

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

August 19, 2014

The Board of Trustees for the Maryland State Retirement and Pension System met in the Board Room of the SunTrust Building, 120 East Baltimore Street, 25th Floor, Baltimore, Maryland beginning at 9:32 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Linda Herman (via phone)
Peter Franchot, Vice Chairman	F. Patrick Hughes
James Bush, Jr.	Theresa Lochte
John Douglass	Richard Norman
Robert Hagans	Harold Zirkin (via phone)
Kenneth Haines	Thurman Zollicoffer (via phone)
James Harkins	

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Anne Budowski	Anne Gawthrop	Van Lewis
Robert Burd	Michael Golden	A. Melissa Moye
Margaret Bury	Ira Greenstein	Ben Robb
Melody Countess	Angie Jenkins	Janet Sirkis
Brian Feilinger		

Assistant Attorneys General present included: Kathy Brady and Sharon Street.

Also attended by: Phillip Anthony and John Kenney.

Consent Agenda

At the request of Trustee Harkins, the August 12, 2014 Administrative Committee Report was removed from the consent agenda and discussed separately.

Therefore, on a motion made by Mr. Hughes and seconded by Ms. Lochte, the Board approved the consent agenda, which included:

- July 15, 2014, Open Meeting Board Minutes.

**Administrative
Committee Report**

Mr. Harkins, Chairman of the Administrative Committee, reported to the Board the following:

Future of Disability Appeals

Mr. Harkins reported that the possibility of discontinuing the Board's responsibility for hearing disability appeals was brought to the Administrative Committee for discussion purposes only. Mr. Harkins stated that the Committee was not ready to present a recommendation to the Board on this issue.

Mr. Harkins reported that the Committee received advice from the Office of the Attorney General, which outlined the Board of Trustees' authority to delegate final decision-making authority to the Office of Administrative Hearings in disability cases.

Mr. Harkins also reported that Margaret Bury, the Agency's Administrator, provided the Committee with statistics indicating that in the past four and

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a half years, the Board heard 120 cases and rejected the Administrative Law Judge's decision 12 times, three of which were rejected in the past seven months.

Treasurer Kopp commented that this issue has been raised in the past and the Board has chosen to continue the practice. After the last time the matter was considered, the Board moved to the current practice of having a quorum of the Board hear the cases rather than the full Board.

Mr. Harkins reported that the Administrative Committee will be revisiting this issue at a future meeting.

Trustee Code of Conduct and Annual Fiduciary Affirmation

Mr. Harkins reported that a request presented to Dean Kenderdine and Treasurer Kopp by Trustee Herman, that the Board consider adopting the practice of having an annual signed affirmation by each Trustee of the Board's code of conduct and statement of fiduciary duty.

Mr. Harkins reported that Mr. Kenderdine had informally polled some of his fellow plan Administrators at a recent conference and only half of the plans he polled have a similar practice in place and of those who do, they tend to be the larger pensions plans.

Mr. Harkins reported that a few Committee members commented on this matter, but for the most part, all felt that the Board's Charters and Policies that are in place, along with the State's Ethics requirements and the oath of office taken by every Trustee were sufficient.

Treasurer Kopp thought that the Board of Trustees should think about this and have the Administrative Committee bring together a packet for the Board to review.

Ms. Lochte suggested that this be discussed the next time the charters and polices come up for review.

Mr. Harkins commented that the Administrative Committee will continue to consider this matter further.

Therefore, on a motion made by Mr. Harkins and seconded by Mr. Hughes, the Board approved the August 12, 2014 Administrative Committee Report.

Adoption of Final
COMAR Regulations

Mr. Dean Kenderdine reported that the amended regulations concerning Qualifying Leaves of Absences (COMAR 22.05.01), which were originally brought to the Board for its approval in December, received no comments and were being presented for final adoption.

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On a motion made by Mr. Harkins and seconded by Ms. Lochte the Board approved for final adoption, the amended regulations regarding Qualifying Leaves of Absences.

