

**BOARD OF TRUSTEES FOR THE  
STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND  
MINUTES OF MEETING**

February 15, 2011

The Board of Trustees for the State Retirement and Pension System of Maryland met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, beginning at 9:11 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	T. Eloise Foster	James Harkins	Sheila Hill
F. Patrick Hughes (via phone)	Major Morris Krome	Theresa Lochte	Robert Schaefer
Thurman Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Anne Budowski	Margaret Bury	Melody Countess	Brian Feilinger	Patricia Fitzhugh
Michael Golden	Ira Greenstein	Dennis Krysiak	A. Melissa Moye	Kenneth Reott
Janet Sirkis	Patrice Sowah	Michael Thompson	Toni Voglino	Victoria Willard

Assistant Attorneys General present included:

Deborah Bacharach    Rachel Cohen    Melissa Warren    John Kuchno

Also attended by: John Kenney, Christopher McCully, and Robert Palumbi

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| Minutes  | 1. On a motion made by Ms. Hill and seconded by Secretary Foster, the Board approved the minutes of the January 18, 2011 open session meeting.   |
| Medical Board<br>And<br>Supplemental<br>Medical Board<br>Reports | 2. On a motion made by Mr. Hughes and duly seconded, the Board of Trustees accepted all the reports of the Medical Board in connection with applications of members for ordinary, accidental and special disability retirement allowances. The Medical Board's conclusions were reached after its review of the documentation in the file.   |
| Administrative<br>Committee<br>Report                            | 3. Mr. James Harkins, Chairman of the Administrative Committee, reported on the regular meeting held on February 1, 2011.<br><br>Mr. Harkins reported that the Agency is responsible for taking reasonable steps to ensure the legitimacy of payments made by the System. The Agency has developed several processes to protect the assets of the System, including utilizing local (Maryland) and national death matches to identify participants of the System who have been reported as deceased; an overseas audit to confirm that payees living outside of the United States of America are alive and receiving their benefit payments; and, an audit to confirm that payees over 95 years of age are alive and receiving their benefit payments.<br><br>Mr. Harkins reported that the Agency has obtained an additional tool, Alive and Well Checks, used by other retirement systems to enhance their ability to locate missing participants and to provide additional assurance that payments made to participants are legitimate. The Agency awarded a five year contract, valued at \$137,500, to ICS/Merrill to conduct Alive and Well Checks.<br><br>Mr. Harkins reported that the contractor has over thirty (30) years of experience in assisting companies with insurance, investigative, and litigation services and has more than five hundred (500) professional, licensed, and insured investigators. |

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Mr. Harkins reported that the contractor is conducting announced Alive and Well Checks that:

- › notify the participant in advance that an investigator will be visiting the participant at their home;
- › verify the participant's status;
- › verify that the participant is receiving their payment (if applicable), and;
- › take a photograph of the participant's identification document.

Mr. Harkins reported that In mid-November, the Agency, as a test of the service, identified the first twelve participants to take part in the Alive and Well Check process. All of the participants have been retired upon reaching the age of 70 ½ (IRS requirement); however, the Agency had been unable to contact them because they had failed to keep their address information up-to-date. The contractor found better contact information for most of the individuals. Based upon the success of this test, the Agency plans to utilize the "Alive and Well Check" process on all retirees who have similarly been retired at age 70 ½, and also begin identifying additional participants for which it would be to the benefit of the Agency to conduct an Alive and Well Check.

Mr. Harkins reported that the Agency has developed a communications piece to help minimize the member concerns over the program and will continuously monitor the contractor's contacts with the System's participants. The Agency will respond to feedback that is received directly from the participants so as to alleviate any concerns participants may have. Additionally, staff in the Member Services Unit is fully aware of the Alive and Well Check process and will be able to answer any questions that the participants may have.



Mr. Harkins reported that on December 22<sup>nd</sup> Michael Golden, Dean Kenderdine, Howard Pleines, Melissa Moye, and Michael Thompson met with Len Lazarick and Meg Poiniski of MarylandReporter.com for a detailed background briefing on the System. The outcome of the meeting was favorable.

Mr. Harkins reported that on December 22<sup>nd</sup>, a task order with Towson University, Division of Economic and Community Outreach to produce three, 3-5 minute videos on the value of defined benefit plan was finalized.

