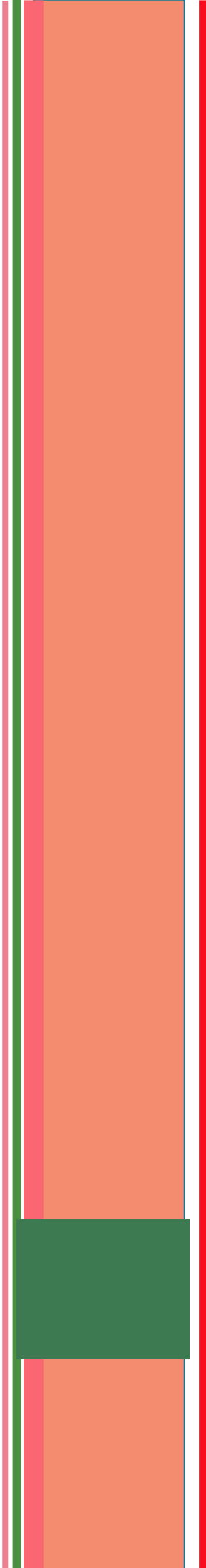


POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

EMPLOYEES' RETIREMENT SYSTEM

The Maryland-National Capital Park and Planning Commission



POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2017

Introduction

This Popular Annual Financial Report summarizes the Maryland-National Capital Park and Planning Commission Employees' Retirement System's (ERS) more detailed 2017 Comprehensive Annual Financial Report (CAFR) which is prepared in conformity with generally accepted accounting principles. The CAFR provides in-depth information about the financial, investment and actuarial aspects of the ERS.

The CAFR can be viewed online or downloaded from the ERS' website at <http://ers.mncppc.org> under the Forms and Publications tab.

About the Employees' Retirement System

The ERS covers employees of the Maryland-National Capital Park and Planning Commission ("Commission"). The ERS was established in 1972 as a single employer defined benefit pension plan. Today, the ERS consists of five defined benefit pension plans: Plan A, the original plan; Plan B, for non-police and integrated with Social Security; Plans C and D, for park police; and, Plan E, for non-police and appointed officials hired on or after January 1, 2013 and integrated with Social Security.

The ERS provides normal and early retirement benefits, active member death benefits, and post-retirement death benefits for members of the ERS.

The Board of Trustees ("Board") administers the ERS in accordance with the Trust Agreement between the Board and the Commission. The Board's main responsibility is to administer the ERS for the sole benefit of the members and to ensure payment of the promised benefits.

The administrative operations of the ERS are the responsibility of the Administrator and the Staff who are employed by the Board.

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Board Of Trustees



Elizabeth M. Hewlett, Chairman

Prince George's County Commissioner
Term expires: 6/30/2019

Gerald R. Cichy, Vice Chairman

Montgomery County Commissioner
Term expires: 6/30/2020

Khalid Afzal

Montgomery County Open Trustee
Term expires: 6/30/2018

Patricia Colihan Barney, CPA

Executive Director
Ex-Officio

Sheila Morgan-Johnson

Prince George's County Public Member
Term expires: 6/30/2020

Dr. Alicia J. Hart

Prince George's County Open Trustee
Term expires: 6/30/2018

Amy Millar

MCGEO Represented Trustee
Term expires: 6/30/2019

Howard Brown

FOP Represented Trustee
Term expires: 6/30/2019

Pamela F. Gogol

Montgomery County Public Member
Term expires: 6/30/2020

Barbara Walsh

Bi-County Open Trustee
Term expires: 6/30/2020

Joseph C. Zimmerman, CPA

Secretary-Treasurer
Ex-Officio

Message from the Chairman

Dear Members, Retirees and Beneficiaries:

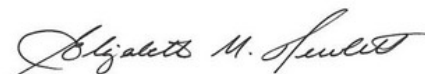
I am pleased to present the 2017 Popular Annual Financial Report ("Annual Report") for the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS). This Annual Report provides information to help you better understand the financial health of the ERS, and summarizes the more detailed Comprehensive Annual Financial Report (CAFR), available at <http://ers.mncppc.org>.

Returns for fiscal year 2017 were robust for most investors, including the ERS. I am happy to report net returns of 14.7% for the one-year ending June 30, 2017, and a ranking in the 8th percentile amongst 178 public funds¹. Long-term performance is a more relevant measure of overall health and over the last 28 years, the portfolio returned 7.6% -- exceeding the investment return assumption of 7.0%.

