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

March 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 9:10 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	Major Morris Krome	Theresa Lochte	Robert Schaefer
Harold Zirkin	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	Howard Pleines
Kenneth Reott	Janet Sirkis	Patrice Sowah	Michael Thompson	Toni Voglino
Victoria Willard				

Assistant Attorneys General present included:

Deborah Bacharach Kathy Brady

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

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|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Minutes | 1. On a motion made by Mr. Hughes and seconded by Ms. Lochte, the Board approved the minutes of the February 15, 2011 open session meeting. |
| Administrative Committee Report | 2. Mr. James Harkins, Chairman of the Administrative Committee, reported on the regular meeting held on March 1, 2011. |

Mr. Harkins reported that Mr. Kenderdine updated the Administrative Committee on the Agency's Strategic Plan. The first class enrolled in the Career Development program has begun. The next class is scheduled to begin in April. The classes are being led by Anne Arundel Community College. The Career Development Program was implemented under the leadership of our former HR Director Vanessa Ingram who left the Agency to head up HR at the Department of Assessments and Taxation. The Board and staff wish Vanessa great success in her new position.

Mr. Harkins reported that work is underway to review and revise all form letters, email responses and acknowledgements that are used throughout the Agency for greater clarity, precision and user friendliness.

Mr. Harkins reported that the Business Continuity Plan has been developed to the point of having a comprehensive, detailed guide for staff to follow in the event of Agency headquarters being rendered inaccessible for an extended period of time. Restoration of every Agency operation is planned. The remaining issue is the identification of alternative work space. It is the responsibility of the Department of Budget and Management and the Department of General Services (DGS) to identify alternative space for the Agency. Another alternative is to enter into a sort of insurance policy where a vendor would provide mobile offices within 48 hours of a disaster, however such protection is expensive and a reliable location to place the temporary facilities could be a challenge.

Mr. Harkins reported that Mr. Kenderdine's preferred solution is to begin modernizing Agency operations so that all functionality could be replicated

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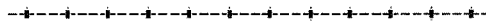
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through a virtual office infrastructure that would permit essential staff to work from home during the emergency. The Agency is capable of maintaining its most critical function, meeting retiree payroll in any emergency.

Mr. Harkins reported that the second issuance of the autonomy cost-benefit analysis RFP has resulted in two responses. The University of Baltimore, Schaefer Center will now be evaluating the responses, with Agency oversight.

Mr. Harkins reported that the Agency continues to work with CB Richard Ellis (DGS consultant) in obtaining additional needed space for the Investment Division in the Sun Trust Building. This will necessitate a lease extension, however, the lease costs for the total space is expected to be better than the current rate.

Mr. Harkins reported that the Member Internet Access Initiative, a secure internet site, has been beta tested and is functioning as designed. Modules for reprinting 1099 tax information and personal statements are nearing completion.



Mr. Harkins reported that Mr. Kenderdine reported that the analysis by the Department of Legislative Services provides no cuts to the Agency's FY2012 budget. The analysis does raise concerns regarding the Agency's backlog of retirement estimates and applications resulting from the IRS Letter Forwarding project, the Governor's Voluntary Separation Program, and the already high level of retirement activity being experienced. This will be further affected by the recently announced early retirement program for Baltimore City school teachers.

Mr. Harkins reported that the DLS analysis also recommends that the legislature cap future employer contributions at not more than 20% and that there also be a cap on any savings to the State resulting from pension reform initiatives presently before the legislature. The Governor's reform proposal provides that reform savings be invested in the System in order to expedite funding ratio recovery dedicated to the MSRPS Trust Fund. The DLS recommendation would cap savings over \$300 million with the balance going to the General Fund. DLS also recommends that the legislature consider establishing the Investment Division of the Agency as an independent agency with salary setting authority and its own governing body.

Mr. Harkins reported that DLS recommends that the legislature change the method by which the Agency's operating budget is funded. The recommendation is that all System employers be charged on a per employee basis.

Mr. Harkins reported that the analysis criticizes the incentive compensation payments made to the former CIO and recommends that the legislature place additional restrictions on the Board's authority for awarding bonuses to the CIO.

Mr. Harkins reported that Major Krome stated that the Board needs to voice its concerns with the recommended caps on System funding, the

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recommended restrictions on CIO compensation, as well as the idea for a separate Investment Division from the Retirement Agency. Mr. Kenderdine acknowledged that the Agency's testimony expressed opposition to the caps on funding and the recommended restrictions on CIO compensation, and offers to work with the General Assembly if they should decide to pursue the recommendations on changing the method for funding the Agency's operating budget as well as the separation of the Investment Division as an independent agency.

