

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

January 19, 2016

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 9:37 a.m.

The Trustees present included:

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

Linda Herman  
Sheila Hill  
F. Patrick Hughes  
Charles Johnson  
Theresa Lochte  
Richard Norman  
Harold Zirkin

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

Robert Burd  
Margaret Bury  
Melody Countess  
Anne Gawthrop  
Michael Golden

Ira Greenstein  
Angie Jenkins  
Van Lewis  
Michelle Lowery  
Andrew Palmer

Ken Reott  
Ben Robb  
David Rongione  
Janet Sirkis

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen, Sharon Street and Kathleen Wherthey.

Other attendees included: Hazel Bradford, Susanne Brogan, John Kenney and Thurman Zollicoffer, Jr.

Consent Agenda

On a motion made by Mr. Hughes and seconded by Mr. Zirkin, the Board approved the consent agenda, which included:

- December 15, 2015 Open Meeting Board Minutes

Introduction of New Trustees

R. Dean Kenderdine announced the gubernatorial appointments of three new Trustees to the Board. Charles Johnson, Eric Brotman and James "Chip" DiPaula were appointed to serve a four-year term on the Board of Trustees.

Mr. Kenderdine presented a summary of Mr. Johnson's background and Mr. Johnson expanded on his background and expressed his pleasure at his appointment to the Board and interest in being of service.

Mr. Kenderdine indicated that Mr. DiPaula and Mr. Brotman were unable to attend the meeting.

Treasurer Kopp acknowledged the service and leadership that Trustees Zollicoffer, Zirkin and Hagans have given to the Board over their years of service.

Presentation of Resolutions

On behalf of the Board of Trustees, Treasurer Kopp and Comptroller Franchot presented Mr. Harold Zirkin with a Board resolution in recognition of his years of service as Trustee to the System.

Mr. Zirkin thanked the Board and Agency staff for their work for the System, its members and beneficiaries.



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Report from NEPC  
Investment  
Consultants

Treasurer Kopp reminded the Board that during the 2015 legislative session the Maryland General Assembly requested that a study be conducted to evaluate the asset allocation of the System. As a result, the System issued a Request for Proposals (RFP) and NEPC was among five firms that responded. The selection committee composed of four internal members including Mr. Kenderdine and Mr. Palmer, as well as, investment professionals from four foundations, John Hopkins University, Georgetown University, University of Maryland and Annie E. Casey Foundation, unanimously selected NEPC as the best applicant for this project.

Comptroller Franchot asked as to the cost of the contract.

Mr. Kenderdine responded that the contract price, fully paid by the Treasurer's office, was \$85,000.

Christopher Levell and Kevin Leonard from NEPC, LLC presented to the Board their analysis on the Asset-Liability of the System, which included the following conclusions:

- Current Target is a well-diversified asset allocation mix
  - Offers an improved expected return relative to the Prior Target over both an intermediate and long term basis.
  - Provides a long term expected return of 7.51% over 30 years.
- The Current Target utilizes risk more efficiently relative to the Average Peer Group asset allocation mix
  - The Current Target has less risk exposure to equities while offering an improved expected return relative to the Peer Group.
- NEPC's best ideas portfolio includes:
  - Use currency hedges for international equities
  - Adjusting the TIPS and long Treasury allocation
  - Expansion of private debt and risk parity strategies
  - Eliminating dedicated commodity exposure

Comprehensive  
Annual Financial  
Report (CAFR)

Melody Countess, Chief Operations Officer, presented an overview of the System's Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ending June 30, 2015.

Ms. Countess reported that the System, for the 26<sup>th</sup> consecutive year, received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. In addition, the System also received a Recognition Award for Administration from the Public Pension Coordinating Council, in recognition of meeting professional standards for plan administration.

Ms. Countess acknowledged her staff, specifically Michelle Lowery and Van Lewis, who had a part in the preparation of the CAFR.

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January 19, 2016

Status Report on  
Benefits  
Administration

Margaret Bury presented to the Board of Trustees a performance report as of December 31, 2015, which gave a detailed overview of the Benefits Administration.

Ms. Bury reported that approximately 158,000 1099s were being processed with the last batch to be mailed out on January 29, 2016.

Ms. Bury reported that there was a slight increase in retirees, but not what is expected given the baby-boomer generation continuing to reach retirement age. There is a current backlog of 954 requests for retirement estimates, with an average wait time of 5-7 weeks. In addition, the Agency has seen a 14% increase in disability claims.

Ms. Bury also reported that of the 107 positions she oversees in Benefits Administration, 20 of them are vacant. The Agency is currently recruiting for 12 of those positions.

Ms. Bury announced that Anne Budowski, Deputy Retirement Administrator will be leaving to take a position with Anne Arundel County as an Assistant Personnel Director. Ms. Budowski's last day will be February 2, 2016.

Chief Investment  
Officer's Report

Mr. Andrew Palmer reported that the performance report from State Street was not yet available. However, Mr. Palmer provided an internal performance summary to the Board, which indicated that the total market value of the fund, as of December 31, 2015, was \$44.2 Billion. Mr. Palmer reported that the fund return for one month was negative 1.02%.

Executive Director's  
Report

Mr. Kenderdine asked the Board for topic or speaker suggestions for the 2016 Board Education Session that will be held on May 19, 2016. Suggestions should be provided to Mr. Kenderdine or Mr. Palmer.

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Mr. Kenderdine reported that each Trustee should have received at his/her place a sealed envelope marked personal/confidential. The envelope contained the evaluation form for Executive Director's Evaluation.

