



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

**BOARD OF TRUSTEES MEETING  
MINUTES**

**Tuesday, May 4, 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, May 4, 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

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

arrived at 10:05 a.m.

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

**Board Member Not Present**

Howard Brown, FOP Represented Trustee

**ERS Staff Present**

Andrea L. Rose, Administrator

Sheila S. Joynes, ERS Accounting Manager

Heather D. Van Wagner, Senior Administrative Specialist

Ann McCosby, IT Systems Manager

Charles Curtis, Accountant

**Presentations**

Cheiron - Janet H. Cranna, FSA, FCA, EA, MAAA, Patrick Nelson, FSA, CERA, EA, MAAA, and Jana Austin, ASA

Wilshire Associates - Bradley A. Baker, Managing Director

M-NCPPC Legal Department – Tracey Harvin, Senior Counsel

**ITEM 1                    APPROVAL OF THE MAY 4, 2021 CONSENT AGENDA**

**ACTION:**    VICE CHAIRMAN CICHY made a motion, seconded by MS. GOGOL to approve the Consent Agenda. The motion PASSED unanimously (9-0). (Motion #21-19)

MS. McCARTHY arrived at 10:05 a.m.

**ITEM 2                    CHAIRMAN’S ITEMS**

The terms for the Prince George’s County Open Trustee and the Montgomery County Open Trustee serving on the ERS Board will expire June 30, 2021. In accordance with the ERS’ Election Procedures,

A Notice of Vacancies on the Board of Trustees was placed in Update, on the ERS' website and the Commission's Intranet site with applications due in the ERS Office, March 19, 2021 by 5:00 p.m. Melissa D. Ford submitted an application for the Prince George's County Open Trustee and Caroline McCarthy submitted an application for the Montgomery County Open Trustee and no other applications were received. Ms. Ford and Ms. McCarthy are determined to have won by acclamation.

**ACTION:** VICE CHAIRMAN CICHY made a motion, seconded by MR. ZIMMERMAN to Acknowledge Melissa D. Ford as the Prince George's County Open Trustee and Caroline McCarthy as the Montgomery County Open Trustee for the three-year term ending June 30, 2024. The motion PASSED unanimously (10-0). (Motion #21-20)

### ITEM 3 MISCELLANEOUS

No items reported.

### ITEM 4 MANAGER REPORTS/PRESENTATIONS

#### Cheiron

Presentations by Janet H. Cranna, FSA, FCA, EA, MAAA, Patrick Nelson, FSA, CERA, EA, MAAA, and Jana Austin, ASA

Janet Cranna, Patrick Nelson, and Jana Austin presented the Actuarial Experience Study (the "Study") July 1, 2015 through June 30, 2020. The Study compared the actual experience with the actuarial assumptions of the ERS' economic and demographic experience over a five-year period ending June 30, 2020. The economic assumptions include salary merit increases, price and wage inflation, cost-of-living adjustments, and discount rate. The demographic assumptions include retirement, termination, disability, mortality, and marriage. These assumptions are intended to be long-term in nature. A change in an assumption generally occurs when the current assumption is not reflecting the actual experience or expected future trends. Cheiron discussed each of the economic and demographic assumptions and recommend changes.

A summary of assumption changes follows:

	Current Assumptions		Proposed Assumptions	
	Plans A, B, & E	Plans C & D	Plans A, B, & E	Plans C & D
<b>Mortality</b>	RP-2000 and Scale BB	RP-2000 and Scale BB	PubG-2010 and Scale MP-2020	PubS-2010 for retirees, disabled retirees, and employees PubG-2010 for beneficiaries Scale MP-2020 for all
<b>Retirement</b>	Varies by member's age	Varies by member's service	Varies by member's age with updated rates	Varies by member's service with updated rates for 20 and 25-29 years of service
<b>Termination</b>	Varies by member's age and gender	Varies by years of service	Varies by member's age with updated rates	Varies by member's service with updated rates
<b>Disability</b>	Increases by age	Increases by age	Simplified rates, increasing by age	Simplified rates, increasing by age
<b>Marriage</b>	Males three-years older 90% of males and 50% of females are married	Males three-years older 90% of males and 50% of females are married	Males three-years older 75% of males and 40% of females are married	Males three-years older 75% of males and 40% of females are married
<b>Salary Increases</b>	Decreases with years of service	Decreases with years of service	Modified rates decreasing with years of service	Modified rates decreasing with years of service