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Mr. Harkins reported that Mr. Michael Golden reported that all pending pension-related legislation has been listed on the agency's website at www.sra.state.md.us, and it is updated daily. The information is grouped by House or Senate bills and provides the title of each bill, and provides a link to the General Assembly's website where you can read a synopsis of the bill, the actual bill and the related fiscal note.

Mr. Harkins reported that the videos being developed on the strengths and value of defined benefit plans are now in the "shooting" phase. The producer has completed several interviews of System members. The videos are being produced through Towson University's Division of Economic and Community Outreach.

Mr. Harkins reported that External Affairs staff is developing a communications plan to be implemented should the Governor's pension reform measures go forward.

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Mr. Harkins reported that the Administrative Committee accepted the reports of the Administrative Expenses and Management Fees ending December 31, 2010.

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Mr. Harkins reported that the Administrative Committee accepted a revised report on MBE Performance for the quarter ending December 31, 2010 indicating that even with the contract for pre-retirement meeting with Baltimore County Community Colleges (an MBE exempt contract), it appears that the Agency will reach the 25% goal.

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Mr. Harkins reported that Mr. Ken Reott updated the Administrative Committee on the performance of the Member Services Unit through January 2011, noting that the Agency did not meet its goals for the abandonment rate and answering calls again in January, due to the volume we continue to face. The numbers are a result of the Governor's Voluntary Separation Program, the issuance of retiree tax information, changes to health insurance deductions, and the continuing inquiries from former members who received letters from the Agency issued through the IRS. Since these calls are generally more complicated, they inflate both the number of calls and the length of those calls. This problem is further exacerbated by the fact that several counselors have had to be temporarily assigned to assist with the high number of retirement estimates the Agency is processing at this time. In response to questions from several trustees, Mr. Reott stated that the Agency utilizes the automated telephone response system to indicate "hot topics" for members and retirees. Even with these messages available, the volume of calls remains heavy. He added that even

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with the decline in response times, 96% of those members surveyed continue to indicate their satisfaction with the services provided.

At the request of Mr. Harkins, Mr. Pleines reviewed on the 2011 Legislative Review. Mr. Pleines presented the following:

HB1151

Pension Reform Act of 2011

This proposal (1) discontinues the state's Prescription Drug benefit for retirees as of FY2013 for those who are Medicare eligible; (2) prohibits the Chief Investment Officer of the Maryland State Retirement and Pension System from selecting outside managers to manage assets of the System after July 1, 2011, except for real estate; the fixed income and equity investment are to be indexed; and, (3) places all future state employee and teacher members in the Optional Retirement Program as of July 1, 2011, and gives participating governmental units the option to enroll in the ORP; governmental units that enter the System on or after July 1, 2011 would participate in the ORP only. **Oppose**

HB1168

Employees' - Reemployment of Retirees - Health Care Practitioners

Eliminates the sunset provision in current law that as of June 30, 2011 would have reapplied the earnings limitation to health care providers who work contractually for the Maryland Department of Health and Mental Hygiene. These contractual workers would continue to be exempt from the earnings limitation. **No Position**

HB1170

State Retirement and Health Benefits Reporting Transparency Act

Requires the Board to expand reporting of investment returns to include a quarterly report to the Governor, the General Assembly and major media organizations. **Oppose**

HB1211

Employees' & Teachers' - Benefits – Eligible Rollover Distributions

Permits a member of the Employees' or Teachers' Pension System who has at least 15 years of eligibility service to terminate membership and accept a rollover distribution that equals the member's contributions with regular interest and a state contribution of 7% of annual earnable compensation with regular interest - a one-time irrevocable election, and no future pension benefits would be earned while employed after accepting the distribution. **Oppose**

HB1251 *State Police - Special Disability Retirement Allowance - Forfeiture*

Provides that if a member or former member of the State Police Retirement System is convicted of a criminal offense (as defined in the proposal) that occurred while employed by the State Police, a special disability benefit can be forfeited or an application for special disability could be suspended. If later the individual is found innocent, or the charges are dropped, the benefit would be renewed, or the disability application process would be reset. **No Position**

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HB1289

State Employees and Teachers - Benefits

Establishes the State Employees' and Teachers' Integrated Pension System as of July 1, 2011 for members of the Employees' and Teachers' Pension System (excluding employees of participating governmental units) to require a 3% employee contribution and a 1% benefit multiplier from July 1, 2011. Also establishes the Integrated Pension System Savings Plan (defined contribution plan) as of July 1, 2011 that matches member contributions 100% up to 3%, and 50% between 3 and 5%. Would be administered by the Retirement System Board of Trustees. **Oppose**

Mr. Kenderdine added that the Agency has a number of concerns with this attempt to end the defined benefit plans for those members whose benefits are currently funded by the state and shift these employees into a defined contribution plan.

