

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

October 21, 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, 16<sup>th</sup> Floor Board Room, Baltimore, Maryland beginning at 9:36 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding  
Peter Franchot, Vice Chairman  
David Blitzstein  
James Bush, Jr.  
John Douglass  
Kenneth Haines

James Harkins  
Linda Herman (via phone)  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman  
Thurman Zollicoffer

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

Anne Budowski  
Robert Burd  
Margaret Bury  
Melody Countess  
Anne Gawthrop

Michael Golden  
Ira Greenstein  
Angie Jenkins  
Van Lewis  
Michelle Lowery

Ken Reott  
Ben Robb  
David Rongione  
Janet Sirkis

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen and Josaphine Yuzuik.

Also attended by: Johanna Agueda, James Kane, Tom Lowman, Brian Murphy, Michael Rubenstein, Kris Seets, and Dana Tagliacod.

**Consent Agenda**

On a motion made by Mr. Harkins and seconded by Ms. Lochte, the Board approved the consent agenda, which included:

- › September 16, 2014 Open Meeting Board Minutes
- › September 16, 2014 Corporate Governance Committee Report
- › October 7, 2014 Administrative Committee Report

**Final Adoption of  
COMAR  
Amendments**

Mr. Kenderdine reported that the amended regulations concerning the administration of benefits with respect to the same-gender spouse of a member, former member or retiree (COMAR 22.07.02.04), which were originally brought to the Board for its approval in June, received no public comments and were being presented for final adoption.

On a motion made by Mr. Zollicoffer and seconded by Mr. Harkins, the Board approved for final adoption the amended regulations regarding the administration of benefits with respect to the same-gender spouse of a member, former member or retiree.

**Board Requested  
Legislation**

Treasurer Kopp informed that with the election in two weeks there will be several new members of the Joint Pension Committee, including the committee leadership as neither of the current Co-Chairmen are returning to office.

Ms. Gawthrop presented the following proposals to the Board of Trustees for inclusion in its 2015 legislative proposals to the Joint Committee on Pensions:

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

October 21, 2014

**Code Simplification – Technical Changes**

**Title 27 – Judge’s Retirement System** – In 2012, legislation was enacted that would require members of the Judges' Retirement System (JRS) to accrue five years of service in order to vest in the JRS. Prior to this time, members of the JRS enjoyed immediate vesting in their plan. As a result of this vesting requirement, an individual could be appointed to the bench and leave the judiciary within five years and never vest in the plan. Yet, unlike members of the other plans in the System who may withdraw their contributions at any time after terminating employment, language under § 27-405 of the State Personnel and Pensions Article restricts JRS members to withdrawing their employee contributions “at the time of termination of service, or within 6 months thereafter.” Inasmuch as no other plan includes a similar limiting provision; staff would recommend removing the limitations in place for a JRS member to withdraw employee contributions.

Section 27-406 of the State Personnel and Pensions Article governs reemployment of JRS retirees. During the 2010 legislative session, this provision was amended to exempt a retiree of the JRS from a reemployment earnings limitation if the retiree returned to work for the State. This provision sunsetted June 30, 2014. Instead of extending the sunset date on this exemption during the 2014 legislative session, § 27-406 was amended to provide similar language included in the provisions governing the other several systems, stating that a member would only be subject to the earnings limitation for the first five calendar years following retirement. Staff for the Agency has found that this amendment, in addition to others that have been made to § 27-406 since 2010, have created inconsistencies and duplicative language in this section, making it difficult to implement.

Staff recommends clarifying non-substantive changes to § 27-406 to remove the duplicative and inconsistent language.

**Correctional Officers’ Retirement System – Chapter 188 of the Acts of 2014 (Senate Bill 665)** – Chapter 188 of the Acts of 2014 added correctional officers who begin serving as security chiefs, facility administrators, assistant wardens, or wardens on or after July 1, 2014, as members of the Correctional Officers’ Retirement System (CORS) as a condition of their employment. Chapter 188 further provides that correctional officers who were serving in those positions on June 30, 2014, would have six months to transfer their service credit from the Employees’ Pension System (EPS) to CORS if they continue serving in those positions on July 1, 2014. The legislation also stipulated that these transfers of service credit would be done in accordance with Title 37 of the State Personnel and Pensions Article.