As political, economic and demographic changes emerge, the ERS is adapting its assumptions and asset allocation to respond to and maintain sustainability of the ERS. Changes in economic and financial conditions caused the Board of Trustees (the "Board") to lower the investment return assumption for the fifth consecutive year. Effective July 1, 2017, the Board reduced the investment return assumption from 7.0% to 6.95%, which is consistent with trends across the country. Additionally, the Board restructured the portfolio to add an 8% allocation to low volatility equities, and reduced U.S. and international equity allocations from 23% to 19% to decrease the expected volatility of the portfolio while maintaining the current level of expected returns. These actions position the portfolio to handle the evolving investment landscape.

The Board strongly believes diversification remains the key to performance and for the long-term protection and growth of the ERS, and remains committed to maintaining the highest professional standards in carrying out its mission to prudently manage, protect, diversify and administer the ERS on your behalf. We thank the trustees, staff and consultants who work tirelessly to recognize trends, monitor investments and consider opportunities for protection of your retirement. And, we thank you – our members, retirees and beneficiaries – for entrusting us with this most vital responsibility.

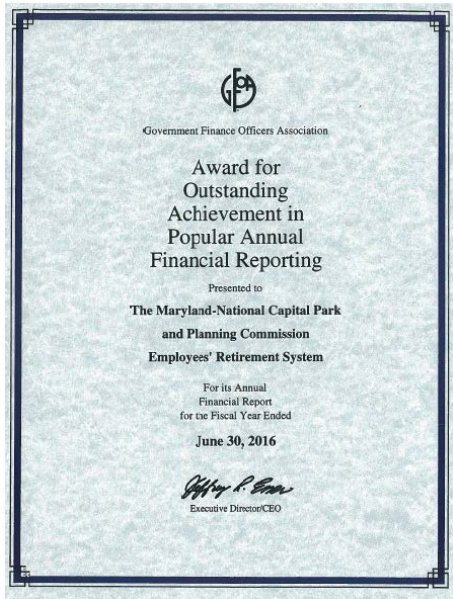
Warm Regards,



Elizabeth M. Hewlett
Chairman, Board of Trustees

¹Total Ret of Master Trusts - Public Universe-Gross of Fees

Awards for Excellence in Financial Reporting



The Government Finance Officers Association (GFOA) of the United States and Canada presented an **Award for Outstanding Achievement in Popular Annual Financial Reporting** to the Employees' Retirement System (ERS) for its Popular Annual Financial Report for the fiscal year ended June 30, 2016.

This prestigious national award recognizes annual reports for creativity, presentation, understandability and reader appeal and is valid for a period of one year.

This is the seventh consecutive year the ERS applied for and received the Award.

The ERS' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016, was awarded the **Certificate of Achievement for Excellence in Financial Reporting** by GFOA. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. A CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

The ERS received the Certificate of Achievement each time a CAFR was submitted to GFOA for consideration (2008-2016 and previously from 1992-2000). While the ERS is not required to prepare a CAFR, management considers it a "best practice" and plans to annually prepare a CAFR for consideration by GFOA.



The ERS earned the Public Pension Coordinating Council's **Public Standards Award for Funding and Administration** for the last twelve consecutive years (2005-2016). The Public Pension Standards are intended to reflect minimum expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark by which all public defined benefit plans should be measured.

ERS Staff



Andrea L. Rose
Administrator

Heather D. Brown
Senior Administrative Specialist

Member Relations
Antonia L. Lanier
Member Relations Manager

Lisa D. Butler
Senior Retirement Benefits Analyst

Eleanor Dagirmanjian
Retirement Benefits Analyst

Christopher Baysmore
Member Relations Assistant

Technical Services
Sheila S. Joynes
Accounting Manager

Ann L. McCosby
IT Systems Manager

Edward D. Sarkar
IT Manager

Mission

The Mission of the Maryland-National Capital Park and Planning Commission Employees' Retirement System (ERS) is to prudently manage, protect, diversify, and administer the funds for the sole benefit of the members and beneficiaries to ensure sufficient assets are available to pay the promised benefits.

