

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

May 15, 2012

2012 05/25/2012 11:00 AM

The Board of Trustees for the Maryland State Retirement and Pension System met in the Miller Senate Office Building, 11 Bladen Street, Annapolis, Maryland, beginning at 1:00 p.m.

The Trustees present included:

Nancy K. Kopp, Chairman	Sheila Hill
Peter Franchot, Vice-Chairman	Major Morris Krome
David Blitzstein	Theresa Lochte
Robert Hagans, Jr.	Harold Zirkin
Kenneth Haines	Thurman Zollicoffer, Jr.
James Harkins	

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary and Patrice Sowah.

Assistant Attorney General present included: Deborah Bacharach.

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| Disability Reports | 1. On a motion made by Ms. Hill and seconded by Ms. Lochte, 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. |
| Executive Director's Report | 2. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine reported that the project to implement the pension reforms to the MPAS is on schedule for completion by June 30, 2012.
<p style="text-align: center;">+--+--+--+--+--+--+--+--+--+--+--+</p> Mr. Kenderdine reported that the Agency and Department of Legislative Services will soon be meeting to work on the study to end corridor funding as requested by the Chairmen of the Senate Budget and Taxation Committee and the House Appropriations Committee, reported in the Joint Chairmen's Report 2012 Session. |
| Investment Committee Report | 3. Mr. Harold Zirkin, Chairman of the Investment Committee, reported on the Investment Committee's May 11, 2012 meeting.

Mr. Zirkin reported that the Public Member Nomination process for the term of one of the public members, Mr. Larry Jennings, is due to expire on June 30, 2012. The calls for nomination went out in January and one nomination, Mr. Larry Jennings, Jr., was received.

On a motion made by Mr. Hagans, and seconded by Mr. Zollicoffer, the Board unanimously voted to approve Mr. Larry Jennings, Jr. to serve for the 3-year term beginning July 1, 2012.
<p style="text-align: center;">+--+--+--+--+--+--+--+--+--+--+--+</p> Mr. Zirkin reported that Hewitt Ennis Knupp (HEK) presented an asset liability / asset allocation review. As a result of the year's review, Staff and HEK recommended a change to the benchmark weight for the TIPS component of the Real Return benchmark to reflect the growth of the inflation linked bond universe. |

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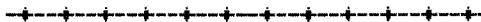
Current Real Return Benchmark

- 60% inflation linked bonds (65% Barclays US TIPS / 35% Barclays Global Inflation Linked (US Hedged) Index)
- 30% Dow Jones UBS Commodities Index (Total Return)
- 10% CPI + 5%

Recommended New Real Return Benchmark

- 60% inflation linked bonds (50% Barclays US TIPS / 50% Barclays Global Inflation Linked (US Hedged) Index)
- 30% Dow Jones UBS Commodities Index (Total Return)
- 10% CPI + 5%

On a motion made by Major Krome and seconded by Mr. Haines, the Board approved the Real Return benchmark change as described above.

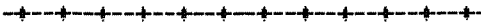


Mr. Zirkin reported that Robert Liberto, from Segal Advisors, the System's Optional Retirement Plan (ORP) consultant, presented a review of the program. Segal presented the following recommendations to enhance the fund line-ups for both vendors.

1. To enhance TIAA-CREF's investment line-up, Segal is recommending the addition of the following index options:
 - S&P 500 – Vanguard S&P 500 Index Fund – Ticker: VIFSX, Expense Ratio: 0.05%
 - Russell 2000 – TIAA-CREF Small-Cap Blend Index Fund – Ticker: TISBX, Expense Ratio: 0.15%
 - Barclays Capital Aggregate – Vanguard Total Bond Market Index Fund – Ticker: VBTSX, Expense Ratio: 0.11%
 - MSCI ACWI ex-US – Vanguard Total International Stock Index Fund – Ticker: VTSGX, Expense Ratio: 0.18%
2. To enhance Fidelity's investment line-up, Segal is recommending the addition of the following index options:
 - Russell 2000 – Fidelity Spartan Small Cap Index Fund – Ticker: FSSVX, Expense Ratio: 0.17%
 - MSCI ACWI ex-US – Fidelity Spartan Global ex-US Index Fund – Ticker: FSGDX, Expense Ratio: 0.18%

Segal also recommended that the existing Fidelity Equity Income Fund be replaced with the BlackRock Equity Dividend Fund (Ticker: MADVX) due to poor performance and manager turnover. Segal recommended that the existing assets in the Fidelity Equity Income Fund be mapped to the Blackrock Equity Dividend Fund.

On a motion made by Mr. Zollicoffer and seconded by Ms. Hill, the Board approved the aforementioned recommendations made by Segal Advisors.



Mr. Zirkin reported that Dr. Moyer presented Staff's recommendation to renew the System's Custodial contract with State Street Bank and Trust. The System entered into the current Global Custody Services Agreement on January 1, 2008. The initial five-year term expires on December 31, 2012, with the option for two successive two-year extensions. The contract provides that extensions may be exercised at the sole option of the Treasurer. Under this contract, State Street provides the System not only

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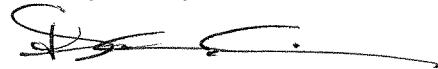
with custody and settlement services, but also accounting, auditing, and reporting services, performance measurement and analytics, and compliance monitoring. The System pays State Street a flat fee for these services each year. The price for the 2012 calendar year is \$728,843. There is a contractual annual adjustment to this fee to reflect the change in the CPI-U Index as of December 31 of the prior year.

On a motion made by Ms. Lochte and seconded by Ms. Hill, the Board approved the recommendation to the Treasurer to exercise this two-year extension of the Global Custody Services Agreement with State Street, effective January 1, 2013, based on the competitive fee structure and timely and accurate delivery of services

Adjournment

There being no further business before the Board, the meeting adjourned at 1:23 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board