



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

BOARD OF TRUSTEES MEETING MINUTES

Tuesday, May 2, 2023; 10:00 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, May 2, 2023. The meeting was called to order at 10:00 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

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

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 10:04 a.m.

Board Members Absent

Vacant, Montgomery County Commissioner

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

ERS Staff Present

Andrea L. Rose, Executive Director

Jaclyn F. Harris, Deputy Executive Director

Sheila Joynes, Accounting Manager

Alicia C. Stanford, Administrative Specialist

ITEM 1. APPROVAL OF THE MAY 2, 2023, CONSENT AGENDA

ACTION: MS. GOGOL made a motion, seconded by MR. RUSSELL to approve the Consent Agenda of May 2, 2023. The motion PASSED (8-0) (Motion # 23-12).

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

ITEM 3. MISCELLANEOUS - No items to report.

Lisa Blackwell-Brown arrived at 10:04 a.m.

ITEM 4. COMMITTEE REPORTS/RECOMMENDATIONS

ITEM 4.A. Investment Monitoring Group

Ms. Morgan-Johnson provided an overview of the Investment Monitoring Group (“IMG”) meeting held on March 21, 2023. During the meeting, Wilshire Advisors presented an Opportunistic Fixed Income portfolio review which included the history of the ERS portfolio, analysis of the investment strategy, current market environment, and pacing analysis to identify the commitment level to allocate to private investments in this segment of the portfolio. Since inception, the Opportunistic Fixed Income segment of the portfolio has experienced strong investment returns with a 13.9% IRR and 1.3x multiple (TVPI). The most recent commitments have focused on direct corporate lending and the private credit market with a focus on senior or unitranche loans (White Oak / Golub) and junior, second lien loans (HarbourVest). Wilshire’s pacing model suggests annual commitments of approximately \$25 - \$35 million to provide adequate exposure to maintain the 10.0% strategic target allocation to the Opportunistic Fixed Income portfolio. Wilshire Advisors discussed trends in the private loan market, which has experienced double-digit growth over the past five (5) years. Wilshire recommended to the IMG an allocation to the senior lending and junior lending strategies with a focus on the lower to upper middle market. Wilshire Advisors will provide a short list of middle market Private Credit fund managers that span the upper and lower market segments across size, industry, and focus on senior and junior debt to present to the IMG.

Next, Ms. Morgan-Johnson provided an overview of the IMG meeting held on April 18, 2023. The IMG met for a performance review of the Principal U.S. Property Account and Neuberger Berman High Yield Income Fund LLC delivered by representatives from both fund managers. Principal presented a firm update and discussed performance and underlying portfolio holdings for the Principal U.S. Property Account. The IMG noted that the Principal U.S. Property Account not only lagged the benchmark indices for calendar year 2022 with a net return of 4.1% compared to NCREIF ODCE(EW) and NCREIF NPI at 8.4% and 5.5%, respectively; but also performed in the bottom 50% percentile compared to peer performance. Furthermore, Principal has underperformed in 2020, 2022, and is currently underperforming in 2023. Principal informed the IMG that it wrote its office portfolio down by 23% due to market pressures and disruptions from the prevailing work from home trend. Principal explained that recent underperformance is due to this write down in valuations occurring sooner and at a higher percentage rate than other funds.

The IMG asked for an update on the \$25 million withdrawal request submitted in November 2022, which is in a withdrawal queue that has yet to be satisfied. Principal explained that withdrawal requests were placed in a queue to maintain the stability of the portfolio and to provide the Investment Team with more flexibility and time to manage the sale of assets and payment of the withdrawal requests. Principal further explained that they do not provide guidance to clients regarding when redemptions will be available or the timing for when the withdrawal queue will be lifted.

Neuberger Berman also presented a portfolio overview for the High Yield Income Fund LLC to the IMG at the April 18, 2023 committee meeting. The IMG expressed concern that Neuberger Berman’s performance track record did not demonstrate consistency in achieving outperformance by 50 basis points per their expected return vs. the benchmark. Neuberger Berman acknowledged that they missed the opportunity to adjust their underwriting and leverage to achieve better performance over the past five years. The Board placed Neuberger Berman on the Watch List at the end of last year.

Wilshire will continue to monitor both Principal and Neuberger Berman. The IMG agreed to a follow up discussion on both Principal and Neuberger Berman at another meeting.

ITEM 4.B. Administration & Personnel Oversight Committee

Mr. Cohen provided an overview of the Administration & Personnel Oversight Committee (“Personnel Committee”) meeting of March 21, 2023. The Personnel Committee held its second working session to review, discuss, and incorporate revisions to the Ethics Policy in the Governance Manual. Key revisions to the Ethics Policy included using terms consistent with the Governance Manual; adopting the Chartered Financial Analyst Institute’s Pension Trustee Conduct Code; disclosing conflicts of interest and certain activities in writing to the Chair or Vice Chair with disclosure to the Board at the next official meeting; and reporting violations of the Ethics Policy to the Chair within 48 hours of discovery. The Personnel Committee recommended approval of the Governance Manual dated April 2023 with the inclusion of the revised Ethics Policy. Ms. Rose noted Ms. Morgan-Johnson had some non-material edits to be incorporated.

ACTION: MS. GOGOL made a motion, seconded by MR. RUSSELL to approve revisions to the Governance Manual dated April 2023 with a revised Ethics Policy. The motion PASSED (9-0) (Motion # 23-13).