Agency staff has determined that, as drafted, Chapter 188 has a technical issue that needs to be addressed through legislation. This legislation only allows correctional officers who were members of the

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

October 21, 2014

EPS the opportunity to transfer their EPS service credit into the CORS. Staff has found two members of the Employees' Retirement System (ERS) who meet the criteria of the bill; however, due to their membership in the ERS, they are currently not eligible to transfer their service credit back to the CORS.

Staff recommends amending Chapter 188 to include members of the ERS.

**State Retirement and Pension System - Definitions** – State Personnel and Pensions Article, § 20-101(aa-1) defines the non-contributory pension benefit to mean “the part of the EPS and Teachers’ Pension System (TPS) that does not provide the contributory pension benefit under Title 23, Subtitle 2, Part II of the article or the Alternate Contributory Pension Selection under Title 23, Subtitle 2, Part III of this article.” When the Reformed Contributory Pension Benefit was created under Title 23, Subtitle 2, Part IV of the State Personnel and Pensions Article in 2011, it was inadvertently omitted from this definition.

Staff recommends amending § 20-101(aa-1) to include the Reformed Contributory Pension Benefit in the definition for non-contributory pension benefit.

**Unclaimed Accumulated Contributions** – Staff for the Agency reports that there are currently more than 38,000 non-vested member accounts of individuals who have terminated employment with a participating employer of the System prior to vesting and did not withdraw their accumulated contributions at the time they ceased employment. Many of these accounts have a balance of less than \$75.00. Staff further reports that in an effort to return these funds to the former members, it makes three mailings to each account, requesting the former member question to withdraw his or her accumulated contributions. In addition, staff also posts notices on its website of the names of any inactive participant who is entitled to a refund of accumulated contributions. It should also be noted that staff had previously used the Internal Revenue Service letter forwarding program to locate missing former non-vested members, though, due to the IRS has discontinuing that program, that service is no longer available.

With vesting now set at 10 years for most of the several systems, it is likely that the number of these non-vested member accounts will only increase each year. Currently, these accounts are included in the Agency's primary database for all active and retired members. By commingling these participant accounts (active and inactive), if a non-vested inactive employee returns to work with a participating employer later in their career, a risk exists that proper enrollment as an active member at this point could be compromised if the Agency's computer system inadvertently reactivates the individual's non-vested account. Moreover, the accumulated contributions associated with the inactive account, are deposited in the System's annuity savings fund. A

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

October 21, 2014

member's accumulated contributions are reserved in this fund until the member retires, at which point the funds are transferred to the System's accumulation fund where payment of the member's retirement benefits begins. To avoid carrying these inactive non-vested accounts indefinitely in the annuity savings fund, staff would recommend that after four years (after membership has terminated) the funds from these accounts would be transferred from the annuity savings account to the accumulation fund. Transferring these funds to the accumulation fund would not result in the inactive participant forfeiting the right to a return of the individual's accumulated contributions at any time in the future. To ensure that these individuals will always be able to access their accumulated contributions staff will maintain the necessary records on each inactive participant, making recovery of these funds uncomplicated.

Staff recommends amending State Personnel and Pensions Article §§ 21-303 and 21-311 to allow these funds to be transferred from the annuity savings fund to the accumulation fund and later be returned to the inactive participant from the accumulation fund when the individual returns at some point in the future.

**Accumulated Unused Sick Leave** – Section 20-206 of the State Personnel and Pensions Article state that members of the System may receive additional creditable service for unused sick leave at the time of their retirement. Specifically, § 20-206 states that unused sick leave means sick leave credit that has not been used before retirement. At that time of a member's retirement, the employer is required to certify the balance of unused sick leave to the agency. Based on the unused sick leave balance reported by the employer, the agency calculates the additional credit that is added to the member's retirement record. A member may receive one month of service credit for 22 days of unused sick leave.

Recently, staff has been made aware that some participating employers, prior to reporting unused sick leave to the agency for a member, are converting other types of leave, such as unused annual leave, that has not been cashed out by the member to unused sick leave. In response to these actions, the executive director for the agency has informed these employers that "an employer may only report unused sick leave that was available to the employee as sick leave during employment." The position of the executive director to the affected employers reflects the ruling by the Harford County Circuit Court on this very issue in 1994, upholding the Board of Trustees' longstanding interpretation of the statute.

To avoid future inconsistent interpretations of § 20-206, staff recommends clarifying this section to reflect the 1994 decision of the Harford County Circuit Court by specifically providing in § 20-206 that only unused sick live that was available to the employee as sick leave during employment may be reported by the employer to the agency.