Core Values

- Quality Customer Service
- Accountability and Transparency
- Professionalism and Respect
- Trustworthiness and Stewardship

Member Services & Resources

The ERS has a comprehensive membership education program to encourage lifelong retirement planning. The ERS is committed to providing each member with the resources to anticipate future financial needs and to plan for a secure retirement. Please consider taking advantage of the available resources below:

- Onsite Workshops
- One-on-One and Retirement Counseling
- Annual Benefit Statement
- Popular Annual Financial Report
- Comprehensive Annual Financial Report
- Summary Plan Description
- Plan Document
- News Articles published in the Commission's Update Newsletter - ERS Lifetimes
- Retirement Benefit Estimate

The ERS' website, <http://ers.mncppc.org>, contains valuable information for active and retired members. Forms and publications are available to download.

The Member Relations Team is available by email or phone to answer retirement related questions or schedule an appointment for a retirement counseling session.

Email: contactERS@mncppc.org
Phone: 301-454-1415

Membership and Benefits

As of July 1, 2016 Actuarial Valuation

Membership		Active Members	
Active Members	2,073	Average Age	47.91
Retirees and Beneficiaries	1,396	Average Service	12.73
Inactive Members ¹	263	Average Annual Salary	\$70,257
Total Membership	3,732	Active Members Eligible for Normal Retirement within the Next 5 Years	697

The ERS is the Commission's primary retirement plan for its employees. The ERS is a defined benefit plan which means the benefit paid at retirement is a guaranteed benefit, based on salary and credited service. The benefits are not determined by employee contributions or investment earnings.

A Summary Plan Description (SPD) is available for each plan and provides a detailed look at the benefit formula, eligibility requirements, contributions, credited service, and death benefits. A copy of the SPD is available on the ERS' website or a hard copy can be requested by calling the ERS.

The chart below shows average monthly benefit payments, average final salary, and average years of credited service for retirees and survivors.

Average Monthly Benefit Payments

As of July 1, 2016

Years of Credited Service	0-5	6-10	11-15	16-20	21-25	26-30	>30	Total
Number of Retirees and Survivors	58	169	157	184	272	323	233	\$1,396
Average Monthly Benefit Payments	\$455	\$684	\$1,144	\$1,633	\$2,757	\$3,537	\$4,722	\$2,593
Average Final Salary	\$41,468	\$48,615	\$53,006	\$57,328	\$68,187	\$68,112	\$77,203	\$62,784
Average Years of Credited Service	3.9	8.1	13.1	18.1	23.1	28.8	33.7	21.8

¹Inactive members have terminated employment with the Commission and are entitled but not yet receiving benefits.

Investment Policy and Asset Allocation

The Statement of Investment Policy outlines the ERS' long-term objectives and investment diversification. A portfolio should be diversified at two levels: between asset classes and within asset classes. This diversification is called asset allocation.

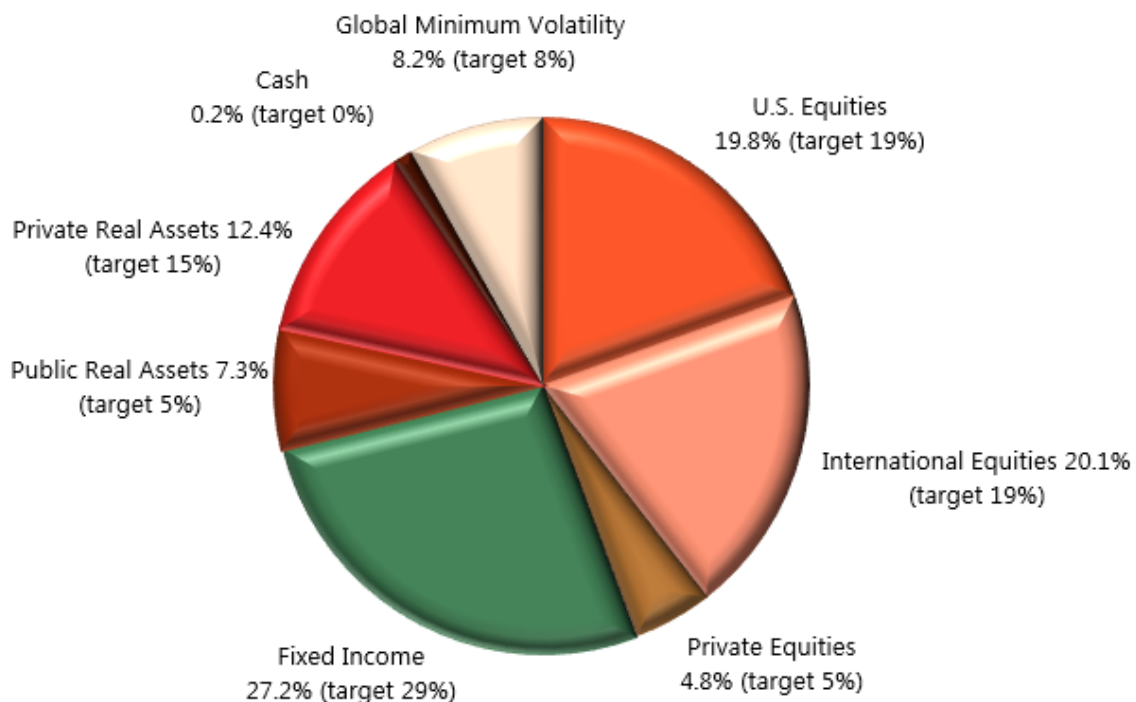
Asset allocation involves dividing the portfolio among different asset classes such as equities, fixed income, and real assets. The goal is to balance the risk and return of the portfolio by including asset classes that move up and down under different market conditions.