Ms. Rose provided an overview of the proposed FY2024 Operating Budget for the ERS totaling \$3,247,000. The proposed budget represents an increase of 16.9% from FY2023. Personnel Services is projected to increase by 23.7% for funding a total of 12 employees; includes adjustments in compensation, benefit elections, performance, and retention bonuses, pension, and OPEB costs; and accounts for the full year of costs associated with two new hires. Actuarial Services are expected to increase by 7.2% for required services; Legal Services are expected to increase by 10% due to a pending legal matter; Insurance is expected to increase by 18.1% which reflects market increases for coverage of fiduciary and cyber insurance; and Rent will increase by 12.3% due to the inclusion of an additional 277 square foot of space to accommodate the addition of 2 new employees. The Personnel Committee recommended the approval of the FY2024 Operating Budget for the ERS.

ACTION: MR. COHEN made a motion, seconded by MS. GOGOL to approve the FY2024 Operating Budget for the ERS. The motion PASSED (9-0) (Motion # 23-14).

Ms. Rose informed the Board that *Notice of Vacancies* on the Board of Trustees for the Prince George’s County and Montgomery County Public Member seats were publicized on the ERS and Maryland Reporter websites to solicit candidate applications. Applications were received from incumbents, Sheila Morgan-Johnson and Pamela Gogol. No other applications were received by the deadline. The Personnel Committee recommended the Board’s approval with a recommendation to the Commission for the reappointment of Sheila Morgan-Johnson as the Prince George’s County Public Member and Pamela Gogol as the Montgomery County Public Member for the term July 1, 2023 – June 30, 2026.

ACTION: MR. COHEN made a motion, seconded by MS. MCCARTHY to recommend to the Commission the reappointment of Sheila Morgan-Johnson as the Prince George’s County Public Member and Pamela F. Gogol as the Montgomery County Public Member for the term July 1, 2023 – June 30, 2026. The motion PASSED (7-0-2) (Motion # 23-15). Ms. Morgan-Johnson and Ms. Gogol abstained from the vote.

Ms. Rose summarized key aspects of the Memorandum of Understanding (MOU) between the Commission’s Office of General Counsel and the ERS for legal services support. The Office of General Counsel has been assisting the ERS on legal matters for years and this MOU will formalize existing practice. The Personnel Committee recommended the Board approve a MOU between the M-NCPPC Office of General Counsel and the ERS to provide legal services.

ACTION: MR. COHEN made a motion, seconded by MS. MCCARTHY to approve a Memorandum of Understanding (MOU) with the Maryland-National Capital Park and Planning Commission to provide Legal Services Support to the ERS. The motion PASSED (9-0) (Motion # 23-16).

ITEM 5. EXECUTIVE DIRECTOR'S REPORT

Ms. Rose presented the Executive Director's Report dated April 24, 2023. Ms. Rose reminded the Board that the next Board meeting on June 6, 2023 will include an Annual Economic Review by Cheiron and Wilshire Advisors and a quarterly performance review. Ms. Rose informed the Board that ERS staff completed their annual Ethics Training conducted by the Commission's Office of General Counsel. Ms. Rose also informed the Board that additional PensionGold and MemberDirect software changes have been made, including sick leave conversion, bank file transfer server, online server updates, and 3rd party online security features.

Based on the recent organizational change to add a Deputy Executive Director to the ERS and President Biden's termination of the national emergency over the COVID-19 pandemic in early April 2023, Ms. Rose presented a recommendation to approve a resolution to authorize the Deputy Executive Director to instruct the investment consultant, custodian bank and the investment managers and exercise signature authority on matters or transactions requiring immediate attention and/or action if the Executive Director is not immediately available. Also, in the event of an extended and/or unexpected absence of the Executive Director, or in the event of an interference with the normal activities of the ERS. This resolution will revoke all prior resolutions authorizing such authority regarding the extended absence of the Executive Director and emergency situations when the Executive Director is unavailable.

ACTION: MR. RUSSELL made a motion, seconded by MS. GOGOL to approve a Resolution to authorize the Deputy Executive Director to act in the extended and/or unexpected absence of the Executive Director and in situations that require immediate action when the Executive Director is unavailable and to revoke all prior resolutions authorizing such authority. The motion PASSED (9-0) (Motion # 23-17).

Next, Ms. Rose informed the Trustees that *A Call for Nominations* for the Bi-County Open Trustee seat for the term July 1, 2023 – June 30, 2026 on the Board of Trustees was posted on the Intranet site and the April Edition of Commission's monthly newsletter *The Update*. Incumbent, Elaine A. Stookey, was the only candidate to submit a letter of interest and resume. Therefore, Ms. Stookey is determined to have won by acclamation.

ACTION: MS. GOGOL made a motion, seconded by MS. MORGAN-JOHNSON to acknowledge the Bi-County Open Trustee for the Term July 1, 2023 – June 30, 2026. The motion PASSED (8-0-1) (Motion # 23-18). Ms. Stookey abstained from the vote.

ITEM 6. CLOSED SESSION

ACTION: At 10:35 a.m., MS. GOGOL made a motion, seconded by MS. STOOKEY to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b) (7) to consult with counsel on matters related to a member's appeal of pension benefits in order to protect applicable privileges. The motion PASSED (9-0). (Motion #23-19).

During Closed Session, no action was taken by the Board of Trustees.

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, and Pamela Gogol.

The Board meeting of May 2, 2023, adjourned at 10:54 a.m.

Respectfully,

Alicia C. Stanford

Alicia C. Stanford
Administrative Specialist

Andrea L. Rose

Andrea L. Rose
Executive Director