1. Costs to make the needed changes, carving out participating governmental units, on the System's data processing capabilities (MPAS) by July 1, 2011 – assuming it would be possible to meet this time line - that the IT costs could be as high as \$3 to 3.5 million.
2. The Saving Plan would be a new area for the Board of Trustees to administer, and would involve 401(a) and 403(b) provisions.
3. Similar issues involving modifying the current Optional Retirement Program (ORP) should apply to establishing the State Employees' and Teachers' Integrated Pension System Savings Plan. To avoid Code compliance issues, the proposal should specify the groups of eligible employees that can be covered by each type of plan – 401(a) and 403(b). It is unknown if the existing ORP vendors can administer 401(a) plans, or if the Board would be required to contract with additional vendors and select the products those companies could sell under the Saving Plan and, thus require more time before implementation.
4. A plan document would have to be adopted no later than the end of the year in which the plan begins, and that document would have to include appropriate provisions under the IRS Code. Since it is likely that the 401(a) defined contribution portion of this proposal would be treated as a new individually designed plan, it is probable that obtaining a determination letter from the IRS that the new plan is a qualified governmental plan could take two years or longer.

HB1290

State Employees' and Teachers' Retirement Savings Plan

Establishes the State Employees' and Teachers' Retirement Saving Plan as of July 1, 2011 (excluding PGUs) and ends membership in the Employees' and Teachers' Pension Systems. Members will begin contributions at 3% and increase by 0.25% each year as of July 1, until reaching 10% (may freeze contribution at any time; increases as of July 1, only). Employers would pay 3% if employee elects no contribution or contributes up to 6%, and 25% of excess over 6% up to maximum 10%. Would be administered by the Supplemental System Board of Trustees. Local employers (boards of education, libraries, and community colleges) would share the employer costs for their teacher members beginning July 1, 2016. The local share would increase from 20% of cost to 100% by FY2021. **Oppose**

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HB1294

Deficit Reduction Financing Act of 2011

As it pertains to the State Personnel and Pensions Article, requires the state and each local employer to pay a pro rata share of the administrative and operational expenses of the Board of Trustees and the State Retirement Agency based on the number of members of the several systems employed by the state or each local employer compared to the total membership. Payments of these costs would be quarterly. **No Position**

SB799/ HB727

Retirees and Beneficiaries– Annual Retirement Allowance Adjustments

For cost of living adjustments (COLA) 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. **No Position**

SB844

Transfer of Service Credit

Permits a member of the Employees' Pension System who had 16 or more years of service with the Maryland Transportation Authority while a member of the Law Enforcement Officers' Pension System to transfer this service to the Employees' Pension System even though there was a break in employment (transfer provisions currently require that there is no break). Member must request the transfer prior to December 31, 2011, when the bill would sunset. **Oppose**

On a motion made by Mr. Harkins and duly seconded, the Board made the following decisions:

No Position		
HB1168	HB1251	HB1294
SB799/HB727		
Oppose		
HB1155	HB1170	HB1211
HB1289	HB1290	SB844

HB1312/SB947

Vested Retirement Allowance -Members and Former Members

Provides that members and former members who are eligible to begin receiving their vested benefit may receive that benefit beginning the month following the receipt of an application for the vested benefit (ends retroactive payments to normal retirement age) **SUPPORT – Board Requested**

HB1317

Employees' & Teachers' - Cash Balance Plan

Ends membership in the Employees' and Teachers' Pension System as of June 30, 2011 for state employees and teacher members (participating governmental employees are excluded) and places them in the Cash

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Balance Plan as of July 1, 2011. Members contribute 5% of annual salary and the employer contributes 5%. Members may retire at age 62 with at least 10 years of service. At retirement they would be able to take a lump sum payment or an annuity (maximum, 100% survivor, or 50% survivor).

The benefit earned while members of the Employees and Teachers' Pension System is retained unless the member has less than 5 years. In such case the member may seek a refund or convert it to the Cash Balance Plan.

Local employers (boards of education, libraries, and community colleges) would share the employer costs for their teacher members beginning July 1, 2016. The local share would increase from 20% of cost to 100% by FY2021.