Mr. Harkins reported that staff has established an SRA Channel on YouTube where our new videos will reside, freeing up bandwidth on our server. The Agency has a video produced by MPT several years ago, titled "Welcome Aboard", which explains retirement benefits to our members. The video while several years old, remains current in its content and look. That video has been posted on the SRA Channel.

Mr. Harkins reported that on January 12<sup>th</sup>, the Agency issued a news release calling for nominations for one of the public member positions on the investment committee. On January 24<sup>th</sup>, a news release announced mid-year returns of 14.3 percent. Also, the Agency posted the FY12 COLA announcement on the Agency's website.

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Mr. Harkins reported that the Agency launched a new legislative tracking tool on SRA Café for staff, and soon there will be a version available on the agency web site.

Mr. Harkins reported that Michael Golden worked closely with Jay Hancock of *The Sun*, providing information that led to Mr. Hancock's recent piece concluding that the benefits provided by the System are modest and not excessive.

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Mr. Harkins reported that January retiree benefits reflected the new federal tax withholding tables published by the IRS. The most significant difference between the new tables and the previous tables is that the Making Work Pay tax credit is no longer valid for tax year 2011. The elimination of this tax credit has been accounted for by the IRS in the new tax tables and has resulted in more federal taxes being withheld from payees' benefit payments in January than were withheld in December. The Making Work Pay tax credit was created by the American Recovery and Reinvestment Act of 2009 ("ARRA") and its application created certain complications for retirement plan administrators. The tax tables released by the IRS after the ARRA was enacted were adjusted for the Making Work Pay tax credit, but pensioners were most likely not eligible for the credit because they were not working. After some outcry from organizations representing retirement plan administrators, the IRS issued supplemental (alternate) tax tables that did not include the Making Work Pay tax credit. The Agency did not adopt the alternate tax tables. The Agency had already begun using the original tax tables for the retirement payroll. The Agency didn't want to cause further confusion for our retirees by seeing their tax withholdings and net benefit amounts change multiple times during the same calendar year.

Mr. Harkins reported that the Agency notified payees in the January 2011 edition of the Retiree News and Notes that new federal tax withholding tables were effective with the January 2011 benefit payments. The article reminded retirees to review their tax withholdings to ensure they are up-to-date. It also identified the process to change their tax withholding elections.

The same information, in an abbreviated format, was provided on advice slips and paper check payments for January 2011. Member Services staff was briefed on the elimination of the Making Work Pay tax credit for 2011, the new federal tax tables, and the expected impact on the net benefit amounts during their annual tax training sessions.

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Mr. Harkins reported that the call abandonment rate and the average call wait time for December continue to exceed Agency goals, but these results reflect the additional work resulting from the Governor's Voluntary Separation Program (VSP), and the temporary reassignment of staff. The VSP resulted in 725 calls within a three week period that increased the average length of calls.

Staff has conducted ten VSP seminars across the state attended by 346 eligible state employees. Scheduled appointments and walk-in appointments doubled from November, to 359 contacts. There was also a significant increase to e-mails and correspondence. Member Services is down five specialists. Despite the additional workload and the staffing

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problems, the member satisfaction surveys still reflect a high level of positive responses - 96.4% rate services satisfactory or above.

Mr. Harkins reported that he and Mr. Romans applauded both the supervisory staff who oversaw the work for the VSP as well as those who performed the calculations of benefits.

Mr. Brown asked about how the Agency will process the anticipated estimate request as a result of the Baltimore City Public Schools System (BCPSS) offering an early retirement incentive. He asked that the Board be updated on the Agency's plan to handle the potential increase of estimate request created by BCPSS.



At Mr. Harkins' request, Mr. Michael Golden, Ms. Deborah Bacharach, and Ms. Margaret Bury presented the 2011 pension legislation introduced as of January 31, 2011.

**HB72/SB87**

Budget Reconciliation and Financing Act of 2011 - Contains the Governor's pension reform proposals:

Current members of the ACPS (state, local government employees, and teacher members) would be required to elect one of the following: (1) retain the current 5% employee contribution and have future benefits from July 1, 2011 calculate based on a benefit multiplier of 1.5%, or (2) increase the employee contribution to 7% and retain the current 1.8% benefit multiplier.

For all new hires from July 1, 2011 (state, all local government employees - includes agencies that were in the NCPS and CPS, and teacher members), there is a Reformed Contributory Pension Benefit that requires a 7% employee contribution. The benefit multiplier is set at 1.5% for all service. Members vest in ten years. Full service retirement is age 65 with at least ten years; early service retirement is age 60 with at least fifteen years (maximum reduction is 30%). The average final compensation is the average of the five highest consecutive years. COLAs are capped at 3% unless the System does not earn its assumed rate of return (currently 7.75%), and for that year it is capped at 1%.