Mr. Harkins asked the Trustees to timely complete the evaluation form and mail it to Cindy Kollner, Department of Budget and Management, in the pre-paid envelope provided.

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Mr. Kenderdine reported that the Agency's Senate budget hearing is scheduled for February 2, 2016 at 1:00 p.m., the House budget hearing is scheduled for February 5, 2016 at 1:00 p.m.

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Mr. Kenderdine reported that the Board of Public Works approved the CEM Benchmarking contract.

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MINUTES OF MEETING**

January 19, 2016

Legislative Request  
to Study Alternatives  
to Current Practices  
Related to Selection  
of Representatives of  
Active and Retired  
Members to Serve on  
the Board of  
Trustees

Ms. Anne Gawthrop presented the Board with a draft report in response to a legislative request to study alternatives to current practices related to the selection of representatives of active and retired members to serve on the Board of Trustees. Ms. Gawthrop stated that she had help from Margaret Bury and her staff, in preparing the report.

Ms. Gawthrop reported that during the 2014 legislative session, the General Assembly asked the Agency to study the election process. What prompted this request for a study was the cost to conduct trustee elections. The report summarized (1) the procedures that are followed for trustee elections for the Board of Trustees; and (2) the turnout, results, and cost of the trustee election conducted by the State Retirement Agency for the past 10 years. In addition, the report presents options for the Legislature to consider regarding the election of trustees to the Board.

On a motion made by Ms. Hill and seconded by Mr. Hughes, the Board voted to meet in a Closed Session (12:16 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. reviewing the closed session minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
2. reviewing the Medical Board reports, pursuant to General Provisions 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
3. considering an appeal for survivor benefits, pursuant to General Provisions Art., § 3-103(a)(1)(iii), the exercise of a quasi-judicial function.

**CLOSED SESSION**

The Trustees present included:

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

Linda Herman  
Sheila Hill  
F. Patrick Hughes  
Charles Johnson  
Theresa Lochte  
Richard Norman  
Harold Zirkin

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

Margaret Bury	Angie Jenkins	Andrew Palmer
Melody Countess	Van Lewis	Ken Reott
Anne Gawthrop	Michelle Lowery	David Rongione

Assistant Attorneys General present included: Rachel Cohen and Sharon Street

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

January 19, 2016

On a motion made by Mr. Hughes and seconded by Mr. Bush, the Board returned to open session at 12:20 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street and reported that during the closed session the Board voted on the following:

Closed Session Minutes	The Board approved the December 15, 2015 closed session minutes.
Medical Board Reports	The Board adopted the medical board reports from December 16, December 30, 2015 and January 7 and January 13, 2016.
Appeal of Angel Lewis for Survivor Benefits	The Board voted to <b><u>ADOPT</u></b> the Administrative Law Judge's Proposed Decision and <b><u>DENY</u></b> Angel Lewis' request for survivor benefits.

**OPEN SESSION – APPEALS AND HEARINGS**

The Trustees present included:

Peter Franchot, Presiding  
David Blitzstein  
Kenneth Haines  
Linda Herman (via phone)

Sheila Hill  
F. Patrick Hughes  
Charles Johnson  
Theresa Lochte  
Richard Norman

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

Assistant Attorneys General present included: Rachel Cohen, Carla Katzenberg, Jill Leiner, and Sharon Street.

Other attendees: John Kenney

Shanna Simmons

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Shanna Simmons 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. Simmons appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. 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.

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

January 19, 2016

Kevin Lashley

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Kevin Lashley for SPECIAL 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.

Neither Mr. Lashley nor anyone authorized to represent Mr. Lashley, appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

Therefore, due to this appeal being heard on the record, the Board deferred further consideration to Closed Session.

John C. Harley

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. John Harley 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.

Neither Mr. Harley nor anyone authorized to represent Mr. Harley, appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

Therefore, due to this appeal being heard on the record, the Board deferred further consideration to Closed Session.

Marcellene Beck

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Marcellene Beck 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.

Neither Ms. Beck nor anyone authorized to represent Ms. Beck, appeared 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.

Therefore, due to this appeal being heard on the record, the Board deferred further consideration to Closed Session.

Timothy Buser

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Timothy Buser 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.

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

January 19, 2016

Neither Mr. Buser nor anyone authorized to represent Mr. Buser, appeared 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. Therefore, due to this appeal being heard on the record, the Board deferred further consideration to Closed Session.

On a motion made by Mr. Hughes and duly seconded, the Board voted to meet in a Closed Session (1:00 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

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

**CLOSED SESSION – APPEALS AND HEARINGS**

The Trustees present included:

Peter Franchot, Presiding  
David Blitzstein  
Kenneth Haines  
Linda Herman (via phone)

Sheila Hill  
F. Patrick Hughes  
Charles Johnson  
Theresa Lochte  
Richard Norman

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary  
Margaret Bury  
Angie Jenkins

Assistant Attorney General present included: Rachel Cohen and Sharon Street.

On a motion made by Mr. Norman and seconded by Ms. Lochte, the Board returned to open session at 1:05 p.m.

**OPEN SESSION**

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

**Shanna Simmons**

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

**Kevin Lashley**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Kevin Lashley's request for special disability benefits.

**John Harley**

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



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

January 19, 2016

**Marcellene Beck**

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

**Timothy Buser**

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

**Adjournment**

There being no further business before the Board, on a motion made by Ms. Hill and seconded by Ms. Lochte, the meeting adjourned at 1:05 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board