



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

BOARD OF TRUSTEES MEETING MINUTES

Wednesday, May 8, 2024; 9:00 a.m.

PRA Auditorium – 6600 Kenilworth Ave, 1st Floor, Riverdale, MD 20737

The Maryland-National Capital Park and Planning Commission (“Commission”) Employees’ Retirement System (“ERS”) Board of Trustees (“Board”) met in-person with CHAIR SHAPIRO leading the meeting on May 8, 2024. The meeting was called to order at 9:13 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
Anton White, FOP Represented Trustee
Lisa Blackwell-Brown, MCGEO Represented Trustee

Board Members Absent

Asuntha Chiang-Smith, M-NCPPC Executive Director, Ex-Officio
James Hedrick, Board of Trustees Vice Chair, Montgomery County Commissioner

Others Present

Michael “Wes” Aniton, M-NCPPC Office of the General Counsel, Deputy General Counsel

ERS Staff Present

Andrea L. Rose, Executive Director
Jaclyn Harris, Deputy Executive Director
Sheila Joynes, Accounting Manager (*in attendance virtually via Microsoft TEAMS*)
Alicia C. Stanford, Administrative Specialist

Firm Presentations

Marquette Associates, LLC – Patrick Wing, Managing Director; Lee H. Martin, Managing Director; and Jessica Noviskis, Associate Director of Alternatives
Meketa Investment Group – Mary Mustard, Managing Principal Consultant and Aaron Lally, Managing Principal Consultant
Wilshire Advisors, LLC – Bradley A. Baker, Managing Director; LouAnn Eisenhut, Assistant Vice President; Shawn Quinn, Managing Director; and Marc Friedberg, CFA, Managing Director (*in attendance virtually via Microsoft TEAMS*)

ITEM 1. APPROVAL OF THE MAY 8, 2024, CONSENT AGENDA

ACTION: MS. GOGOL made a motion, seconded by MS. MCCARTHY to approve the Consent Agenda of May 8, 2024. The motion PASSED (9-0) (Motion # 24-13).

ITEM 2. CHAIR'S ITEMS

ITEM 2.A. Conference and Training Summary 2024

No notable items discussed.

ITEM 3. MISCELLANEOUS - No items to report.

ITEM 4. CONSULTANT/MANAGER PRESENTATIONS

ITEM 4.A. Format Guidelines for the Investment Consultant Presentations

Presentation by Jaelyn Harris, Deputy Executive Director

Ms. Harris provided a summary of the questions and topics each firm was asked to cover in their presentation. It was recommended that the trustees look for responses and information to determine how much value the firm and consulting team could add to the ERS and the teams' ability to explain their recommendations for the ERS investment portfolio. Effective communication with the Board was highlighted as a key differentiator for the three firms.

ITEM 4.A.i. MARQUETTE ASSOCIATES, LLC

Presentation by Patrick Wing, Managing Partner; Lee Martin, Managing Partner; and Jessica Noviskis, Associate Director of Alternatives

Mr. Martin began the presentation by providing a firm overview, noting that Marquette Associates currently has more than \$366 billion in assets under advisement, has been in business for 38 years, and is 100% employee-owned with over 130 employees across five office locations in the U.S. Marquette has 77 public clients, including the Maryland 529 Plan, City of Frederick, Maryland, and WSSC Water. Public clients account for 52% of their client base with more than \$189 billion in assets under advisement. Mr. Martin added that Marquette's Maryland based public clients have an average tenure of 10 years and average portfolio size of more than \$1.5 billion. Mr. Martin stressed that Marquette is a fully independent consultant, and its consulting philosophy focuses on controlling risk, quality, and cost. Mr. Martin and Mr. Wing would act as the co-leads for the ERS relationship. Ms. Noviskis described Marquette's client-focused research and client education resources, which include comprehensive asset class position papers, webinars, trustee education, client conferences, and newsletters. Mr. Wing provided Marquette's recommendation on the ERS investment portfolio. Mr. Wing explained that the ERS should consider lowering exposure to private equity and real assets to reduce the portfolio's illiquidity and risk of becoming a forced seller in down markets, permanently impairing capital. Additionally, Mr. Wing suggested increasing the allocation to core fixed income given the low assumed rate of return and portfolio illiquidity via private markets and reducing the allocation to global minimum volatility by moving assets to defensive equity for a similar return profile.