Funding for the System is as follows: for FY2012, the amount required by the Board certified rates for all systems, less \$120 million. In FY2013, it is the amount required by the Board certified rates for all systems, plus an amount equal to the difference between the required amount based on the Board certified rates and the amount the Board would have certified if this legislation was not enacted, less \$60 million. For FY2014 and future years, it is the amount required by the Board certified rates for all systems, plus an amount equal to the difference between the required amount based on the Board certified rates and the amount the Board would have certified if this legislation was not enacted.

**HB119**

Town of Sykesville Employees - Participation in the Employees' Retirement System - Creditable Service

Permits the Town of Sykesville to grant at least 75% of prior service credits

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to its employees when the Town elects to participate in the Employees' Pension System (current law enacted in 2009 only permits the Town to grant 75% of prior service credits). The Agency is concerned that not specifying a percentage would be cause administration difficulties and recommends that the bill be opposed.

**HB176**

State Retirement and Pension System - Reemployment of Retirees – Exemptions

Permits retirees to work for the employer from which they retired after five complete years following their retirement date and not be subject to an earnings limitation (current law is nine full years). Biggest effect would be on state employees. The Agency suggests no position on this proposal.

**HB249/SB199**

State Retirement and Pension System - Direct Mailings by Retiree Organizations - Repeal of Sunset Provision

Removes the sunset provision (June 30, 2011) on permitting the Retirement Agency to coordinate a direct mailing to recent retirees for the Maryland Retired School Personnel Association in April and October of each year. A mailing was completed in October 2010, and the Agency did not receive any complaints from the retirees who were contacted through a "blind" mailing conducted by a mail processing center. The Agency suggests no position on this proposal.

On a motion made by Mr. Harkins and seconded by Mr. Brown, the Board voted not to take a position on the preceding bills. Ms. Hill opposed the no position motion.

**SB6**

Optional Retirement Program - State and Participating Governmental Unit Employees – Participation

Places all future state employees currently eligible for participation in any system within the Maryland State Retirement and Pension System and future teacher members in the Optional Retirement Program (ORP), and makes membership optional for those participating governmental units that elect to participate. Currently the ORP is only available to certain employees of the University System of Maryland, Morgan University, St. Mary's College, the state's system of community colleges, and the Maryland Higher Education Commission. If enacted, this proposal would be in violation of the IRS Code which only permits educational employees to participate in the ORP. The Agency suggests that this proposal be opposed.

On a motion made by Mr. Harkins and seconded by Mr. Brown, the voted to oppose SB6.

**HB303**

State Retirement and Pension System - Employee Contribution Rate Delegate Stocksdale, et. al.

Increases the employee contributions on and after July 1, 2011 for the following systems: Employees' and Teachers' Pension Systems - 5% to 7%;

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Correctional officers' Retirement System - 5% to 7%; Law Enforcement Officers' Pension System - 4% to 7%; and, Judges' Retirement System - 6% to 7%.

**HB305**

State Retirement and Pension System - Vesting and Eligibility

Alters the eligibility requirement to retire based on age from the Employees' and Teachers' Pension Systems for individuals who become members on or after July 1, 2011 from age 62 with 5 years of eligibility: 63 with 4 year: 64 with 2 years: and 65 or older with 2 years to age 62 with 15 years of eligibility service. Also alters vesting requirements from 5 to 15 years of eligibility for individuals who become members on or after July 1, 2011.

**HB429**

Video Lottery Terminal Revenues - School Construction and Pensions

Creates an Educational Trust Fund to receive revenues from the video games of which 50% is to be used to go toward payment of the State's contributions to the Teachers' Retirement System and the Teacher' Pension System (up to \$50 million).

**HB494**

State Retirement and Pension System - Vesting and Eligibility

Alters the eligibility requirement to retire from the Employees' and Teachers' Pension Systems for individuals who become members on or after July 1, 2011 from age 62 with 5 years of eligibility: 63 with 4 year: 64 with 2 years: and 65 or older with 2 years to age 62 with 10 years of eligibility service. Also alters vesting requirements from 5 to 10 years of eligibility for individuals who become members on or after July 1, 2011.