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

October 21, 2014

**Combining Prior Service Credit with the Reformed Contributory Pension Benefit (Chapters 577 and 578 of the Acts of 2014) -**

Chapters 577 and 578 of the Acts of 2014 (Senate Bill 1082 and House Bill 1483, respectively) allow members of either the EPS or TPS who are subject to the Reformed Contributory Pension Benefit (RCPB) and have prior service credit in a part of EPS or TPS that has a different member contribution and benefit accrual to combine their prior and current eligibility service credit in their RCPB account. In part, this legislation requires that a member may combine this prior eligibility service with their current RCPB eligibility credit if the member deposits the member contributions, that would have been due if the member had earned the prior credit in the RCPB, plus regular interest on the contributions. Given that the member contribution rate in the RCPB is currently 7%, RCPB members interested in combining previous EPS or TPS service with their current account will be required to deposit member contributions at this rate for this previous service credit, plus interest. In instances where a member is combining previous service from the member's vested Alternate Contributory Pension Selection (ACPS) account, the individual would be required to deposit an additional 2% in member contributions, plus interest, – the difference between the RCPB rate of 7% and the ACPS rate of 5%. For members seeking to combine service from the contributory or non-contributory plans of the EPS or TPS, the amount to be deposited would be greater.

To avoid confusion regarding the proper member contribution rate to use when participants seek to combine previous EPS or TPS service with their RCPB services, staff recommends amending § 23-303.1 of the State Personnel and Pensions Article to clarify that when combining service into the RCPB, the member contribution rate in effect for the RCPB at the time the request to combine service is made, is the rate that will be used to determine the amount the participant will be required to deposit, with interest. Moreover, this amendment would codify the current practice of the Agency.

Treasurer Kopp requested that Ms. Gawthrop present the actual bills to the Board of Trustees once drafted.

On a motion made by Mr. Harkins and seconded by Mr. Norman the Board of Trustees approved the proposed Board Requested Legislation.

Disability Appeals –  
Delegation of  
Hearing to OAH

Mr. Harkins reported that this matter was discussed as an action item at the October Administrative Committee meeting. Mr. Harkins reported that it was the recommendation of the Administrative Committee that the Chairman of the Board appoint an Ad Hoc Committee to reach out to employee organizations and key legislators to inform them of the Board's consideration of delegating final decision making authority for disability appeals to the Office of Administrative Hearings (OAH).

After further discussion, on a motion made by Mr. Harkins and seconded by Mr. Norman, the Board approved the Administrative Committee's

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

October 21, 2014

recommendation that the Chairman of the Board appoint an Ad Hoc Committee to study the matter and report back to the Board with recommendations.

Treasurer Kopp informed the Board that she will speak with Vice-Chairman Franchot to discuss the appointment of the Committee members.

Chief Investment  
Officer's Report

Robert Burd reported that the total market value of the fund, as of September 30, 2014, was \$44.7 Billion. Mr. Burd reported that the fund return for one month was negative 1.60% and the policy benchmark for one month was negative 1.98%.

Executive Director's  
Report

Mr. Kenderdine provided the Board with a copy of the correspondence that the Maryland Retired School Personnel Association (MRSPA) would be mailing to appropriate retirees of the System.

Mr. Kenderdine indicated that the Agency would provide the names and addresses of little over 15,000 retirees.

\* \* \* \* \*

Mr. Kenderdine reported that renovations had begun in the Agency and that work had begun on the 12<sup>th</sup> floor, which will be demised to the Agency the beginning of November. The Investment Division is expected to move to this space around Thanksgiving.

\* \* \* \* \*

Mr. Kenderdine and Mr. Greenstein gave an update on the computer system failure that occurred in September in the control mechanism of the storage unit. The vendor, EMC, brought in an entirely new unit which is performing as expected. EMC is performing a forensic analysis of the failed system.

Actuarial Audit of  
GRS's 2014  
Valuations of the  
System

Mr. Kenderdine introduced representatives of Bolton Partners, LLC to present the results of the audit performed on the System Actuary's current valuation of the System. Such audits are required every five years or when there is a change in actuary.