OPPOSE

HB1318

Board of Trustees and Investment Committee - Membership

Removes all elected members of the Board of Trustees and the representative of the participating municipalities and replaces them with trustees to be appointed by the Governor with the consent and approval of the Senate. Newly appointed trustees are to be experienced in investments and/or finance. Membership remains at 14. **OPPOSE**

HB1326

Investments - Independent Investment Advisory Firms

Eliminates the Chief Investment officer and the Division of Investments and replaces them with independent investment advisory firms hired by the Board of Trustees to recommend asset allocation, fees and commissions to be charged, and the criteria for the termination of advisory firms. **OPPOSE**

HB1344

Guaranteed Retirement Income Plan and Retirement Savings Plan

Ends membership in the Employees' and Teachers' Pension System as of May 31, 2011 for state employees and teacher members (participating governmental employees are excluded) and places them in either a guaranteed retirement income plan or a retirement savings plan under the State Retirement and Pension System, administered by the Board of Trustees. Current EPS/TPS employees would be required to make election of these two plans by June 15, 2011. This proposal would take effect as of June 1, 2011. **OPPOSE**

On a motion made by Mr. Harkins and duly seconded, the Board made the following decisions:

Support		
HB1312/SB947		
Oppose		
HB1317	HB1318	HB1326
HB1344		

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Audit
Committee
Report

3. Mr. F. Patrick Hughes, Chairman of the Audit Committee, reported on the regular meeting held on February 15, 2011.

Mr. Hughes' written report indicated that Graylin Smith of SB & Company provided the Committee with an overview of the financial statement audit process and results:

- SB & Company expressed an unqualified opinion on the financial statements.
- There were no indications of fraud, material deficiencies, or disagreements with management.
- SB & Company was provided with complete access to information, and open communications with Agency management.
- Different audit procedures were performed to support the valuations of assets in investment categories, depending on the availability of reliable outside information.
- The audit considered actuarial data, evaluated whether actuarial assumptions were reasonable, and tested data provided to the actuary.
- The auditors evaluated the Agency's control environment and key processes. They concluded that controls were effective and that key risks were addressed.

Mr. Hughes' written report indicated that, Mr. Smith also advised the Audit Committee that Agency management is responsible for the financial statements. There were no accounting policies in place that were either too aggressive, or too conservative. Accounting methods and assumptions have been consistent over time. No unusual transactions were identified. There has been open communication between SB & Company and Agency management throughout the year.

Mr. Hughes' written report indicated that, Clifton Gunderson audited 53 of the 148 local government employers during 2010. This is the second year of a three-year cycle, during which all employers will be audited. After 2011, all employers will be audited again in a three-year cycle.

The primary audit objectives include:

- The proper enrollment of employees;
- The proper reporting of member payroll data;
- The proper payment of employer retirement contributions by Participating Governmental Units (PGU's);
- The proper reporting of unused sick leave for retiring members; and
- The proper reporting of demographic data by new PGU's to the System's actuary.

The Audit Committee was provided with a report summarizing the audit results for all 53 employers, as well as the detailed findings for each employer.

- Mr. Harkins will provide copies of the report to the Maryland Association of Counties and the Maryland Municipal League, which will help ensure compliance with the audit recommendations.
- The Agency's Benefits Administration Division has received all audit findings, and is contacting the employers to help ensure compliance and resolve any issues.

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- ▶ Ms. Bury told the Audit Committee that although employers are educated through seminars and are aware of the System's requirements, some employers are a continuing problem. She expects that there will be improvements during the second cycle of these audits, when the Agency can identify repeat offenders. At Ms. Lochte's suggestion, a copy of the previous audit's findings will be included in the notification letter provided to each employer audited during the second cycle of audits.

Major Krome commented that he is pleased with the LEA audit progress as it is a significant milestone that the System has accomplished.

Mr. Hughes' written report indicated that, legislation has been introduced to transfer its responsibility for auditing LEA's to the Maryland State Department of Education and Maryland Higher Education Commission. The audit objective is to determine whether the LEA's are properly reimbursing the State for employer retirement contributions for employees who are members of the Teachers' Systems and who are paid from federal funds. The Maryland Department of Education and the Maryland Higher Education Commission agree with the language in the legislation, and do not oppose it.

Mr. Hughes' written report indicated that, the Investment Training and Consulting Institute (ITCI) has been awarded a contract to perform a risk assessment of the Agency's investment operations. ITCI will be performing these services in June. The risk assessment will identify auditable areas of investments, and prioritize them for future audits. The risk assessment will be co-sourced with Internal Audit staff, and will provide training on high-risk areas of investment operations.