**HB515**

State Retirement and Pension System - Military Service Credit – Reservists

Permits members of the System who are eligible to attain military service credits to receive credit for membership in a Reserve Unit of the Armed Forces to receive credit the same as is currently granted for service in the Maryland National Guard.

**HB899**

Division of Parole and Probation - Warrant Apprehension Unit - Powers and Pension System

Establishes a Warrant Apprehension Unit within Parole & Probation who have police powers and establishes that members of this unit may participate in the Law Enforcement Officers' Pension System.

**HB1061**

State Retirement and Pension System - Local Educators and Librarians - Local Employer Contributions

Proposes an amendment to the Maryland Constitution to prohibit the Maryland General Assembly from passing legislation that would require local governments to pay the employer contributions for members of the teacher systems. If passed by three-fifths of each house, the proposal would go before the electorate November 12, 2012.

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**SB629**

Teachers' Retirement and Pension Systems - Local Employer Contributions  
Alters the payment of teacher employer contributions for members of the Teachers' Retirement & Pension Systems by establishing a median annual salary for eligible employees of all boards of education, all libraries and all community colleges (except the Baltimore City Community College) and requiring that the counties pay that portion of the total employer contribution that is in excess of the median salaries for the eligible "teacher" membership in that county. The median annual salary would be calculated by the State Department of Education for teacher members and librarians, and the Maryland Higher Education Commission for community colleges.

**SB799/ HB727**

State Retirement and Pension System - Retirees and Beneficiaries of Retirees - Annual Retirement Allowance Adjustments  
For cost of living adjustments when that adjustment would produce a negative COLA, a "zero" COLA would be applied. The actual negative COLA would be carried over and applied against the positive COLA to be paid for the next year. If there would be two negative years, the total negative amount would be carried over to be applied against the next positive year. If that positive year was not equal to the total negative COLAs, the remaining negative amount would be carried over to apply against the next positive COLA year.

On a motion made by Ms. Hill and duly seconded, the Board voted to take no position regarding the following bills:

HB303	HB305	HB429	HB494	HB515
HB899	HB1061	SB629	SB799/HB727	

**HB866**

Employees' Retirement System - Purchase of Service Credit - Former Members

Permits former members of the Employees' Retirement System to purchase service on or after September 1, 1971 if employed by the State as an assistant attorney general who did not enroll in the ERS, and on or after May 1, 1976 enrolled in the ERS and on or before January 1, 1982 ended state employment. For service prior to September 1, 1973, the former member must pay the employee and employer contributions plus 4% interest; for service on or after September 1, 1973, the former member must pay the employee contribution plus 4%. The purchase must occur before December 31, 2011 when the bill would sunset.

On a motion made by Major Krome and seconded by Mr. Douglass, the voted to oppose HB866.

**SB540**

State Retirement and Pension System - Optional Allowances and Designated Beneficiaries - Changes to Elections

Permits individuals who retired on or before June 30, 2005 to change options from Option 2 to Option 3, and Option 5 to Option 6 and change the designated beneficiary. The recalculation would be based on the reserves at the time of recalculation. This proposal would sunset as of Dec. 31, 2011.

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On a motion made by Ms. Hill and seconded by Mr. Zollicoffer, the Board voted to oppose SB540.

**SB628**

State Health and Retirement Benefits - Public Employees and Retirees  
For State retirees, alters eligibility for health benefits based on date of retirement, age and service. Requires employers covered under the teacher systems to share employer costs with the state beginning with FY2013.

There is established the Sustainability Pension Selection. Employees' and Teachers' Pension System members, excluding employees of participating governmental units, who are members as of July 1, 2011 and employed on July 1, 2012, may elect one of four options: Stable Benefit Selection, Stable Member Contribution Rate Selection, Reduced Member Contribution Rate Selection, and Cash Balance Selection. The election must be made to become effective July 1, 2012, and is irrevocable. For members on or after July 1, 2012, the election must be made at employment, but the Stable Benefit Selection would not be an option.

Stable Benefit: requires an 8% employee contribution; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; benefit multiplier remains at 1.8% per year; and, cost-of-living adjustments are capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached.

Stable Member Contribution Rate: requires a 5% employee contribution; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; benefit multiplier after 6/30/12 is 1.6% per year; and, cost-of-living adjustments are capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached.

Reduced Member Contribution Rate: requires a 3% employee contribution; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; benefit multiplier after 6/30/12 is 1.4% per year; and, cost-of-living adjustments are capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached.