Gabriel Roeder
Smith & Company
(GRS) Contract
Renewal

Mr. Harkins, Chairman of the Administrative Committee, reported that at its August 12, 2014 meeting, Agency staff presented to the Administrative Committee a memorandum regarding the contract for actuarial services provided by Gabriel Roeder Smith & Company (GRS.) The memorandum indicated that the contract with GRS, which began on July 1, 2009, is due to expire on December 31, 2014. The contract for these services contained an option to renew, upon the same terms and conditions, for up to three (3) additional one (1) year periods. The fee for the one year extension is projected to be \$395,000, based on the fee schedule approved by the Board of Trustees in 2008.

Mr. Harkins reported that the Administrative Committee is recommending that the Board of Trustees approve staff's recommendation and exercise the System's first of three one-year extension options at a cost of \$395,000, extending the contract until December 31, 2015.

On a motion made by Mr. Harkins and seconded by Mr. Haines, the Board of Trustees approved staff's recommendation to exercise the System's first of three one-year extension options at a cost of \$395,000, extending the contract until December 31, 2015.

Overview of Benefits
Administration

Margaret Bury presented to the Board of Trustees a performance report for fiscal year ending June 30, 2014, which gave a detailed overview of the Benefits Administration.

Ms. Bury also presented to the Board of Trustees an additional report, which provided a detailed overview of the Benefits Administration from FY2010 through FY2014.

Chief Investment
Officer's Report

Dr. A. Melissa Moye reported that the total market value of the fund, as of July 31, 2014, was \$45.1 Billion. Dr. Moye reported that the fund returns for one month was negative a half of a percent (.52%) and the policy benchmark for one month was negative three quarters of a percent (.77%).

Dr. Moye commented that when investing you have to look long term and not month-to-month or year-by-year. Dr. Moye also commented that she did not expect to see in the next five years, what has been experienced in the markets over the past five years.

Dr. Moye indicated that the Board would be receiving a full detailed report at the September meeting of the Investment Committee.

Resolution
Presentation

On behalf of the Board of Trustees, Treasurer Kopp and Comptroller Franchot presented A. Melissa Moye with a Board resolution in recognition of her service to the System, both as a Trustee, where she

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served four years, as well as the System's Chief Investment Officer (CIO.) Melissa Moyer expressed words of appreciation to the Board and acknowledged the service of the Investment Division staff during her term as CIO.

Executive Director's
Report

Mr. Dean Kenderdine introduced Sharon Street as the Agency's new Deputy Counsel of Benefits and Litigation.

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Mr. Kenderdine indicated that the September Investment Committee meeting date may change to Thursday, September 4, 2014 and that details will be worked out this week and information will be provided to the Committee.

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Mr. Kenderdine provided the Board of Trustees a packet containing information for the Chief Investment Officer Recruitment, including key sections from the Request for Proposals used to procure the search firm hired for the last CIO search. Mr. Kenderdine indicated that the information would be posted to the Board Portal and any comments from the Board should be sent directly to him no later than Friday, August 27, 2014.

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Mr. Kenderdine indicated that he would be sending to the Board a copy of the résumé of Robert Burd, Acting Chief Investment Officer.

CLOSED SESSION

On a motion made by Mr. Hughes and seconded by Ms. Lochte, the Board voted to meet in a Closed Session (10:53 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street, 25th Floor, for the purpose of:

1. approving the closed session minutes, pursuant to State Government Article § 10-503(a)(1)(i), the exercise of an administrative function;
2. reviewing the Medical Board reports, pursuant to State Government Article § 10-508(a)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter, namely, State Gov't Art., § 10-616(g) regarding the prohibition on disclosing retirement records, and State Gov't Art., § 10-617(b) regarding the prohibition on disclosing medical and personal information;
3. discussing the appointment of an Interim Chief Investment Officer, pursuant to State Gov't Art., § 10-508(a)(1)(i), the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; and