Thomas Lowman and Kris Seets of Bolton Partners, Inc. presented the results of the audit. Mr. Lowman reported that their audit validated the accuracy of the valuation results by choosing 47 sample lives that they believed provided a reasonable test of all key plan provisions and assumptions and determined that the valuation results are generally complete and accurate and can be relied upon, with the following four exceptions:

- The COLA is not applied to separated vested participants prior to retirement in the Judicial and Legislative plans, and the COLA is applied to all participants in those two plans inconsistently with the

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

October 21, 2014

pay increase assumption, resulting in an understatement of the effect of the COLA;

- Disability benefits for general employees hired after June 30, 2011 do not include service between 62 and 65;
- The description of the mortality table used for healthy participants fails to mention that the table ends at age 115 rather than ending when the published table ends, age 120; and
- The cost-of-living adjustment (COLA) is applied to certain employees (not retirees) six months earlier than it should be when the employees are assumed to retire due to the mid-year retirement decrement assumption. This applies in all plans other than the Teachers, Judicial and Legislative plans.

With regard to the methods and assumptions in the valuations, Mr. Lowman reported that the assumptions and methods are generally reasonable, appropriate for the situation and appropriately applied in the actuarial methods. However, the audit also found that:

- The mortality table used for disabled public safety participants needs to be improved in order to be consistent with experience;
- The Board should request GRS to consider including future mortality improvements in the disability mortality rates;
- The Board should consider adopting a formal policy regarding future changes that would warrant changing actuarial equivalence factors;
- Assumption changes not be phased in;
- Consider revisions to the healthy mortality table shape that more closely reflects actual experience;
- The Board consider and measure the increase in future risks due to the continuing maturation of the plans; and
- Using measures such as the projected future expected ratio of plan assets to payroll or stochastically modeling the potential range of contributions due to deviations from current assumptions.

Mr. Douglass questioned whether 47 sample lives was sufficient enough given that the system has 350,000 participants.

Mr. Lowman responded that the number of sample lives was sufficient for purposes of an actuarial audit.

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

October 21, 2014

GRS's Response to  
Actuarial Audit of the  
2014 Valuations of  
the System

Brian Murphy of Gabriel Roeder & Smith (GRS), the System's actuary responded to the audit presentation by presenting a letter to the Board which addressed each finding and recommendation or suggestion

Mr. Murphy expressed his concurrence with the audit findings and recommendations. Mr. Murphy suggested that the majority of the recommendations be incorporated in the System's FY2015 valuation. He went on to suggest that the recommendation to adjust the mortality table currently in use for disabled public safety participants be implemented with the FY2014 valuation. Mr. Lowman expressed his concurrence with Mr. Murphy in this regard.

Mr. Kenderdine stated staff's support of this recommendation and that if the Board agreed to have the mortality table adjusted for the FY2014 valuation, the Board's certification of contribution rates would be deferred to the November meeting.

Appeal of Kendra  
Siscoe for Survivor  
Benefits

Neither Ms. Siscoe nor anyone authorized to represent Ms. Siscoe appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation.

Ms. Josaphine Yuzuik, attorney for the Agency, addressed the Board and argued that Ms. Siscoe requested an administrative appeal regarding the Agency's determination that she was not entitled to any survivor benefits as a beneficiary of the Retiree (claimant's grandmother). Ms. Yuzuik argued that the Administrative Law Judge ("ALJ") noted that the documentary evidence demonstrated that the Retiree indicated her election of the basic allowance in the retirement application she filed with the Agency, and she received her retirement allowance on that basis during her lifetime, therefore Ms. Siscoe was not entitled to receive survivor benefits under Option 1. Ms. Yuzuik asked that the Board adopt the Administrative Law Judge's recommendations.

On a motion made by Mr. Hughes and duly seconded, the Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Kendra Siscoe's request for survivor benefits.

**CLOSED SESSION**

On a motion made by Ms. Lochte and seconded by Mr. Bush, the Board voted to meet in a Closed Session (11:38 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

1. approving the closed session minutes, pursuant to General Provisions Art., § 3-103(a)(1), the exercise of an administrative function;
2. reviewing the Medical Board reports, pursuant to General Provisions Government Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter,



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

October 21, 2014

namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and personal information;

3. reviewing a proposed Administrative Law Judge's decision in a disability appeal, pursuant to General Provisions Government Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter, namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and personal information; and
4. discussing the recommendation of the ad hoc Chief Investment Officer Search Committee regarding the proposals to provide executive service services, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure, namely, State Finance and Procurement Art., § 13-210(d) regarding the prohibition against disclosing the contents of a proposal before the award of a procurement contract, and General Provisions Art., § 3-305(b)(14), to discuss, before a contract is awarded or bids are opened, a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding  
Peter Franchot, Vice Chairman  
David Blitzstein  
James Bush, Jr.  
John Douglass  
T. Eloise Foster