Cash Balance: requires a 5% employee contribution with a 10% employer contribution accruing interest at 5% compounded annually; retirement eligibility is age 62 with ten years of eligibility service or age/service total must equal 92; early retirement is age 57 with 20 years eligibility service; determination of "an allowance" would be established by the Board of Trustees. Cost-of-living adjustments appears unclear, but may be capped at 3% provided the System achieves its annual investment interest assumption (currently 7.75%), or 1% in the years the interest assumption is not reached. For members of the Employees' and Teachers' Pension Systems who were



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members on or before July 1, 2006, eligibility for retirement remains 30 years of eligibility service or age 62 with 5 years of eligibility service; early service retirement remains age 55 with 15 years of eligibility service (applies to participating governmental units).

Vesting: For the Employees' and Teachers' Retirement Systems, the Employees' and Teachers' Pension Systems, the Correctional Officers' Retirement System, the State Police Retirement System, the Law Enforcement Officers' Pension System, and the Local Fire and Police System eligibility to vest remains 5 years if the member has 5 years of eligibility service on or before June 30, 2011. Otherwise, the eligibility requirement becomes 15 years(applies to participating governmental units).

It appears that members who are eligible for an unlimited compounding cost of living adjustment must retire on or before June 30, 2012 in order to receive that form of COLA during retirement. However it is unclear as to what COLA would be payable to those who are eligible for this unlimited COLA if they do not retire by June 30, 2012.

DROP: For members of the State Police Retirement System and the Law Enforcement Officers' Pension System who participate in the Deferred Retirement Option Program, the interest earned while in DROP is reduced from 6% to 4%.

On a motion made by Mr. Schaefer and seconded by Ms. Hill, the Board voted to oppose SB628.

**SB735**

State Retirement and Pension System - Optional Retirement Program - New Employees

Places all future state employees (except the Governor) currently eligible for participation in the various member systems within the Maryland State Retirement and Pension System and future teacher members in the Optional Retirement Program (ORP), and makes membership optional for those participating governmental units that elect to participate. Currently the ORP is only available to certain employees of the University System of Maryland, Morgan University, St. Mary's College, the state's system of community colleges, and the Maryland Higher Education Commission. This proposal attempts to include all employees by referencing 401(a) plans, but would still create problems with the IRS be attempting to meld new coverage into the existing ORP currently open only to educators

On a motion made by Mr. Brown and duly seconded, the Board voted to oppose SB735.

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At Mr. Harkins request, Major Krome introduced and explained the proposed Board letter addressed to Senator Edward J. Kasemeyer, Chairman, Budget and Taxation Committee and Delegate Norman H. Conway, Chairman, Appropriations Committee. The letter expresses concern with the component of the Governor's proposal which will not fully fund the contribution rates that were certified to the Governor last December, as required by statute and opposition to the corridor funding method.

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On a motion made by Major Krome and seconded by Mr. Schaefer, the Board approved the letter with changes. Secretary Foster and Mr. Harkins opposed.

**CLOSED SESSION**

The Board met in a Closed Session (11:27 a.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street:

1. to approve the closed session minutes, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to receive advice of counsel regarding work performed by the Office of the Attorney General, pursuant to State Government Article §10-508(a)(7), advice of counsel;
3. to discuss a securities litigation issue, pursuant to State Government Article §10-508(a)(7)&(8), receiving advice of counsel, and receiving advice from staff related to pending litigation.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	T. Eloise Foster	James Harkins	Sheila Hill
F. Patrick Hughes (via phone)	Major Morris Krome	Theresa Lochte	Robert Schaefer
Thurman Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Anne Budowski	Margaret Bury	Melody Countess	Brian Feilinger	Patricia Fitzhugh
Michael Golden	Ira Greenstein	Dennis Krysiak	A. Melissa Moye	Kenneth Reott
Janet Sirkis	Patrice Sowah	Michael Thompson	Toni Voglino	Victoria Willard

Assistant Attorneys General present included:

Deborah Bacharach	Rachel Cohen	Melissa Warren	John Kuchno
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Also attended by: John Kenney

The Board ended its closed session at 11:56 a.m. and returned to regular session to complete the agenda.

**REGULAR SESSION**

The Board reported that during the closed session the Board approved the closed session minutes.

- Litigation Update
4. Mr. John Kuchno, Assistant Attorney General, reported on the proposed letter of response to the Securities and Exchange Commission's (SEC) request for comments on the extent to which private rights of action under the antifraud provisions of the Securities Exchange Act of 1934 should be extended to cover transnational securities fraud and related questions.