Mr. Hughes' written report indicated that, the Attorney General's office and the Investment Division have begun to draft changes to investment manager agreements and partnership side letters to address SEC rules related to placement agents and campaign contributions. The changes would be applied prospectively, and would add language requiring the manager, or fund sponsor, to:

- ▶ Certify that they comply with SEC rules regarding campaign contributions and the regulation of placement agents;
- ▶ Certify that the System's funds have not been used to pay a placement agent;
- ▶ Identify any placement agents used in connection with the System;
- ▶ Permit the examination of their records related to placement agents and campaign contributions; and,
- ▶ Provide an annual certification stating that they continue to comply with SEC rules regarding placement agents and campaign contributions.
- ▶ Ms. Bacharach advised the Audit Committee that this change was a matter of the Investment Division's internal policy, and should be routine, going forward. The System's webpage provides a link for managers wishing to do business with the System, so it should be apparent that a placement agent is not needed.

Mr. Hughes' written report indicated that, the Internal Audit Division provided the Audit Committee with a listing of various educational training opportunities and publications, including seminars, conferences, in-house

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training, online training, books, and whitepapers. Audit Committee members will be surveyed to determine their training needs. All Audit Committee members will be provided with a publication entitled, *An Elected Official's Guide: Audit Committees*.

Mr. Hughes' written report indicated that recently completed audit results. Mandatory Retirement Distributions: the audit evaluated compliance with IRS requirements for making retirement distributions to vested members who were over age 71 ½ and no longer working within the System. No significant issues were noted. MPAS Access Security: the audit reviewed access for user accounts with more than read-only access to MPAS. Reported findings were discussed. Audit findings were related to unauthorized and unnecessary access to MPAS. The Agency agrees with the audit's findings and recommendations, and is taking corrective actions.

Mr. Hughes' written report indicated that, that the Audit Committee will receive reports for audits in progress when they are issued.

Mr. Hughes' written report indicated that, that the May Audit Committee meeting has been re-scheduled, due to a conflict with the Board training session. The Audit Committee will hold its next meeting on July 19, 2011, following the Board of Trustees meeting.

Corporate
Governance
Committee
Report

4. Ms. Sheila Hill, Chairman of the Corporate Governance Committee, reported on the regular meeting held on February 15, 2011.

Ms. Hill reported that the Corporate Governance Committee received an updated version of the System's proxy voting guidelines. The updated version included the addition of guidelines to cover proxy items that had not been covered by the existing custom policy, such as those resulting from the passage of the Dodd-Frank legislation and SEC rule changes. After discussion, the Committee agreed on several additional revisions to be made to the updated proxy voting guidelines submitted by staff.

On a motion made by Ms. Hill and seconded by Mr. Douglass, the Board approved the updated Proxy Voting Guideline Policy as amended.

Ms. Hill reported that the Corporate Governance Committee received staff's semi-annual Iran/Sudan Divest/Hold Analysis report. The report contained the following recommendation all of which will be effective April 1:

1. Add 27 of the 28 companies that ISS has added to its focus list in the last six months to the System's Restricted List, which lists companies that managers of actively managed separate accounts are not permitted to buy (ATTACHMENT B);
2. Remove the nine companies from the System's Restricted List that ISS has removed from its Focus List (ATTACHMENT C);
3. Include one company that ISS has added to its Focus List in the last six months on the list of companies that the Board of Trustees has determined that should not be on the Restricted List. This company is currently held in several actively managed separate accounts (ATTACHMENT D).

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On a motion made by Ms. Hill and seconded by Mr. Harkins, the Board approved the recommendations on Iran-Sudan divestment. See attachments A through D. Comptroller Franchot opposed.

Comptroller Franchot noted that the System should divest assets from the nine companies that are currently on the list of companies that the Board has not restricted.

Executive
Director's
Report

5. Mr. R. Dean Kenderdine reported on recent Agency developments.

On a motion made by Mr. Brown and seconded by Mr. Zirkin, the Board voted to ratify the decision designating a PIN for Benefits Administration as a special appointment.

On a motion made by Mr. Brown and seconded by Mr. Harkins, the Board voted to ratify the decision regarding the expansion of policy on suspension of benefits for limited circumstances upon re-employment.

Both of these actions were previously approved by the Board via electronic mail.

Mr. Kenderdine reported that Korn\Ferry, the CIO search firm, has created a CIO job specification and is creating a list of potential candidates. Chairman Kopp announced her appointment of the Board's CIO interview committee which includes:

- Robert Schaefer (Chairman)
- David Blitzstein
- James Harkins
- Sheila Hill
- Larry Jennings, Jr.
- John Kenney (representing Comptroller Franchot)
- Maj. Morris Krome
- Treasurer Nancy Kopp
- Thurman Zollicoffer

Mr. Kenderdine reported that he was asked to serve out the remaining term for the outgoing National Association of State Retirement Administrators (NASRA) Region 1 Vice President.

Mr. Kenderdine reported that he submitted his name as a candidate for the Board for the Council of Institutional Investors (CII).