Ms. Gogol asked if Marquette's employee ownership structure includes operational and back-office staff. Mr. Martin responded, yes. Mr. Cohen asked if the firm does their own forecasting. Ms. Noviskis confirmed that Marquette has a licensed actuarial consultant on staff, and they also conduct in-house independent research. Ms. McCarthy inquired about who would be the primary contact for staff. Mr. Wing said both him and Mr. Martin should be cc'd on all communications and added that any client recommendations are made by consensus in concert with the firm's research team. Ms. Morgan-Johnson inquired about the history of the CEO's 20% ownership interest and the reason

why there is a President staff position. Mr. Martin explained that the firm wants to move away from a top-heavy ownership structure and implement a phased reduction of the CEO's ownership percentage over the next 3 – 5-years. No one shareholder will have more than 10% ownership. He added that new responsibilities were created because of organizational changes to explain why the firm added the President position to the organizational structure. Mr. White asked how the ERS is unique compared to other clients. Mr. Wing replied that the ERS Board meets more often than most clients and having the Investment Monitoring Group as a key resource to focus on investments is a plus.

ITEM 4.A.ii. MEKETA INVESTMENT GROUP

Presentation by Aaron Lally, Managing Principal Consultant and Mary Mustard, Managing Principal Consultant

Ms. Mustard began the presentation with an overview of the firm, proposed client consulting team, and explanation of how Meketa Investment Group can best serve the ERS. Meketa is 100% employee-owned, currently has \$1.8 trillion in assets under advisement, 45 years of investment advisory experience, 243 employees, 252 clients, and the median public fund's assets under advisement is \$1.2 billion. Public pension fund assets account for 79% of its total client assets. Ms. Mustard and Mr. Lally would act as the co-leads for the ERS relationship. Next, Mr. Lally provided an example of Meketa's Client Executive Summary exhibit and described its client education tools including white papers, newsletters, webinars, educational retreats, memos, and online classes. Mr. Lally noted Meketa's ability to assist clients with managing cashflows, negotiating fees, creating a crisis response plan, and supervising transactions. As part of Meketa's recommendations for the ERS investment portfolio, Meketa would conduct an initial review of the ERS portfolio and create a 3-year plan. Mr. Lally shared Meketa's preliminary observations on the ERS portfolio, noting limited defensive assets, a strong funded status, high yield manager underperformance, private equity driven performance, a realistic target return rate of 6.75%, and a lack of passive exposure in fixed income. Ms. Mustard described its Mosaic approach to asset allocation and changes to the asset allocation policy. Ms. Mustard suggested implementing modest tweaks to the portfolio to reduce the volatility while still earning the same rate of return. Ms. Mustard explained Meketa's recommendation for reducing exposure to public credit in favor of increasing the allocation to high quality fixed income and public equity, reconfiguration of the real assets allocation by removing public real assets and introducing core infrastructure to provide long term revenue tied to inflation with higher expected returns.

Ms. Rose asked if Meketa considered the ERS portfolio to be too illiquid. Ms. Mustard replied, no. Ms. Gogol requested additional details on employee participation in ownership at Meketa. Mr. Lally responded that 72 out of 250 employees have ownership interests in Meketa. Ms. Gogol asked if Meketa was approached by a private equity company, would Meketa consider an offer of purchase. Mr. Lally replied that a shareholder vote would have to take place for any ownership change to the organization. Mr. Russell inquired about the use of the Mosaic simulation model instead of Monte Carlo and the difference between the two methods. Ms. Mustard explained that Meketa uses a variety of tools to build a more complete picture including both Monte Carlo and Mosaic models and that the Mosaic approach helps provide a better understanding of how the portfolio might behave within certain markets. Ms. Harris and Mr. White requested clarification about the suggestion of an active strategy in small cap equity and the risks associated with such a strategy. Mr. Lally explained Meketa's conviction that active management in the small cap equity strategy can outperform the market. Ms. Mustard explained why they typically recommend active management for U.S. small cap equity and described how some of Meketa's other recommendations for the portfolio would help to reduce portfolio volatility.