<b>Cost-of-Living Adjustments</b>	2.40% for benefits accrued up to July 1, 2012 and sick leave accrued until January 1, 2013; 2.00% thereafter	2.40% for benefits accrued up to July 1, 2012 and sick leave accrued until January 1, 2013; 2.00% thereafter	2.25% for benefits accrued up to July 1, 2012 and sick leave accrued until January 1, 2013; 1.90% thereafter	2.25% for benefits accrued up to July 1, 2012 and sick leave accrued until January 1, 2013; 1.90% thereafter
<b>Discount Rate (Investment Rate of Return)</b>	6.80%		6.75%	

Cheiron recommended the ERS use the Society of Actuaries recent study of public plan data. These tables are based on job classifications for both general and public safety members; separate rates for males and females; weighted by salary/pension benefit amount; and reflect improvements using the MP-2020 projection scale. These recent tables are most often required by the auditors and all public plans are expected to adopt these tables.

Adoption of the economic and demographic assumption changes will increase the actuarial liabilities by approximately \$7.5 million; the net normal cost by \$1.9 million; the employer contribution by \$2.8 million; and reduce the funded ratio from 91.2% to 90.6%.

Ms. Cranna presented the discount rate review. Factors to consider in selecting the discount rate or investment rate of return are the system's tolerance for risk, industry trends, expectations for the future, plan maturity, and historical experience. Cheiron looked at the Public Pension Plan Investment Return Assumptions report and survey by NASRA, updated February 2021, and the ERS' investment returns over the last five-year period ending June 30, 2020.

Cheiron recommended a change to the investment return assumption from 6.80% to 6.75%. Based on a thirty-year horizon the probability of achieving 6.75% investment return on the target allocation is 53.3% with an expected risk of 10.85%. Wilshire's Brad Baker supported the decrease based upon Wilshire's forward-looking assumptions.

Adoption of a change in the investment return assumption from 6.80% to 6.75% will increase the actuarial liabilities by \$6.3 million; the net normal cost by \$269 thousand; the employer contribution by \$919 thousand; and, reduce the funded return from 90.6% to 90%.

**ACTION:** VICE CHAIRMAN CICHY made a motion, seconded by MS. MILLAR to accept the economic and demographic assumption changes as recommended by Cheiron. The motion PASSED unanimously (10-0). (Motion #21-21)

**ACTION:** MR. ZIMMERMAN made a motion, seconded by VICE CHAIRMAN CICHY to reduce the discount rate (investment rate of return) from 6.80% to 6.75% effective with the July 1, 2021 actuarial valuation. The motion PASSED unanimously (10-0). (Motion #21-22)

Based on adoption of the new assumption changes, Cheiron will review the actuarial equivalence and the actuarial deficiency factors and recommend any edits to the ERS' Funding Policy.

### **Wilshire Associates**

Presentation by Bradley A. Baker, Managing Director

Mr. Baker said the 6.75% discount rate assumption is consistent with Wilshire's asset class assumptions and can be used to help support the actuarial investment return decision.

Mr. Baker recommended an Asset Liability Valuation Analysis be conducted at the end of 2021 or beginning of 2022.

