

**BOARD OF TRUSTEES MEETING MINUTES**

**Tuesday, July 11, 2023; 9:00 a.m.**

**Kenilworth Office Building, Riverdale, MD**

**(Virtual Meeting via Microsoft Teams)**

The Maryland-National Capital Park and Planning Commission ("Commission") Employees' Retirement System ("ERS") Board of Trustees ("Board") met virtually through Microsoft Teams with CHAIR SHAPIRO leading the call on Tuesday, July 11, 2023. The meeting was called to order at 9:04 a.m. by CHAIR SHAPIRO.

**Board Members Present**

Peter A. Shapiro, Board of Trustees Chair, Prince George's County Commissioner

Gavin Cohen, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio

Pamela F. Gogol, Montgomery County Public Member

Caroline McCarthy, Montgomery County Open Trustee

*Arrived at 9:05 a.m.*

Sheila Morgan-Johnson, Prince George's County Public Member

*Arrived at 10:13 a.m.*

Theodore J. Russell III, Prince George's County Open Trustee

Elaine A. Stookey, Bi-County Open Trustee

Howard Brown, F.O.P Represented Trustee

Lisa Blackwell-Brown, MCGEO Represented Trustee

*Arrived at 10:11 a.m.*

Asuntha Chiang-Smith, M-NCPPC Executive Director, Ex-Officio

*Arrived at 9:13 a.m.*

**Board Members Absent**

Vacant, Montgomery County Commissioner

**ERS Staff Present**

Andrea L. Rose, Executive Director

Jaclyn F. Harris, Deputy Executive Director

Sheila Joynes, Accounting Manager

Alicia C. Stanford, Administrative Specialist

**Presentations**

Wilshire Advisors, LLC – Bradley A. Baker, Managing Director and LouAnn Eisenhut, Assistant Vice President

Audax Group – Michael McGonigle, Managing Director & Head of Audax Senior Debt; Michael Petroff,

Managing Director, Investor Relations; and Sean O'Keefe, Managing Director

Golub Capital Partners – Ross Van der Linden, Managing Director, Investor Partners Group and Dan Kaminski,

Managing Director, Investor Partners Group

**Other Attendees**

Ben Rupert – M-NCPPC Office of General Counsel, Principal Counsel

**ITEM 1. APPROVAL OF THE JULY 11, 2023, CONSENT AGENDA**

**ACTION:** MR. RUSSELL made a motion, seconded by MS. GOGOL to approve the Consent Agenda of July 11, 2023. The motion PASSED (7-0). Lisa Blackwell-Brown, Asuntha Chiang-Smith, and Sheila Morgan-Johnson were absent for this vote. (Motion # 23-27).

**ITEM 2. CHAIR’S ITEMS – No discussion or questions from the Trustees.**

Caroline McCarthy arrived at 9:05 a.m.

**ITEM 3. MISCELLANEOUS - No items to report.**

Asuntha Chiang-Smith arrived at 9:13 a.m.

**ITEM 4. CONSULTANT PRESENTATIONS**

**ITEM 4.A. Wilshire Advisors, LLC**

Mr. Baker summarized the Opportunistic Fixed Income finalists, Audax Group and Golub Capital Partners, and the respective funds, Audax Senior Load Fund V and Golub Capital Fund 15, L.P. (“GCP 15”). Wilshire recommended a commitment of \$50 million to provide continued exposure to reach and maintain the 10% strategic target allocation to the Opportunistic Fixed Income portfolio. New commitments within the Opportunistic Fixed Income portfolio will focus on 1<sup>st</sup> lien secured loans. Audax Group and Golub Capital Partners were identified as the two finalist candidates because throughout the due diligence process each demonstrated 1) best in class firm/team resources and architecture for the respective strategies over multiple decades; 2) consistent and time-tested philosophy, process and execution of investment strategy; 3) strong investment performance track record across multiple market cycles and credit environments with low default rates; and 4) appropriate investment strategy for the ERS’ Opportunistic Fixed Income mandate with broad diversification. The Audax Group Senior Loan Fund V investment strategy invests in traditional first lien senior secured loans focusing on safety and preservation of capital and includes board diversification with a current portfolio of performing credits which limits blind pool risk, consistent income and low losses, and an attractive fee structure. The Golub Capital Partners GCP 15 investment strategy blends first lien and uni-tranche/one-stop senior secured floating rate loans with a unique portfolio structure allowing immediate access to a seasoned healthy portfolio and distributions. GCP 15 focuses on private equity sponsor-backed companies and recession-resilient industries with expertise in software, healthcare, specialty consumer and financial service industries.