Kenneth Haines (via phone)  
James Harkins  
Linda Herman  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman

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

Anne Budowski  
Margaret Bury  
Melody Countess  
Anne Gawthrop

Michael Golden  
Angie Jenkins  
Van Lewis  
Michelle Lowery

Ken Reott  
David Rongione  
Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

**OPEN SESSION**

The Board returned to open session at 11:56 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding  
Peter Franchot, Vice Chairman  
David Blitzstein  
James Bush, Jr.  
John Douglass  
T. Eloise Foster

Kenneth Haines (via phone)  
James Harkins  
Linda Herman  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman

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

October 21, 2014

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

Anne Budowski  
Margaret Bury  
Melody Countess  
Anne Gawthrop

Michael Golden  
Angie Jenkins  
Van Lewis  
Michelle Lowery

Ken Reott  
David Rongione  
Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

**Other Business**

In response to the actuarial audit report, Mr. Hughes suggested that there be an overall review of the state retirement plan provisions and that a list of issues that may require modification be developed. Mr. Hughes expressed concern that such modifications are dealt with issue by issue and plan by plan and that an omnibus approach would be preferable.

Treasurer Kopp commented that with the new legislature coming into office in January, there will be significant change in the leadership and composition of the Joint Committee on Pensions. Such a review would therefore be appropriate in terms of future modifications to the plan, while at the same time remaining respectful of the statutory restrictions of the Board concerning plan benefit design.

**OPEN SESSION**

The Board began appeals in open session at 12:20 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

The Trustees present included:

T. Eloise Foster, Presiding  
James Bush, Jr.  
John Douglass  
Kenneth Haines (via phone)

Linda Herman (via phone)  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman

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

Margaret Bury

Angie Jenkins

Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Carla Katzenberg

**Kim P. Pittman**

The Board considered the recommendation of the Medical Board in connection with the claim of Kim P. Pittman for 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. Pittman appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Carla Goldman 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.

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

October 21, 2014

Troy A. Serisis

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Troy A. Serisis 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.

Jeffrey Scholnick, Esq., counsel for Mr. Serisis, appeared before the Board to request that the case be remanded back to the Office of Administrative Hearings to allow him to represent his client and to allow his client the opportunity to call a medical expert to testify on his behalf.

Secretary Foster responded that the Board would like for Mr. Scholnick to continue with his argument before the Board.

Mr. Scholnick proceeded with his argument opposing the Administrative Law Judge's recommendation.

Carla Goldman 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.

Rodney C. Barnett

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Rodney C. Barnett, 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. Barnett appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Carla Goldman 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**

On a motion made by Mr. Douglass and duly seconded, the Board voted to meet in a Closed Session (12:45 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

1. considering disability appeals pursuant to General Provisions Art., § 3-103(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

T. Eloise Foster, Presiding  
James Bush, Jr.  
John Douglass  
Kenneth Haines (via phone)

Linda Herman (via phone)  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman

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

October 21, 2014

Agency Staff members attending included:

Marge Bury

Angie Jenkins

Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

**OPEN SESSION**

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

**Kim P. Pittman**

The Board voted to **AFFIRM** the Administrative Law Judge's Proposed Decision and **DENY** Lynette Cohen's request for disability benefits.

**Troy A. Serisis**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Troy A. Serisis's request for accidental disability benefits.

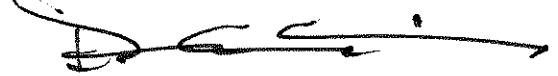
**Rodney C. Barnett**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Patricia Garrison's request for accidental disability benefits.

Adjournment

There being no further business before the Board, the meeting adjourned at 1:35 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

**CORPORATE GOVERNANCE COMMITTEE MEETING REPORT  
SEPTEMBER 16, 2014**

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**Informational Items for the Board**

- The Committee unanimously accepted the minutes from the June 17, 2014 meeting.
- The Committee received an update on the proxy voting season from ISS.
- The Committee continued its discussion on alternative corporate engagement strategies.
- Mr. Blitzstein introduced the SEC Staff Legal Bulletin #20 regarding proxy voting responsibilities of investment advisors and the exemptions for proxy advisory firms. Staff is reviewing this bulletin for further discussion.
- The Committee was updated on the upcoming Council of Institutional Investors Fall meeting that will be held in Los Angeles, California from September 29<sup>th</sup> – October 1, 2014.