Diversification within each asset class is accomplished using multiple investment managers. Each manager has a set of guidelines which outline the manager's mission, objectives, benchmarks, authorized investments and restrictions. Annually, the Board reviews each manager's performance against these guidelines. Please refer to the Investment Manager Matrix on page 7 for investments as of June 30, 2017.

During the first quarter of 2017, the asset allocation policy was amended to add an 8% allocation to global low volatility equities and to reduce the U.S. and international equity allocations from 23% to 19%. This asset allocation policy was implemented in the second quarter of 2017, with the exception of the private investments which will fund gradually over time.

Asset Allocation

As of June 30, 2017



Investment Manager Matrix

As of June 30, 2017

Manager Name and/or Fund Name	Style	Market Value \$(000)	% of Fund
U.S. Equity			
J.P. Morgan Commingled Pension Trust Fund	130/30 Short Extension	17,062	2.0%
Chicago Equity Partners	Small Cap Value	16,746	1.9%
Northern Trust Collective Russell 2000 Growth Index Fund	Small Cap Growth	17,439	2.0%
RhumbLine S&P 500 Pooled Index Trust	Large Core	121,271	13.9%
		\$ 172,518	19.8%
International Equity			
Capital Group Institutional All Countries Equity Trust	ACWI ex-U.S.	\$ 87,852	10.1%
Earnest Partners, L.L.C.	ACWI ex-U.S.	86,781	10.0%
		\$ 174,633	20.1%
Global Minimum Volatility			
Blackrock MSCI ACWI Minimum Volatility Index	MSCI ACWI Min Volatility	\$ 71,740	8.2%
Private Equity			
Wilshire MNCPPC ERS Global, L.P. (I)	Other	39,927	4.6%
Wilshire MNCPPC ERS Global, L.P. (II)	Other	1,576	0.2%
		\$ 41,503	4.8%
Fixed Income			
C.S. McKee, L.P.	Core	\$ 37,702	4.3%
Eaton Vance Management	Core	38,013	4.4%
Golub Capital	Middle Market Direct Lending	17,500	2.0%
Loomis Sayles High Yield Full Discretion Trust	High Yield	31,728	3.7%
Neuberger Berman High Yield Bond Fund, LLC	High Yield	33,354	3.8%
Voya Senior Loan Fund	Bank Loans	35,789	4.1%
Western Asset Global Multi-Sector, LLC	Global Multi-Sector	36,306	4.2%
Oaktree Real Estate Debt Fund, L.P.	Real Estate Debt	4,989	0.6%
Oaktree Opportunities Fund VIII, L.P.	Distressed Opportunities	1,242	0.1%
		\$ 236,623	27.2%
Private Real Assets			
Principal U.S. Property Account	Real Estate	\$ 63,868	7.3%
GCM Grosvenor Real Asset Investments, L.P.	Real Assets	6,332	0.7%
Aberdeen Energy & Resources Partners II, L.P.	Real Assets	10,920	1.3%
Aberdeen Real Estate Partners II, L.P.	Real Estate	4,988	0.6%
Aberdeen Energy & Resources Partners III, L.P.	Real Assets	14,109	1.6%
Aberdeen Real Estate Partners III, L.P.	Real Estate	8,001	0.9%
		\$ 108,218	12.4%
Public Real Assets			
SSgA Custom Real Asset Non-Lending Strategy	Diversified	\$ 63,430	7.3%
Cash		\$ 1,729	0.2%
TOTAL		\$ 870,394¹	100%

