



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

**BOARD OF TRUSTEES MEETING
MINUTES**

Tuesday, June 1, 2021; 10:00 a.m.
County Administration Building, Upper Marlboro, MD
(Due to COVID -19 Attend via Microsoft Teams)

Due to COVID-19, the Maryland-National Capital Park and Planning Commission (“Commission”) Employees’ Retirement System (“ERS”) Board of Trustees (“Board”) met virtually through Microsoft Teams with CHAIRMAN HEWLETT leading the call from the County Administration Building in Upper Marlboro, Maryland on Tuesday, June 1, 2021. The meeting was called to order at 10:00 a.m. by CHAIRMAN HEWLETT.

Board Members Present

Elizabeth M. Hewlett, Board of Trustees Chairman, Prince George’s County Commissioner
Gerald R. Cichy, Board of Trustees Vice Chairman, Montgomery County Commissioner
Howard Brown, FOP Represented Trustee

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

Melissa D. Ford, Prince George’s County Open Trustee

Pamela F. Gogol, Montgomery County Public Member

Caroline McCarthy, Montgomery County Open Trustee

Amy Millar, MCGEO Represented Trustee

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

Elaine A. Stookey, Bi-County Open Trustee

Joseph C. Zimmerman, CPA, M-NCPPC Secretary-Treasurer, Ex-Officio

ERS Staff Present

Andrea L. Rose, Administrator

Sheila S. Joynes, ERS Accounting Manager

Heather D. Van Wagner, Senior Administrative Specialist

Presentations

Wilshire Associates - Bradley A. Baker, Managing Director and Martel McDuffy, Senior Analyst

Legal Counsel Present

M-NCPPC Legal Department - Tracey Harvin, Senior Counsel

ITEM 1 APPROVAL OF THE JUNE 1, 2021 CONSENT AGENDA

The June 1, 2021 Board Meeting Agenda was revised as follows:

1. ITEMS 6.A.i. and 6.A.i.b. followed ITEM 4.A.iv.
2. ITEM 6.A.i.a. followed ITEM 7.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. CHIANG-SMITH to approve the Consent Agenda as revised. The motion PASSED unanimously (11-0). (Motion #21-30)

ITEM 2 CHAIRMAN’S ITEMS

ACTION: MR. ZIMMERMAN made a motion, seconded by MS. FORD to approve the Resolution to appoint Elizabeth M. Hewlett as Chairman and Gerald R. Cichy as Vice Chairman of the Board of Trustees for the terms

ending June 30, 2023. The motion PASSED unanimously (11-0).
(Motion #21-31)

ITEM 3 MISCELLANEOUS

No items reported.

ITEM 4 MANAGER REPORTS/PRESENTATIONS

Wilshire Associates

Presentations by Bradley A. Baker, Managing Director and Martel McDuffy, Senior Analyst

Brad Baker provided a Quarterly Executive Summary for the quarter ending March 31, 2021 and reported on the fund's performance. The ERS' total fund return was 2.85% (net of fees) for the quarter, outperforming the target policy index return of 1.64%. For the one, three, five, and ten-years ended March 31, 2021 the ERS fund return was 23.7%, 8.16%, 9.68%, and 7.54%, respectively, compared to the target policy return of 27.22%, 8.21%, 8.96%, and 7.30%, respectively. The total market value through March 31, 2021 was \$1,067.9 million.

Martell McDuffy provided a Monthly Investment Summary for the month ending April 30, 2021. Mr. McDuffy provided a market commentary and reported on the fund's performance. The ERS' total fund return for the one-month was 3.02% (net of fees), outperforming the target policy index return of 2.53%. For the one, three, five, and ten-years ended April 30, 2021 the ERS fund return was 21.44%, 9.11%, 9.96%, and 7.56%, respectively, compared to the target policy return of 23.36%, 9.02%, 9.16%, and 7.25%, respectively. The total market value through April 30, 2021 was \$1,095.0 million.

Investment Monitoring Group – Report of May 11, 2021

Andrea Rose presented the Investment Monitoring Group's (IMG) Regular Report of May 11, 2021 and highlighted the Private Equity Commitment recommendation the IMG was tasked to provide to the Board.