**Recommended Action Items for the Board**

**Item #1: Iran-Sudan Divestment Update and Review**

- The Committee received the semi-annual Iran/Sudan Divestment Analysis. They reviewed and discussed staff's recommendations to remove four companies from the Restricted List. The Committee unanimously agreed to accept staff's recommendation to remove the following name from the Restricted List:

**REMOVE**

- China Communications Construction Company, Ltd.
- China Petroleum & Chemical Corporation
- Maire Tecnimont S.p.A.
- Shanghai Zhenhua Heavy Industry Co, Ltd.

- **ACTION:** To approve the Committee's recommendations as stated above.

**Item #2:        Proxy Voting Policy Updates**

- The Committee discussed ISS' recommended additions to the System's Proxy Voting Guidelines for 2014. The Committee approved, three approved, one abstention, ISS' recommended changes to the System's Proxy Voting Guidelines. Please see the attached 2014 Policy Update Summary for the ten recommended changes.
- **ACTION:**     To approve the Committee's recommendations as detailed in the attached document.

The Next meeting of the Corporate Governance Committee is scheduled for November 18, 2014 following the Board of Trustees meeting.

## 2014 Policy Update Summary

1. Approve Remuneration Policy (M0570)
  - a. Applicable Markets: UK
  - b. Decision: Vote always with ISS
  - c. ISS Policy: Vote case-by-case on management proposals based upon ISS's remuneration principals
  - d. Similar Code: Maryland policy M0550 - always with ISS
2. Fix Maximum Variable Compensation Ratio (M0571)
  - a. Applicable Markets: Europe
  - b. Decision: Vote always with ISS
  - c. ISS Policy: Generally vote FOR proposals to fix the ratio between fixed and variable components.
  - d. Similar Code: Maryland policy M0550 – always with ISS
3. Designate X as Independent Proxy (M0110)
  - a. Applicable Markets: Switzerland
  - b. Decision: Vote always with ISS
  - c. ISS Policy: Generally vote FOR proposals to elect an independent proxy for shareholder representation.
  - d. Similar Code: No identical code as this is unique.
4. Approve Dividend Distribution Policy (M0147)
  - a. Applicable Markets: China
  - b. Decision: Vote always with ISS
  - c. ISS Policy: Generally votes FOR allocation of income unless dividends are too low or high based upon a company's financial position.
  - d. Similar Code: Maryland policy M0107 – always with ISS
5. Approve Provision for Asset Impairment (M0192)
  - a. Applicable Markets: China
  - b. Decision: Vote always with ISS
  - c. ISS Policy: Vote case-by-case basis.
  - d. Similar Code: Maryland policy M0191 – always with ISS
6. Investment in Financial Products (M0469)
  - a. Applicable Markets: China
  - b. Decision: Vote always with ISS
  - c. ISS Policy: Vote case-by-case basis dependent upon idle funds availability.
  - d. Similar Code: Maryland policy M0468– always with ISS

7. Approve Amendments to Lending Procedures and Caps (M0471)
  - a. Applicable Markets: Taiwan
  - b. Decision: Vote always with ISS
  - c. ISS Policy: Vote case-by-case basis.
  - d. Similar Code: Maryland policy M0126– always with ISS
8. Proxy Voting Disclosure, Confidentiality, and Tabulation (S0305)
  - a. Applicable Markets: US
  - b. Decision: Always vote FOR
  - c. ISS Policy: Vote case-by-case basis.
  - d. Similar Code: Maryland policy S0304 – always vote FOR
9. Human Rights Assessment (S0412)
  - a. Applicable Markets: US
  - b. Decision: Vote always with ISS with conditions
  - c. ISS Policy: Vote case-by-case basis.
  - d. Similar Code: Maryland policy S0414– policy options differ.
10. Sustainability Activities and Action (S0776)
  - a. Applicable Markets: US
  - b. Decision: Always vote FOR
  - c. ISS Policy: Vote case-by-case basis.
  - d. Similar Code: Maryland policy S0777 – policy options differ.