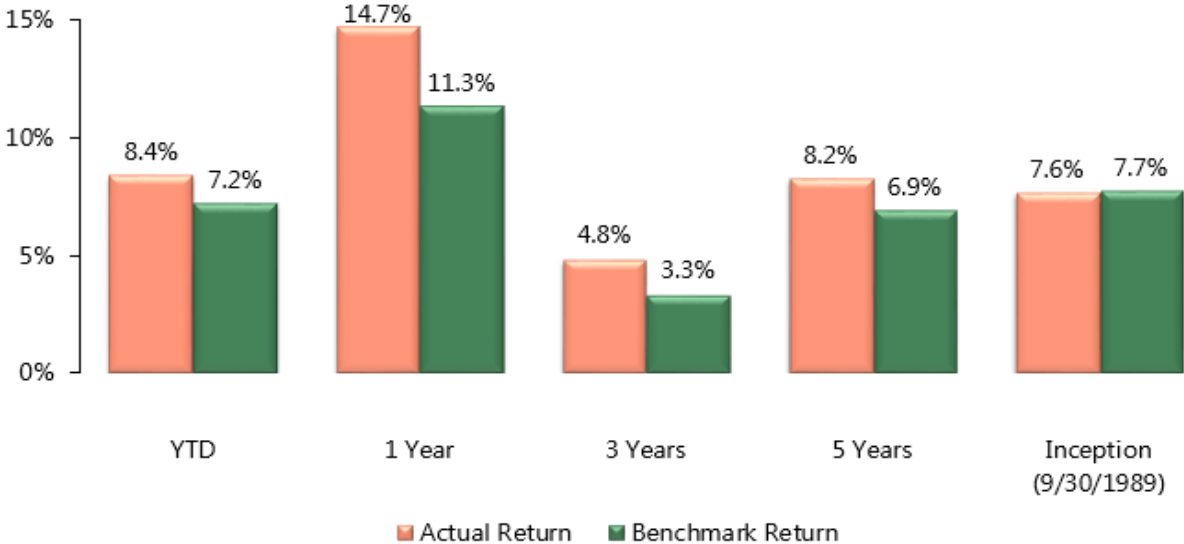
¹ Net of Accrued Income on Investments and Investments Payable

² Market values provided by Wilshire Associates and not prepared by, reviewed or approved by any of the ERS' partnerships, general partners and/or any of their respective affiliates.

Portfolio Performance

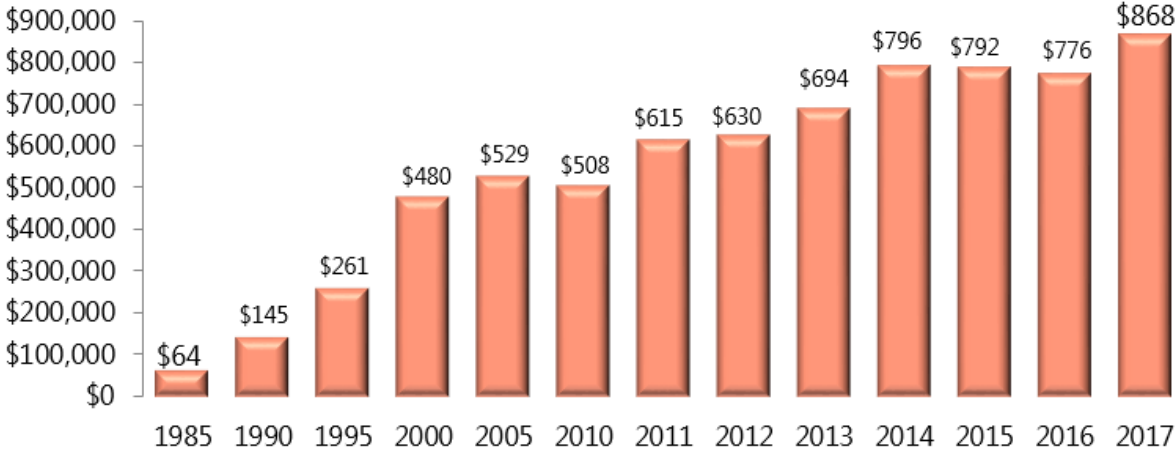
Portfolio performance for the one-year ended June 30, 2017 was 14.7%, exceeding the policy benchmark of 11.3%. All asset classes posted positive returns which attributed to this strong performance. For the three-year, five-year and since inception periods, total portfolio returns were 4.8%, 8.2% and 7.6%, respectively. Strong domestic equity markets combined with a continued recovery in the private real estate market contributed to longer-term performance.