At its meetings on January 19, 2021, February 16, 2021, and March 16, 2021, the IMG had private equity pacing and commitment discussions regarding an additional capital commitment to private equity to provide adequate exposure and vintage year diversification. The IMG discussed both a recommitment to Wilshire Private Markets (WPM) and evaluation of alternative investment strategies. While recognizing the potential conflict of interest between Wilshire Consulting and WPM, the IMG could not ignore the advantages of a recommitment to WPM Series III, which includes a competitive fee, outperformance in Series I and II, and savings in legal fees.

In considering a recommitment to WPM versus alternative investment strategies, additional due diligence on the potential conflict of interest between Wilshire Consulting and WPM was conducted. Wilshire Consulting confirmed the WPM allocation is reviewed like any other investment manager using performance metrics, peers, and benchmarks. Wilshire Consulting acknowledges and mitigates its conflicts of interest with WPM through policies, procedures, and a Conflicts Management Committee.

The IMG recommended the Board approve a private equity commitment of \$15 million (\$45 million total) for three-years to Wilshire Private Markets Group Series III and Grant a Waiver of Certain Prohibitions of the Code of Ethics, contingent upon Wilshire's confirmation of private equity dry powder and valuations at the June Board meeting.

Mr. Baker presented Wilshire's Private Equity Market Analysis and Opportunities report dated June 1, 2021. Current valuations show private capital dry power has increased steadily since 2014, topping \$3.4 trillion across all fund types and private equity comprises just over 61% of total dry powder in the market as of April 2021.

Despite the continued shift to private market investments, capital activity as well as deals (per transaction) and funds (investment vehicles raised and closed) have declined after peaking in 2018. Valuations within private equity markets have increased.

Wilshire has favorable views on certain segments of the private equity market, including buyout investments in industrial, healthcare & technology, special situation investments across many industries/sectors, and lower-middle market deals with industry specializations and small fund sizes (<\$2 billion in aggregate size) along with emerging and/or minority-ownership. Mr. Baker highlighted that WPM focuses on the lower-middle market deals which mitigates valuation risk.

VICE CHAIRMAN CICHY requested the IMG annually review the conflict of interest between Wilshire Consulting and WPM.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. MILLAR to approve a private equity commitment of \$15 million (\$45 million total) for three-years to Wilshire Private Markets Group Series III and Grant a Waiver of Certain Prohibitions of the Code of Ethics. The motion PASSED unanimously (11-0). (Motion #21-32)

ITEM 5 REPORT OF THE ADMINISTRATOR

Andrea L. Rose presented the Administrator's Report dated May 25, 2021

Andrea Rose requested approval to allow ERS employees an extension to utilize unused Social Distancing and Administrative Leave from June 30, 2021 through December 31, 2021.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. FORD to allow ERS employees an extension to utilize unused Social Distancing and Administrative Leave from June 30, 2021 through December 31, 2021. The motion PASSED unanimously (11-0). (Motion #21-33)

ITEM 6 COMMITTEE REPORTS/PRESENTATIONS

Investment Monitoring Group – Report of May 11, 2021

These ITEMS were moved, see ITEM 1.

ITEM 7 CLOSED SESSION

At 11:17 a.m. CHAIRMAN HEWLETT requested a motion to go into Closed Session under authority of the General Provisions Article of the Annotated Code of Maryland Section 3-305(b)(13) to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter and to discuss matters that are subject to Section 4-335 of the General Provisions Article of the Maryland Annotated Code, which prevents public disclosure of confidential commercial or financial information.

ACTION: MS. GOGOL made a motion, seconded by VICE CHAIRMAN CICHY to go into Closed Session. The motion PASSED unanimously (11-0). (Motion #21-34)

During Closed Session, the following action was taken:

1. The Board discussed the Northern Trust's Fee Schedule.

The Board moved back into Open Session at 11:22 a.m.

In its May 11, 2021 Regular Report, the IMG recommended the Board approve the Fee Schedule with Northern Trust effective July 1, 2021 with an expiration date of June 30, 2025.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. FORD to approve the Fee Schedule with Northern Trust effective July 1, 2021 with an expiration date of June 30, 2025. The motion PASSED unanimously (11-0). (Motion #21-35)

The Board meeting of June 1, 2021 adjourned at 11:23 a.m.

Respectfully,

Heather D. Van Wagner

Heather D. Van Wagner
Senior Administrative Specialist

Andrea L. Rose

Andrea L. Rose
Administrator