ITEM 4.A.iii. WILSHIRE ADVISORS

Presentation by Bradley Baker, Managing Director; Marc Friedberg, Managing Director; LouAnn Eisenhut, Assistant Vice President; and Shawn Quinn, Managing Director

Mr. Baker began the presentation by thanking the ERS for its business of more than 20 years. Mr. Baker described Wilshire Advisors' two primary focuses as the consultant for the pension plan: 1) maximize safety of promised benefits and 2) minimize cost of funding these benefits. Mr. Baker reviewed some of the relationship accomplishments and outlined future priorities for the ERS which included a continuation of strong governance practices, an Asset Liability Study in 2025, targeted trustee education, drawdown risk management, and the continual enhancement of returns from investments in private markets. Mr. Baker provided an overview of Wilshire Advisors, noting it has been in business for 52 years, has \$1.4 trillion in assets under advisement, more than 500 clients, and 268 employees worldwide. Mr. Baker and Ms. Eisenhut summarized Wilshire's institutional client base, public pension plan client performance in comparison to peers, and Wilshire's investment philosophy and process. Mr. Quinn and Mr. Friedberg highlighted Wilshire's private equity performance and private market capabilities.

Chair Shapiro thanked Wilshire Advisors for their long-standing relationship with the ERS. Mr. Cohen asked for details about Wilshire's acquisition by two private equity firms and who owned Wilshire prior to this transaction. Mr. Baker responded that Wilshire was privately owned prior to 2021 and that some employees still held equity ownership. Ms. Morgan-Johnson asked how Wilshire plans to improve communication with clients. Mr. Baker described how Wilshire provides weekly podcasts, white papers, and educational research for the benefit of its clients. Ms. Rose asked about Wilshire's view of the passive small cap equity strategy for the ERS. Mr. Baker said that 76% of managers in this space are underperforming, but the ERS is in the top quartile. Ms. Rose also inquired if Wilshire considered the ERS portfolio to be too illiquid. Mr. Baker said no. Ms. Stookey asked about Wilshire's 7:1 consultant to client ratio. Mr. Baker said that having more than a 10:1 consultant to client ratio is not recommended.

ITEM 5. CLOSED SESSION

ACTION: MS. STOOKEY made a motion, seconded by MR. RUSSELL to go into closed session pursuant to the General Provisions Article of the Annotated Code of Maryland Section 3-305(b)(5) to consider the investment of public funds and Section 3-305(b)(7) to consult with counsel to obtain legal advice on a legal matter under the authority of this Board. The motion PASSED (8-0). Lisa Blackwell-Brown was absent for this vote. (Motion # 24-14).

During Closed Session, the following occurred:

- The Board discussed the selection of an Investment Consulting Services firm and consulted with legal counsel.

Board of Trustees in Closed Session: Chair Shapiro, Gavin Cohen, Sheila Morgan-Johnson, Theodore Russell III, Elaine Stookey, Caroline McCarthy, Pamela Gogol, Anton White, and Lisa Blackwell-Brown

ITEM 6. SELECTION OF THE INVESTMENT CONSULTING SERVICES FIRM

ACTION: MR. COHEN made a motion, seconded by MS. MCCARTHY to award the ERS Investment Consulting Services contract to the Meketa Investment Group, contingent upon successful contract negotiations. The motion PASSED (9-0) (Motion # 24-15).

Chair Shapiro recognized Wilshire Advisors for the outstanding performance over the last two decades. The Board unanimously expressed appreciation to Brad Baker and LouAnn Eisenhut. Ms. Rose noted Wilshire Advisors is responsible for the investment results which have led to a strong funded status over the past decade, consistently ranking the ERS in the top quartile compared to other public plans with a lower risk profile.

ITEM 7. EXECUTIVE DIRECTOR'S REPORT

No notable items discussed. Report provided as information only.

ITEM 8. COMMITTEE REPORTS/RECOMMENDATIONS**ITEM 8.A. Administration & Personnel Oversight Committee**

Ms. Harris provided an overview of the Proposed FY25 Operating Budget for the ERS totaling \$3,475,000, representing a 7.0% increase from FY24. Key changes included a recommendation by the Commission's IT Department for a funding allocation of \$55,000 for technical improvements; slight increases due to inflation in the cost for professional services and cost of travel for trustees and staff to attend conferences and other training opportunities; higher premiums for fiduciary and cyber insurance coverage due to risk factors and continued cyber-criminal activity; and a proposed new ERS staff position to support succession planning, representing an increase for personnel services of 9.3% from FY24. The Personnel Committee recommended the approval by the Board of the Proposed FY25 Operating Budget for the ERS.

ACTION: MR. RUSSELL made a motion, seconded by MS. GOGOL to approve the FY25 Operating Budget of \$3,475,000 for the ERS. The motion PASSED (9-0) (Motion # 24-16).

The Board meeting of May 8, 2024, adjourned at 2:17 p.m.

Respectfully,

Alicia C. Stanford

Alicia C. Stanford
Administrative Specialist

Andrea L. Rose

Andrea L. Rose
Executive Director