Actual Returns vs. Benchmark Returns As of June 30, 2017



During 2017, the amount accumulated to pay retirement benefits increased by \$91.8 million from \$776 million in 2016 to \$868 million in 2017 due to investment gains. Please refer to the Summary Statements of Net Position on page 11.

Growth of Investments Net Position As of July 1 (\$millions)

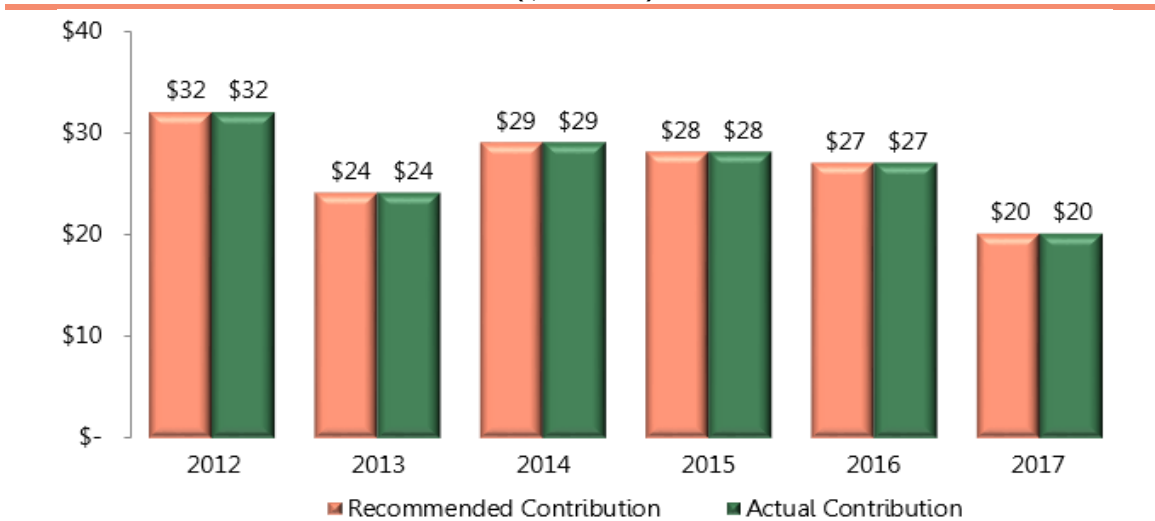


Employer Contributions and Funded Ratio

The ERS retains an independent actuary to perform an annual actuarial valuation to monitor the funded status of the ERS. The purpose of the actuarial valuation is to determine what future employer contributions are required to pay the expected future benefits. Employer contributions can vary based on a number of factors including fluctuations in the market, plan amendments, and changes in actuarial assumptions and employee demographics.

Annual Employer Contributions

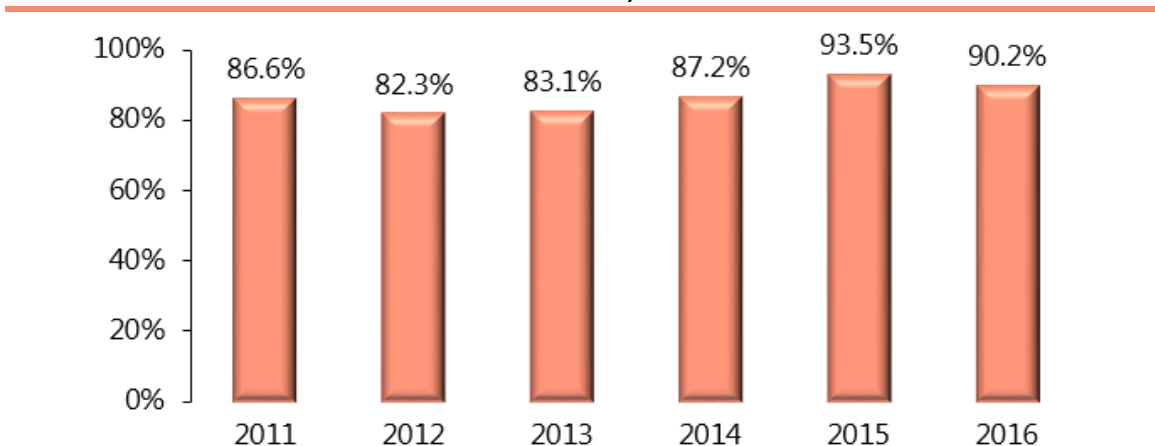
As of June 30
(\$millions)