At Mr. Kenderdine's request, Deborah Bacharach presented an Office of Administrative Hearings (OAH) Remand Order.

On a motion made by Mr. Zollicoffer, and duly seconded, the Board voted to remand the case of Dudley Bradley back to the OAH.

Mr. Kenderdine provided various reports and brochures from the National Institute on Retirement Security (NIRS).

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Medical Board
And
Supplemental
Medical Board
Reports

- 6. On a motion made by Mr. Hughes and seconded by Mr. Harkins, 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.

CLOSED SESSION

The Board met in a Closed Session (10:37 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; and,
- 2. to receive a report from the CIO regarding the termination of managers, pursuant to State Government Article §10-508(a)(5), investment of public funds.

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	Major Morris Krome	Theresa Lochte	Robert Schaefer
Harold Zirkin	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	Kenneth Reott	Janet Sirkis
Patrice Sowah	Toni Voglino	Victoria Willard		

Assistant Attorneys General present included:

Deborah Bacharach Kathy Brady
Also attended by: John Kenney

The Board ended its closed session at 10:50 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.

- GRS 7. Mr. Brian Murphy and Mr. Brad Armstrong, Gabriel, Roeder, Smith & Company (GRS), presented the MSRPS Experience Study July 1, 2006 – June 30, 2010.

Mr. Murphy stated that the purpose of the experience study is to maintain reasonable assumptions that are reflective of existing assumptions, recent past experience, and future expectations for purposes of performing valuations that will:

- › Measure the financial condition of the Systems.
- › Annually be used to determine employer contribution rates that will appropriately fund the Systems over time and afford better stability.
- › Compare assumed experience to actual experience.

Mr. Murphy summarized the demographic experience results of all systems as follows:

- › Decrease in mortality rates, i.e. increase life expectancies.
- › Decrease in disability rates overall, but increase proportion of

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- accidental to ordinary.
- › Decrease in retirement rates overall.
- › Decrease in withdrawal rates overall.
- › Lower payroll base.

Mr. Murphy explained the present and alternate assumptions as follows:

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

The alternate assumptions have a higher probability of being met than the present assumptions, based upon the analysis.

The Board agreed to consider the experience study results and recommendation at a future meeting not later than June.

REGULAR SESSION – APPEALS AND HEARINGS

- La'Shawna D. Irby 8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. La'Shawna D. Irby for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. La'Shawna D. Irby appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

- Ron J. Smith 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Ron J. Smith for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Ron J. Smith appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

- Erwin A. Rubin 10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Erwin A. Rubin for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were

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presented.

Mr. Erwin A. Rubin's attorney, Neil W. Steinhorn, Esq., provided notice that neither he nor Mr. Rubin would be attending the hearing to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

CLOSED SESSION – APPEALS AND HEARINGS

The Board met in a Closed Session (1:00 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to discuss the disability appeals pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Peter Franchot, Vice-Chairman	William Brown	John Douglass	James Harkins
Sheila Hill	Major Morris Krome	Theresa Lochte	Harold Zirkin
Thurman Zollicoffer, Jr.			

Agency Staff members attending included:

Margaret Bury Patrice Sowah Janet Sirkis
Assistant Attorneys General attending: Deborah Bacharach.

The Board ended its closed session at 1:13 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

- | | | |
|-------------------|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| La'Shawna D. Irby | 11. | The Board voted to <u>ACCEPT</u> the Administrative Law Judge's Proposed Decision and <u>DENY</u> La'Shawna D. Irby's request for accidental disability benefits. |
| Ron J. Smith | 12. | The Board voted to <u>ACCEPT</u> the Administrative Law Judge's Proposed Decision and <u>DENY</u> Ron J. Smith's request for accidental disability benefits. |
| Erwin A. Rubin | 13. | The Board voted to <u>ACCEPT</u> the Administrative Law Judge's Proposed Decision and <u>DENY</u> Erwin A. Rubin's request for accidental disability benefits. |
| Adjournment | 14. | There being no further business before the Board, the meeting adjourned at 1:14 p.m. |

