



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

**REGULAR BOARD OF TRUSTEES MEETING
MINUTES**

Tuesday, September 3, 2019; 10:00 A.M.
ERS/Merit Board Conference Room

The Maryland-National Capital Park and Planning Commission Employees' Retirement System Board of Trustees met in the ERS/Merit Board Conference Room at its office in Riverdale, Maryland on Tuesday, September 3, 2019 and 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
Anju Aggarwal Bennett, M-NCPPC Acting Executive Director, Ex-Officio In at 10:03 a.m.
Melissa D. Ford, Prince George's County Open Trustee In at 10:33 a.m.
Pamela F. Gogol, Montgomery County Public Member
Amy Millar, MCGEO Represented Trustee In at 10:12 a.m.
Sheila Morgan-Johnson, Prince George's County Public Member
Daniel Singh, Montgomery County Open Trustee Candidate
Elaine 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
Heather D. Van Wagner, Senior Administrative Specialist
Sheila Joynes, ERS Accounting Manager

Presentations

Northern Trust - Ali Guttillo, Relationship Manager Corporate & Institutional Services, Patricia Somerville-Koulouris, Division Manager Corporate & Institutional Services, and Don Anderson, Relationship Manager Global Securities Lending

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

Others Present

M-NCPPC Legal Department - William C. Dickerson, Principal Counsel

ITEM 1 APPROVAL OF THE SEPTEMBER 3, 2019 CONSENT AGENDA

- A. Approval of the September 3, 2019 Board of Trustees Meeting Agenda
- B. Minutes of Open Session, July 9, 2019
- C. Disbursements Granted Report - June and July 2019

CHAIRMAN HEWLETT revised the September 3, 2019 Board of Trustees Meeting Agenda to include a closed session to consult with legal counsel as Item 6 on the Agenda and asked for a motion to approve.

ACTION: MS. GOGOL made a motion, seconded by VICE CHAIRMAN CICHY to approve the revised September 3, 2019 Board of Trustees Meeting Agenda. The motion PASSED unanimously (7-0). (Motion #19-46)

CHAIRMAN HEWLETT asked for a motion to approve Items B and C on the Consent Agenda.

ACTION: VICE CHAIRMAN CICHY made a motion, seconded by MS. MORGAN-JOHNSON to approve Items B and C on the Consent Agenda. The motion PASSED unanimously (7-0). (Motion #19-47)

ITEM 2 CHAIRMAN'S ITEMS

A. Board of Trustees Conference Summary

CHAIRMAN HEWLETT reminded the board of their fiduciary responsibility to attend training events.

ITEM 3 MISCELLANEOUS

No miscellaneous reported.

MS. BENNETT arrived at 10:03 a.m.

ITEM 4 MANAGER REPORTS/PRESENTATIONS

Northern Trust

Presentations by Ali Guttillo, Relationship Manager Corporate & Institutional Services, Patricia Somerville-Koulouris, Division Manager Corporate & Institutional Services, and Don Anderson, Relationship Manager Global Securities Lending

Northern Trust started as a Trust Company in 1889 and currently offers asset servicing, asset management, and banking to its clients with customizable solutions. Northern has built its public fund relationships to 188 clients with 30% of the top 100 public plans and \$740 billion assets under custody. Since 1984, Northern has been the custodian of the ERS' assets and provides asset management, asset servicing, accounting, regulatory benefit payments, and securities lending services. Northern Trust is well-positioned for continued investment in its core business with a strong capital position, superior credit rating, and high-quality balance sheet. Northern Trust has increased servicing staff over the last 2 years by 27%. There has been no department of justice actions, no pay to play actions/investigations, and no litigation on foreign exchange practices.

MS. MILLAR arrived at 10:12 a.m.

MS. FORD arrived at 10:33 a.m.

Don Anderson presented an overview of Northern's securities lending program which is designed to enhance the return of an overall investment program without interfering with the investment strategy. The ERS has participated in Northern's securities lending program since 1996 with consistent earnings. Mr. Anderson presented a financial crises summary 2008-2010; an investment profile for the CORE STIF Cash Collateral Fund as of June 30, 2019; a historical earnings summary; and, performance scorecards.