The funded ratio is one measure of a plan’s health at a point-in-time and compares assets to liabilities. The funded ratio can change annually based on changes in liabilities, investment returns, actuarial assumptions and employee demographics. Analysis of the trend over time allows the reader to assess the funding status of the ERS and the progress made in accumulating sufficient assets to pay benefits when due.

Funded Ratio

As of July 1

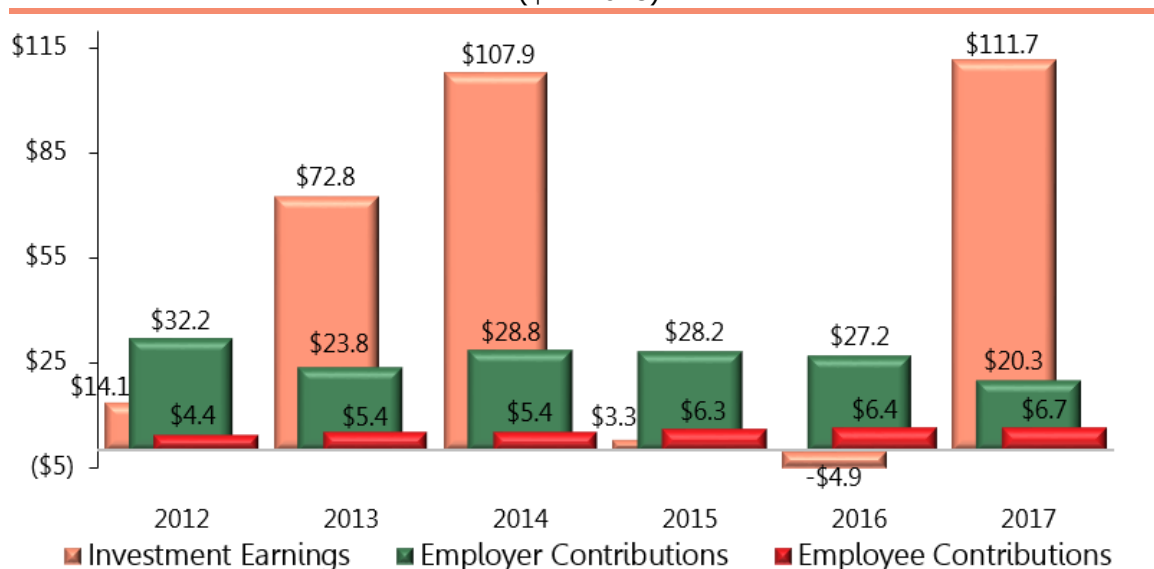


Financial Summary

Employee and employer contributions as well as earnings from investments provide the funds necessary to pay monthly retirement benefits, refund contributions to terminated employees and administer the ERS.

Additions

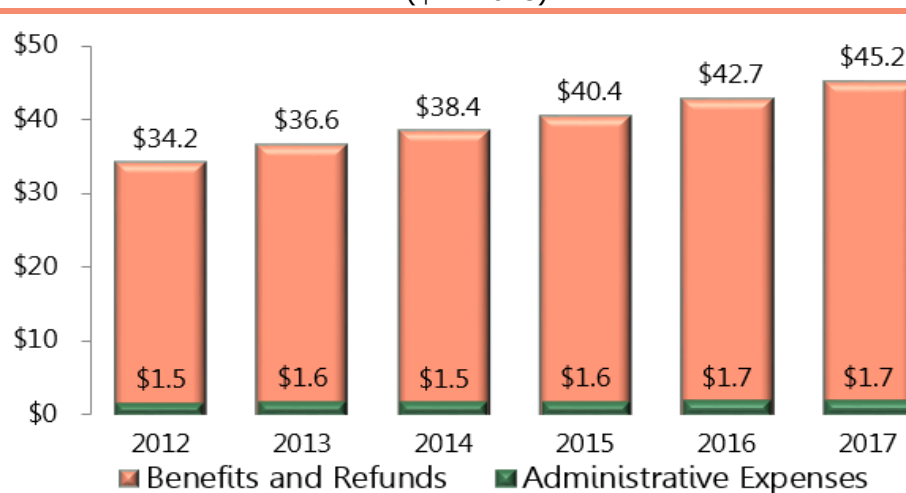
As of June 30
(\$millions)