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/pws

**BOARD OF TRUSTEES FOR THE
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ATTACHMENT A		(1)	(2)	(3)	(4)	(5)
Companies currently on the Restricted List		ISS: Sudan or Iran?	% MSCI All Country World Index ex US	% MSCI All Country World Index	\$ Owned In Eligible Acct @1/1/11?	% MSRPS Assets @1/1/11?
ISSUER NAME	Country					
Alstom	France	S	0.062%	0.036%	0	0.000%
AREF Investment Group S.A.K.	Kuwait	S	---	---	0	0.000%
Areva S.A.	India	S	0.002%	0.001%	0	0.000%
Arzamasskiy mashinostroitel'niy zavod OAO **	Russia	S	---	---	0	0.000%
AviChina Industry & Technology Co Ltd	China	S	---	---	0	0.000%
Bharat Heavy Electricals Limited	India	S	0.037%	0.022%	0	0.000%
China Petroleum & Chemical Corporation	China	S+I	0.094%	0.054%	0	0.000%
Costain Group PLC	UK	I	0.001%	0.000%	0	0.000%
Daelim Industrial Co.,Ltd.	Korea	I	0.018%	0.010%	0	0.000%
Dongfeng Motor Group Company Limited	China	S	0.029%	0.017%	0	0.000%
Edison SpA	Italy	I	---	---	0	0.000%
Egypt Kuwait Holding Co (SAE)	Egypt	S	0.007%	0.004%	0	0.000%
El Sewedy Cables Co **	Egypt	S	0.002%	0.001%	0	0.000%
Finmeccanica SpA	Italy	S	0.028%	0.016%	0	0.000%
<i>GAIL (India) Limited</i>	<i>India</i>			<i>removed from Focus List</i>		
GS Engineering & Construction Corporation	Korea	I	0.022%	0.013%	0	0.000%
Harbin Power Equipment Co Ltd	China	S	0.006%	0.003%	0	0.000%
<i>Hyundai Heavy Industries Co., Ltd.</i>	<i>Korea</i>			<i>removed from Focus List</i>		
Indian Oil Corporation Ltd.	India	S+I	---	---	0	0.000%
<i>Inpex Corporation</i>	<i>Japan</i>			<i>removed from Focus List</i>		
<i>JGC Corporation</i>	<i>Japan</i>			<i>removed from Focus List</i>		
Jinan Diesel Engine Co Ltd **	China	S	---	---	0	0.000%

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Kejuruteraan Samudra Timur Bhd	Malaysia	S	---	---	0	0.0000%
Kencana Petroleum Bhd	Malaysia	S	---	---	0	0.0000%
KEPCO (Korea) Plant Service & Engineering Co Ltd	Korea	S	---	---	0	0.0000%
KunLun Energy Company Limited	China	S+I	0.024%	0.014%	0	0.0000%
La Mancha Resources Inc	Canada	S	---	---	0	0.0000%
<i>Liquefied Natural Gas Ltd</i>	<i>Austria</i>			<i>removed from Focus List</i>		
LS Industrial Systems Co., Ltd **	Korea	S	0.007%	0.004%	0	0.0000%
Mangalore Refinery & Petrochemicals Ltd	India	S	---	---	0	0.0000%
<i>Midciti Resources Sdn Bhd</i>	<i>Malaysia</i>			<i>removed from Focus List</i>		
MISC Berhad	Malaysia	S+I	0.019%	0.011%	0	0.0000%
<i>Mitsui Engineering & Shipbuilding Co.,Ltd.</i>	<i>Japan</i>			<i>removed from Focus List</i>		
Nam Fatt Corporation Berhad	Malaysia	S	---	---	0	0.0000%
Norinco International Cooperation Ltd **	China	S	---	---	0	0.0000%
Oil and Natural Gas Corporation Limited	India	S+I	0.034%	0.020%	0	0.0000%
Oil India Ltd **	India	S	---	---	0	0.0000%
PetroChina Company Limited	China	S+I	0.169%	0.098%	0	0.0000%
<i>Petrofac Ltd</i>	<i>UK</i>			<i>removed from Focus List</i>		
Petronas Dagangan Bhd	Malaysia	S+I	0.006%	0.003%	0	0.0000%
Petronas Gas Berhad	Malaysia	S+I	0.011%	0.006%	0	0.0000%
Ranhill Berhad	Malaysia	S	0.000%	0.000%	0	0.0000%
Royal Dutch Shell Plc	UK	I	0.729%	0.420%	0	0.0000%
Scomi Engineering Berhad	Malaysia	S	---	---	0	0.0000%
Scomi Group Berhad	Malaysia	S	0.001%	0.001%	0	0.0000%
<i>Seadrill Limited</i>	<i>Norway</i>			<i>removed from Focus List</i>		
Sinopec Kantons Holdings Ltd.	China	S+I	0.001%	0.001%	0	0.0000%
Sinopec Shanghai Petrochemical Company Limited	China	S	0.007%	0.004%	0	0.0000%
Snam Rete Gas S.p.A.	Italy	I	0.044%	0.025%	0	0.0000%
Sudan Telecommunication Co Ltd	Sudan	S	---	---	0	0.0000%
Waertsilae Oyj Abp	Finland	S	0.037%	0.018%	0	0.0000%