## ITEM 5

### REPORT OF THE ADMINISTRATOR

Andrea L. Rose presented the Administrator's Report dated April 22, 2021

Ms. Rose requested approval to allow ERS employees to continue to maintain annual leave balances until December 31, 2021 at which time the excess annual rollover will be rolled over consistent with the ERS Employees Handbook. The Commission approved Resolution 21-06 that permits merit system employees to continue to maintain their annual leave balances until December 31, 2021 which the ERS generally follows.

**ACTION:** VICE CHAIRMAN CICHY made a motion, seconded by MS. CHIANG-SMITH to allow ERS employees to continue to maintain annual leave balances until December 31, 2021 at which time the excess annual rollover will be rolled over consistent with the ERS Employees Handbook. The motion PASSED unanimously (10-0). (Motion #21-23)

## ITEM 6

### COMMITTEE REPORTS/PRESENTATIONS

#### Audit Committee – Report of March 31, 2021

The Audit Committee Chairman, Joe Zimmerman, recommended awarding the Auditing Services Agreement to SB & Company for a three-year term, May 4, 2021 through May 4, 2024, with a two-year renewal option, May 4, 2026.

**ACTION:** VICE CHAIRMAN CICHY made a motion, seconded by MS. GOGOL to Award the Auditing Services Agreement to SB & Company for a three-year Term, May 4, 2021 Through May 4, 2024, with a two-year Renewal Option, May 4, 2026. The motion PASSED unanimously (10-0). (Motion #21-24)

#### Administration & Personnel Oversight Committee – Report of April 20, 2021

The Administration & Personnel Oversight Committee ("Personnel Committee") Chairman, Joe Zimmerman, reported the Personnel Committee concurred with Staff's Proposed FY2022 Operating Budget of \$2,695,705, contingent upon potential revisions. Ms. Rose discussed revisions for imaging and actuarial fees for slightly less than \$30,000. Therefore, approval of a Proposed FY2022 Operating Budget of \$2,724,685, a decrease of 13.1% from FY2021, was recommended.

**ACTION:** MR. ZIMMERMAN made a motion, seconded by MS. FORD to approve the FY2022 Operating Budget of \$2,724,685. The motion PASSED unanimously (10-0). (Motion #21-25)

MR. ZIMMERMAN said the FY2022 Operating Budget includes the cost for an additional Retirement Benefits Analyst Position as detailed in the Personnel Committee's report of April 20, 2021.

#### Investment Monitoring Group – Report of March 16, 2021

Ms. Rose asked if there were any questions on the Investment Monitoring Group's March 16, 2021 meeting report. Having no questions, the Board moved into Closed Session.

ERS staff: Ann McCosby and Charles Curtis; Presenters from Cheiron and Wilshire Associates; and, Others Present left the meeting.

**ITEM 7            CLOSED SESSION**

At 12:16 p.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)(7) to consult with counsel to obtain legal advice.

**ACTION:**    VICE CHAIRMAN CICHY made a motion, seconded by MS. CHIANG-SMITH to go into Closed Session. The motion PASSED unanimously (10-0). (Motion #21-26)

During Closed Session, the following action was taken:

1. The Board discussed Conflicts of Interest.
2. The Board discussed Eaton Vance's Letter Dated April 5, 2021.

The Board moved back into Open Session at 12:22 p.m.

**ACTION:**    VICE CHAIRMAN CICHY made a motion, seconded by MS. GOGOL to approve the amended Ethics Policy, as recommended by legal counsel. The motion PASSED unanimously (10-0). (Motion #21-28)

**ACTION:**    VICE CHAIRMAN CICHY made a motion, seconded by MS. FORD to consent to participate in transactions exempted under PTS 2000-29, as amended from time to time, between Eaton Vance and Morgan Stanley. The motion PASSED unanimously (10-0). (Motion #21-29)

The Board meeting of May 4, 2021 adjourned at 12:26 p.m.

Respectfully,

*Heather D. Van Wagner*

Heather D. Van Wagner  
Senior Administrative Specialist

*Andrea L. Rose*

Andrea L. Rose  
Administrator