Additions totaled \$138.7 million as of June 30, 2017 and included employee contributions (\$6.7 million), employer contributions (\$20.3 million) and a net investment gain (\$111.7 million). Additions increased primarily due to investment gains.

Deductions

As of June 30
(\$millions)



Deductions totaled \$46.9 million as of June 30, 2017 and included benefit payments (\$44.6 million), participant refunds (\$561,120) and administrative expenses (\$1.7 million). Deductions increased 5.5% from 2016 to 2017 due to an increase in the number of retirees and a .1% cost-of-living adjustment for retirees and survivors.

Summary Statements of Net Position

The Summary Statements of Net Position are a snapshot of what the ERS owned (assets) and what the ERS owed (liabilities), and the difference (net position) that was accumulated to pay for retirement benefits as of June 30, 2017 and 2016.

	As of	
	June 30, 2017	June 30, 2016
ASSETS		
Investments, at fair value	\$ 870,309,239	\$ 778,359,636
Receivables	774,704	1,014,852
Securities lending collateral	37,514,301	38,265,355
Other assets	14,902	51,800
TOTAL ASSETS	908,613,146	817,691,643
LIABILITIES		
Payables and accrued liabilities	1,999,761	2,482,677
Payable for securities lending collateral	38,457,569	38,870,542
TOTAL LIABILITIES	40,457,330	41,353,219
NET POSITION	\$ 868,155,816	\$ 776,338,424

Summary Statements of Changes in Net Position

The Summary Statements of Changes in Net Position are a summary of the flow of money in (additions) and out (deductions) of the ERS as of June 30, 2017 and 2016.

	As of	
	June 30, 2017	June 30, 2016
ADDITIONS		
Employee Contributions	\$ 6,751,196	\$ 6,418,154
Employer Contributions	20,268,189	27,191,305
Net investment gain/(loss)	111,662,056	(4,851,526)
TOTAL ADDITIONS	138,681,441	28,757,933
DEDUCTIONS		
Benefit payments	44,628,275	42,257,685
Refunds of contributions	561,120	461,116
Administrative expenses	1,674,654	1,696,334
TOTAL DEDUCTIONS	46,864,049	44,415,135
DECREASE IN NET POSITION	91,817,392	(15,657,202)
NET POSITION		
BEGINNING OF YEAR	776,338,424	791,995,626
END OF YEAR	\$ 868,155,816	\$ 776,338,424

The ERS' Net Position increased from \$776 million in 2016 to \$868 million in 2017 primarily due to investment gains. For 2017 and 2016, the gain and (loss) on investments was \$111,662,056 and (\$4,851,526), respectively.



Employees' Retirement System

The Maryland-National Capital Park and Planning Commission
6611 Kenilworth Avenue, Suite 100
Riverdale, Maryland 20737

Telephone: (301) 454-1415
Facsimile: (301) 454-1420
Email: contactERS@mncppc.org

Visit us on the web at <http://ers.mncppc.org>

Office Hours
Monday – Friday
8:00 a.m. to 5:00 p.m.

This Popular Annual Financial Report ("Annual Report") is for informational purposes only and provides general information designed to educate employees and retirees about the Maryland-National Capital Park and Planning Commission (Commission) Employees' Retirement System (ERS). The information found in this Annual Report should not serve as the sole or primary basis for making decisions regarding the financial, investment or funding status of the ERS. To the extent any term or figure in this Annual Report varies from the Plan Document or other governing documents, those pertinent documents will control and the information provided in this Annual Report will not. The Plan Document and other governing documents, policies and procedures may be modified or amended from time to time consistent with law and those amendments likewise will control. More generally, in all circumstances the governing documents and policies and procedures, as amended from time to time, will control over any information provided by the ERS, the Commission or any agent or employee of the ERS or the Commission.