Wilshire Associates

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

The Board was provided with an Executive Summary of Investment Performance for the quarter ending June 30, 2019 and Mr. Baker reported on the fund's performance. The ERS' total fund return was 2.91% (net of fees) for the quarter, underperforming the target policy index return of -3.13%. For the three, five, and ten-years ended June 30, 2019 the ERS fund return was 9.82%, 5.84%, and 9.35%, respectively, compared to the target policy return of 8.51%, 5.27%, and 8.59%, respectively. The total market value through June 30, 2019 was \$963.9 million.

The largest contributors to relative performance for the quarter ending June 30, 2019 was domestic equity, public real assets, and international equity which added 15, 14 and 11 bps of outperformance, respectively. Wilshire has no concerns.

ITEM 5 REPORT OF THE ADMINISTRATOR

Andrea Rose presented the Administrator's Report dated August 20, 2019 which included the board and committee work programs and meeting dates for September - November 2019. Ms. Rose reminded the Board the October 1, 2019 Board meeting was cancelled.

Ms. Rose discussed fee reductions with Principal Global Investors, VOYA Investment Management, Eaton Vance Management, and C.S. McKee, L.P. The Principal U.S. Property Account is commingled and fees are not negotiable. VOYA Investment Management offered a revised fee of 0.35% on the first \$100 million. Eaton Vance Management denied a request for a fee reduction indicating fees were revised October 1, 2017 and are appropriately set. C.S. McKee, L.P. offered a revised fee of \$0-\$50 million: 0.23% and \$50-\$100 million: 0.20%.

ERS Staff met in-person with Northern Trust's relationship management team to discuss custody (including domestic, global, transactions, and benefit payments) and securities lending fees and whether rates were comparable to other funds. Northern Trust offered the 70/30 fee split on all asset classes for securities lending, plus an \$30,000 reduction in annual domestic custody fees (\$180,000 to **\$150,000**). A charge for class action proceeds would be effective with the new fee schedule, if approved. This results in an annual savings of approximately \$48,000.

Staff recommend the Board accept VOYA's offer for a revised fee of 0.35% on the first \$100 million; C.S. McKee's offer for a revised fee of \$0 - \$50 million: 0.23% and \$50-\$100 million: 0.20%; and, Northern Trust's offer for a fee reduction from \$180,000 to \$150,000 in annual domestic custody fees and a 70/30 fee split on all asset classes for securities lending.

ITEM 6 CLOSED SESSION

At 12:26 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 on particular legal matters and to preserve attorney-client privilege.

ACTION: MS. BENNETT made a motion, seconded by VICE CHAIRMAN CICHY to go into Closed Session. The motion PASSED unanimously (10-0). (Motion #19-48)

During Closed Session, the following matters were discussed:

1. Northern Trust's Fee Schedule effective July 1, 2019 (Confidential)

The Board of Trustees moved back into Open Session at 12:39 p.m.

ACTION: MR. ZIMMERMAN made the motion, seconded by MS. FORD to ratify the actions taken in Closed Session. The motion PASSED unanimously (10-0). (Motion #19-51)

The Board of Trustees meeting of September 3, 2019 adjourned at 12:41 p.m.

MS. GOGOL left the meeting at 12:41 p.m.

Andrea Rose noted the motion made in Closed Session to approve the proposed fee reductions and to authorize execution of a fee amendment should have been made in Open Session of the Board. Legal counsel concurred.

ACTION: VICE CHAIRMAN CICHY made the motion, seconded by MS. FORD to reopen the Board of Trustees meeting. The motion PASSED unanimously (9-0). (Motion #19-52)

ACTION: MR. ZIMMERMAN made the motion, seconded by VICE CHAIRMAN CICHY to approve VOYA's offer for a revised fee of 0.35% on the first \$100 million; C.S. McKee's offer for a revised fee of \$0 - \$50 million: 0.23% and \$50-\$100 million: 0.20%; and, Northern Trust's offer for a fee reduction from \$180,000 to \$150,000 in annual domestic custody fees and a 70/30 fee split on all asset classes for securities lending; and, to authorize execution of fee amendments as recommended by legal counsel. The motion PASSED unanimously (9-0). (Motion #19-53)

The Board of Trustees meeting of September 3, 2019 adjourned at 12:46 p.m.

Respectfully,

Heather D. Van Wagner
Senior Administrative Specialist

Andrea L. Rose
Administrator