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Total #	42	1.397%	0.802%	\$0.0	0.000%
Notes:					
(1) Identified by ISS as doing business in either Iran or Sudan					
(2) Percent weight in MSCI All Country World exUS					
(3) Percent weight in MSCI All Country World					
(4) Dollar value of holdings in Eligible Accounts at 1/1/2011					
(5) Percent of total MSRPS assets at 1/1/2011					

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ATTACHMENT B		(1)	(2)	(3)	(4)	(5)	(6)
Companies to be added to the Restricted List		ISS: Sudan or Iran?	% MSCI All Country World Index ex US	% MSCI All Country World Index	Owned In Eligible Acct @1/1/11?	\$ Owned In Eligible Acct @1/1/11?	% MSRPS Assets @1/1/11?
ISSUER NAME	Country						
ASEC Company for Mining (ASCOM) SAE	Egypt	S	---	---	---	---	---
Chennai Petroleum Corporation Limited	India	S	---	---	---	---	---
Cong Ty Co Phan Kinh Doanh Khi Hoa Long Mien Nam	Vietnam	I	---	---	---	---	---
Daqing Huake Company Limited	China	S	---	---	---	---	---
Electricity Generating Public Company Limited	Thailand	S	0.002%	0.001%	---	---	---
Engineers India Ltd	India	S	---	---	---	---	---
Hafei Aviation Industry Co., Ltd	China	S	---	---	---	---	---
INA-Industrija nafte d.d	Hungary Great Britain	I	---	---	---	---	---
Intertek Group plc	China	S	0.027%	0.016%	Y	815,701	0.002%
Jiangxi Hongdu Aviation Industry Co., Ltd.	China	S	---	---	---	---	---
KingDream Public Limited Company	China	S	---	---	---	---	---
KLCC Property Holdings Berhad	Malaysia	S	0.002%	0.001%	Y	49,432	0.000%
Lanka IOC PLC	India	S+I	---	---	---	---	---
Malaysia Marine and Heavy Engineering Holdings Bhd	Malaysia	S	---	---	---	---	---
Managem Sa	Morocco	S	0.001%	0.001%	---	---	---
OAO "Kamaz"	Russia	S	---	---	---	---	---
OAO energetiki i elektrifikatsii "Mosenergo"	Russia	I	0.001%	0.000%	---	---	---
OMV Petrom S.A.	Romania	I	---	---	---	---	---
ONA S.A.	Morocco	S	---	---	---	---	---
Petrovietnam Fertilizer And Chemicals Corp	Vietnam	I	---	---	---	---	---
Petrovietnam Investment Consultancy And Engineering Joint Stock Co	Vietnam	I	---	---	---	---	---

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Petrovietnam Transportation Corporation	Vietnam	I	---	---	---	---	---	---
PT Elnusa Tbk	Indonesia	S	0.000%	0.000%	---	---	---	---
Sinopec Yizheng Chemical Fibre Company Limited	China	I	---	---	---	---	---	---
Societe Metallurgique d'Imiter	Morocco	S	---	---	---	---	---	---
Uzma Berhad	Malaysia	S	---	---	---	---	---	---
Wuhan Boiler Co Ltd	China	S	---	---	---	---	---	---
Total #		29	0.0333%	0.019%	29	\$865,133	0.002%	
Notes:								
(1) Identified by ISS as doing business in either Iran or Sudan								
(2) Percent weight in MSCI All Country World exUS IMI								
(3) Percent weight in MSCI All Country World exUS								
(4) Securities issued by company were owned in at least one eligible account on 1/1/2011								
(5) Dollar value of holdings in Eligible Accounts at 1/1/2011								
(6) Percent of total MSRPS assets at 1/1/2011								

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ATTACHMENT C	
Companies to be removed from the Restricted List	
ISSUER NAME	Country
GAIL (India) Limited	India
Hyundai Heavy Industries Co., Ltd.	Korea
Inpex Corporation	Japan
JGC Corporation	Japan
Liquefied Natural Gas Ltd	Austria
Midciti Resources Sdn Bhd	Malaysia
Mitsui Engineering & Shipbuilding Co.,Ltd.	Japan
Petrofac Ltd	UK
Seadrill Limited	Norway

ATTACHMENT D						
COMPANY TO BE NOT RESTRICTED						
ISSUER NAME	Country	(1) ISS: Sudan or Iran?	(2) % MSCI All Country World Index ex US	(3) % MSCI All Country World Index	(4) \$ Owned In Eligible Acct @1/1/11?	(5) % MSRPS Assets @1/1/11?
Atlas Copco AB	Sweden	S	0.104%	0.060%	43,871,531	0.122%
Atlas Copco India Ltd	India	S	---	---	---	---