On a motion made by Mr. Zollicoffer and seconded by Mr. Brown, the Board approved the letter of response, regarding comments on the extraterritorial private right of action, dated February 18, 2011 addressed, to Secretary Elizabeth Murphy.

- Executive Director's Report
5. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine reported that Ms. Vanessa Garrett-Ingram, Director of Human Resources, will be leaving the agency effective March 1<sup>st</sup>. She has accepted the position of Director of Human Resources at the Department of

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Assessment and Taxation. She will be missed but, we are pleased for her. Mr. Kenderdine reported that most recently Ms. Garrett-Ingram developed and implemented the Agency's Career Development Program. Employees must apply to the program. From the submitted applications, twenty (20) employees are selected to attend a credited ten-course program instructed by Anne Arundel Community College faculty. The first session is currently in underway and most who are attending have commented very favorably about the benefits of the program.

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Mr. Kenderdine reported that the Agency Autonomy Request for Proposals has been reissued. A pre-bid conference was held on Tuesday, February 8<sup>th</sup>; three firms attended.

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Mr. Kenderdine reported that he will be communicating with the Trustees via email to approve a special appointment designation for a position that is currently being reclassified.

Investment  
Committee  
Report

6. Mr. Robert Schaefer, Chairman of the Investment Committee, reported on the regular meeting held on February 11, 2011.

Mr. Schaefer reported that the Investment Committee received staff's overview of the System's portfolio performance as of December 31, 2010. Highlights included:

- Total Plan performance – For the first six months of the fiscal year, the System's overall plan performance was 14.32% compared to the policy benchmark's return of 14.96%. For the 2010 calendar year, total plan performance was 12.17% versus 11.21% for the policy benchmark. Staff effect of the explained that the FYTD underperformance was mostly due to the weakening dollar in the currency management program.
- Terra Maria Program – FYTD this component returned 21.4% compared to 23.1% for the benchmark. For the one-year period, the program returned 18.6%, matching the return of the benchmark. Dr. Moye informed the Investment Committee that consideration is being given to expanding the Terra Maria Program to include Private Equity. Altius Associates, the System's private equity consultant, will act as the consultant.
- Currency management program – Staff described the objectives of the System's currency management program, briefly reviewed the strategy employed by Record Currency Management, and noted the program's results to date. Most of Record's currency gains that had been accumulated as of June 30, 2010 have been eroded with the weakening dollar over the past six months.

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Mr. Schaefer reported that the Investment staff and Wilshire Associates presented regarding the System's risk management program, and the ways in which the risk management program has been utilized in monitoring and structuring the System's portfolio.

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At Mr. Schaefer's request, Ms. Melissa Warren, Assistant Attorney General, discussed a draft comment letter in response to the SEC's proposed rules for registration of municipal advisors.

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On a motion made by Mr. Schaefer and duly seconded, the Board approved the comment letter to the SEC and approved joining on a comment letter to be submitted by the National Conference on Public Employee Retirement Systems relating to the SEC's proposed rules for registration of municipal advisors.

- GRS 7. Mr. Brian Murphy and Mr. Brad Armstrong (via telephone) presented the Preliminary Economic Assumptions component of the 2011 Experience Study.

In conducting its analysis, GRS considered data from the Social Security Trustees Report, historical Consumer Price Index data, historical payroll data of the System, as well as projections from ten different investment consultants which provided their expected returns for the various asset classes.

The results of the study were as follows:

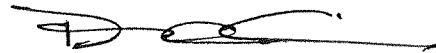
	<b>Present (Current)</b>	<b>Alternate</b>
<b>Price Inflation</b>	3.00%	2.75%
<b>COLA</b>	3.00%/2.95%/2.75%	2.75%/2.74%/2.50%
<b>Wage Inflation</b>	3.50%	3.25%
<b>Investment Return</b>	7.75%	7.50%

GRS stated that a modest lowering of return assumption to 7.5% could be considered either now or in the near future once the direction of economy is clear, but that both the present and the alternate assumptions are within the range of acceptable assumptions. The alternate assumptions have a higher probability of being met than the present assumptions, based upon the analysis.

GRS further noted that the demographic portion of the experience study is not yet complete and that the demographic data analysis could likely affect the final experience study results.

- Adjournment 8. There being no further business before the Board, the meeting adjourned at 1:37 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/pws