**ITEM 4.B. Audax Group**

Mr. Petroff provided an overview of the Audax Group, which was founded in 1999 and has raised \$43 billion of capital since inception, including \$27 billion of private debt capital. The Audax Group platform includes senior debt, uni-tranche, junior debt, and private equity investments in the middle market which provides an information advantage with its multi-asset class structure that drives sourcing and an underwriting advantage. Mr. McGonigle described the senior debt investment strategy, emphasizing that the strategy focuses on safety and return and avoiding losses. The strategy centers on traditional first lien senior secured loans; is highly diversified by borrower, industry and sponsor; targets 10% to 12% distribution yields; and has low historical losses that average 4 bps since 2007. Audax Group executes disciplined credit underwriting and industry selection and highly cyclical industries like airlines, energy, gaming, hospitality, restaurants, and retail. The Senior Loan Fund V is expected to replicate Senior

Loan Fund IV with an estimated expected net return of 12.10%, lower leverage, increased equity contributions, lender-friendly terms, and an attractive fee structure. Ms. Harris inquired about the General Partner's Commitment to the Senior Loan Fund V. Mr. McGonigle indicated the General Partner's Commitment will be consistent with other funds but agreed to follow up with a precise amount and/or percentage.

Lisa Blackwell-Brown arrived at 10:11 a.m.

Sheila Morgan-Johnson arrived at 10:13 a.m.

#### **ITEM 4.C. Golub Capital Partners**

Mr. Van Der Linden provided an overview of Golub Capital, which was founded in 1994 and has more than \$60 billion in capital under management as of April 1, 2023. Golub Capital's investment focus is on first lien senior secured floating rate loans, private equity sponsor-backed companies with \$10-\$100 million of EBITDA, recession-resilient industries with expertise in software, healthcare, specialty consumer and financial services, and seeks to generate consistent net returns and current income by maintaining low defaults and credit losses. Golub has a long-standing record of low default rates due to the avoidance of risk, standing at 0.54% for payment defaults and 0.91% for capital defaults for 2004 - Q12023. Golub Capital's competitive advantage incorporates a strategy of lending to sponsor-backed companies and building relationships with private equity firms. Ms. Kaminski added that Golub has more than 350 sponsor relationships, of which more than 250 are repeat sponsors, and an incumbency advantage to lend to over 300 middle market companies and capture attractive deal flow from existing borrowers. Golub Capital leads approximately 90% of deals which provides distinct advantages, including control of pricing, deal structure, and terms, higher pricing, and more access to management during due diligence prior to investing. Golub Capital Partners 15 ("GCP 15") provides immediate diversification, a targeted net return of 10.5%-13.5%, 2-2.5x leverage, an investor-friendly fee structure with no "J" curve, and \$950 million in employee commitments to align with investor partners. Ms. Van Der Linden confirmed investment overlap between GCP 11 in which the ERS has a commitment and GCP 15 over the next 2-3 years Golub funds.

#### **ITEM 4.D. Selection of Opportunistic Fixed Income Manager**

**ACTION:** MR. COHEN made a motion, seconded by MS. GOGOL to award \$25 million to the Audax Group for the Audax Senior Loan V and \$25 million to Golub Capital Partners for the Golub Capital Partners 15, L.P., contingent upon contract negotiations. The motion PASSED (10-0) (Motion # 23-29).

#### **ITEM 5. CLOSED SESSION**

**ACTION:** At 11:07 a.m., MS. MCCARTHY made a motion, seconded by MR. COHEN to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b) (5) to consider matters directly concerning the actual investment of public funds under the authority of the Board. Pamela Gogol was absent from this vote. The motion PASSED (9-0) (Motion #23-28).

During Closed Session, the Board considered matters related to the investment of public funds under the authority of the Board. *Board of Trustees in Closed Session:* Chair Shapiro, Gavin Cohen, Lisa Blackwell-Brown, Sheila Morgan-Johnson, Theodore Russell III, Elaine Stookey, Caroline McCarthy, Howard Brown, Asuntha Chiang-Smith, and Pamela Gogol.

#### **ITEM 6. EXECUTIVE DIRECTOR'S REPORT**

Ms. Rose presented the Executive Director's Report dated June 28, 2023. Ms. Rose reminded the Board there are no Committee or Board meetings until the next Board meeting on September 5, 2023. Ms. Rose also informed the Board in accordance with the Pension Funding Policy, a Request for Proposal will be issued mid-July 2023 to conduct a full scope audit of the June 30, 2023 actuarial valuation; to audit the work of the consulting actuary; and to confirm the accuracy of work and adequacy of methods, assumptions, and conclusions. The annual audit is scheduled to begin in August with most of the work being done remotely. Staff will be preparing the Financial Statements, Annual Comprehensive Financial Report, Popular Annual Financial Report, and data for the annual actuarial valuation. Additionally, staff are working towards rolling out MemberDirect and a Website re-design project this Fall.

The Board meeting of July 11, 2023, adjourned at 11:39 a.m.

Respectfully,

*Alicia C. Stanford*

Alicia C. Stanford  
Administrative Specialist

*Andrea L. Rose*

Andrea L. Rose  
Executive Director