**BOARD OF TRUSTEES  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

***ADMINISTRATIVE COMMITTEE MEETING REPORT  
OCTOBER 7, 2014***

2015 Proposed  
Meeting Schedule

On a motion made by Ms. Lochte and seconded by Mr. Norman the Administrative Committee approved the 2015 Administrative Committee meeting dates.

February 3, 2015	March 3, 2015
April 7, 2015	June 2, 2015
August 4, 2015	September 8, 2015
October 6, 2015	December 1, 2015

Adoption of Final  
COMAR Regulations

**THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION.**

Ms. Budowski reported that the amended regulations concerning the administration of benefits with respect to the same-gender spouse of a member, former member or retiree (COMAR 22.07.02.04), which were originally brought to the Board for its approval in June, received no public comments and were being presented for final adoption.

On a motion made by Secretary Foster and seconded by Ms. Lochte the Administrative Committee approved for recommendation to the Board for final adoption, the amended regulations regarding the Administration of Benefits with Respect to the Same-Gender Spouse of a Member, Former Member or Retiree.

2015 Board  
Requested Legislation

**THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION.**

Ms. Anne Gawthrop presented to the Committee an overview of the 2015 Board requested legislation proposals for the Administrative Committee's consideration to present to the Board of Trustees for inclusion in its 2015 legislative proposals to the Joint Committee on Pensions.

On a motion made by Mr. Norman and seconded by Ms. Lochte the Administrative Committee approved the Board Requested Legislation for recommendation to the Board of Trustees.

Disability Appeals –  
Delegation of Hearing  
to OAH

**THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION.**

Mr. Harkins reported that this matter was back before the Administrative Committee for discussion and that in prior discussions with both the Committee and the full Board there was a consensus that the System reach out to employee organizations and key legislators, to inform them of the Board's consideration of delegating final decision making authority for disability appeals to the Office of Administrative Hearings (OAH).

**BOARD OF TRUSTEES  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

***ADMINISTRATIVE COMMITTEE MEETING REPORT  
OCTOBER 7, 2014***

Mr. Harkins proposed that the Administrative Committee recommend to the full Board that the Board Chairman appoint an Ad Hoc Committee to lead this effort and make recommendations to the Board.

Mr. Norman responded that he would like to have more information on the pros and cons of OAH having full delegating authority.

Ms. Lochte commented that it would be useful to know the statistics of how many appeals OAH hears, how many appeals they grant and deny and how many appeals get appealed to Circuit Court.

On a motion made by Ms. Lochte and seconded by Mr. Haines, the Administrative Committee approved for recommendation to the full Board that the Board Chairman appoint an Ad Hoc Committee on disability appeals.

Member Services  
Update

Ms. Budowski updated the Committee on the performance of the Member Services Unit.

Ms. Budowski reported that the unit was unable to meet its performance goals for August and September 2014. The unit's performance goal for August was slightly improved over July, but fell in September. The unit was over the average speed of answer averaging 1:47 and 1:72 respectively and that the call abandonment rate was over the goal for both months as well.

Ms. Budowski reported that August is a high vacation month and that the unit experienced technical difficulties with the IVR system a couple of mornings. In addition, September presented a greater challenge when the Agency experienced a server failure which impacted operations. The unit was unable to assist callers with their questions as there was no access to the MPAS or Folder Inquiry systems and incoming mail could not be processed.

Other Business

Mr. Kenderdine asked Mr. Greenstein to update the Administrative Committee regarding the hardware failure in the Storage Area Network (SAN).

Mr. Greenstein reported that in response to the SAN hardware failure the vendor, EMC, replaced SAN component parts, which also failed. The decision was then made to build and install an entirely new system.

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Mr. Kenderdine welcomed Michele Lowery to the Administrative Committee meeting and announced that she has moved from the investment division and is now the Deputy Chief Operating Officer.

Ms. Lochte asked who was replacing Ms. Lowery in the Investment Division. Mr. Kenderdine reported that Jay Jeong replaced Ms. Lowery and that the Trustees would meet Ms. Jeong at the next Investment Committee

**BOARD OF TRUSTEES  
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***ADMINISTRATIVE COMMITTEE MEETING REPORT  
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meeting in November. Ms. Jeong comes to SRA after years of investment experience with the Pennsylvania and California Public Employees Retirement Systems.

Taxation – Alternate  
Payees

In closed session, Rachel Cohen, Principal Counsel, provided the Administrative Committee with legal advice regarding the taxation of benefits payable to a former spouse.