

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

June 20, 2017

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, 16th Floor Board Room, Baltimore, Maryland beginning at 11:02 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Brinkley
Eric Brotman
James Bush, Jr.
James "Chip" DiPaula
Kenneth Haines

James Harkins
Linda Herman
Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte
Richard Norman

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

Melody Countess	Angie Jenkins	Andrew Palmer
Anne Gawthrop	Van Lewis	Chandra Puranam
Michael Golden	Michelle Lowery	Harvey Raitzyk
Ira Greenstein	Kimberly O'Keeffe	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Carla Goldman Katzenberg, Jill Leiner, William Mandycz, Jody Shaw and Kathleen Wherthey

Other attendees included: Susanne Brogan, Michael Rubenstein, Dana Tagalicod, Timothy Pam and Jordan Ganzermiller

Consent Agenda

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

- May 16, 2017 Open Meeting Board Minutes
- May 16, 2017 Audit Committee Meeting Summary
- June 6, 2017 Administrative Committee Meeting Summary

Board Officers

On a motion made by Mr. Harkins and seconded by Mr. Brotman, the Board elected the following officers:

- Nancy K. Kopp as Chairman
- Peter Franchot as Vice-Chairman
- R. Dean Kenderdine as Secretary

Asset Allocation

Mr. Hughes, Chairman of the Investment Committee reported that the Committee voted to approve, for recommendation to the Board, option B2 of the asset allocation presentation as submitted by Meketa Investment Group. Mr. Hughes also reported that the Committee will receive, at its September meeting, a report from the Chief Investment Officer on the use of leverage.

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Maryland State Retirement and Pension System

Proposed Policy Options

Asset Allocation Policy Options¹

	Current Policy (%)	Policy B (%)	Policy B1 (%)	Policy B2 (%)	Policy B3 (%)	Policy B4 (%)	Policy B5 (%)
Growth/Equity:	47	52	52	50	51	51	49
US Equity	15	15	15	15	17	18	18
Int'l. Developed Markets Equity	12	10	10	10	10	11	12
Int'l. Emerging Markets Equity	8	11	11	11	11	11	9
Private Equity	11	13	13	13	13	11	12
Rate Sensitive:	21	19	19	19	18	19	17
Cash	0	0	0	0	0	0	0
Investment Grade Bonds	0	0	0	0	0	0	0
Long-term Government Bonds	10	10	10	10	10	10	0
Securitized/Corporate Bonds	6	5	5	5	4	5	5
Inflation-Linked Bonds	5	4	4	4	4	4	4
Long-term Strips	0	0	0	0	0	0	8
Credit:	9	9	10	9	10	10	11
US Credit	6	7	6	7	6	6	7
Non US Credit	3	2	2	2	2	2	4
Real Assets:	15	14	14	14	14	14	15
Real Estate	10	10	10	10	10	10	11
Commodities	3	0	0	0	0	0	0
Natural Resources/Infrastructure	2	4	4	4	4	4	4
Absolute Return	8	6	5	8	7	6	8
Expected Return (%)	7.64	8.02	8.02	7.98	8.03	7.95	8.00
Standard Deviation (%)	12.5	13.8	13.7	13.3	13.9	13.4	13.3
Prob. of Achieving 7.55% over 10 Yrs.	41.0	44.5	44.6	44.1	44.7	43.7	44.4
Prob. of Achieving 7.55% over 20 Yrs.	50.8	55.3	55.8	55.2	55.9	54.8	55.6
Hefty Fund Maximum (%)	≤ 18	≤ 14	≤ 13	≤ 18	≤ 15	≤ 14	≤ 18
Estimated Effective Fee (bp) ²	68	69	68	71	72	68	71

¹ Expected return and standard deviation are listed from M&A's Investment Group's 2017 Annual Asset Study. Private equity minimum range +/- 4% and cash 0-5%.
² Fees based on FY17 data from Administrative Committee December 2016 memo, e.closure, Tera Maita. Assumes current implementation but reallocated based on shifts in the asset allocation policy.



On a motion made by Mr. Hughes and duly seconded, the Board of Trustees voted and approved the Investment Committee's recommendation to use option B2 of the asset allocation presented by Meketa. Ms. Herman opposed the motion.

FY2018 Business Plan

Mr. Harkins, Chairman of the Administrative Committee reported that the Committee received a full report on the FY2018 Business Plan, including new initiatives, and that the Committee voted to approve, for recommendation to the Board, the FY2018 Business Plan as presented.

Mr. Kenderdine reported that as a result of the data scrubbing under MPAS-2, approximately 18,000 letters have been mailed out to those members whose service records are being adjusted.

Mr. Puranam, further reported, that the Agency has received approximately 201 calls from members, on the dedicated hotline, regarding the letters that the Agency mailed out.

Ms. Herman asked if the Agency pays retirees via direct deposit.

Mr. Kenderdine responded that approximately 99% of retirees are receiving their benefit via direct deposit by electronic funds transfer (EFT).

Ms. Herman asked if the Agency requires benefit payments to be directly deposited into a bank account.

Mr. Kenderdine responded that yes, direct deposit is mandatory, however, there is a process to request an EFT waiver to be exempt from that requirement.

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On a motion made by Mr. Harkins and seconded by Mr. Norman, the Board of Trustees approved the Administrative Committee's recommendation to approve the FY18 Business Plan.

Trustee Election
Schedule

On a motion made by Mr. Harkins and seconded by Ms. Lochte, the Board of Trustees approved the Administrative Committee's recommendation to approve the following election schedule¹ for the State Police Retirement System Representative.

September 1, 2017 through December 1, 2017	An eligible voter may obtain a nomination form from the Executive Director.
January 31, 2018	Completed nomination forms must be submitted to the Executive Director by an eligible voter by 4:30 p.m.
February 23, 2018	Executive Director certifies that an eligible voter satisfies the conditions set forth in 22.03.01.06 of the Board of Trustees' Regulations
May 21, 2018	Mailing of election materials to eligible voters, including candidate biographies and personal identification numbers for internet and IVR (telephone) access.
May 22, 2018	IVR (telephone) and website (internet) open for voting.
June 22, 2018	Last date for voting. Deadline is 4:30 p.m.
July 17, 2018 ²	Executive Director announces election results at the July Board of Trustees meeting.
¹ Election schedule subject to approval by contractor.	
² Subject to the Board of Trustees' approval of the 2017 meeting dates	

Treasurer Kopp asked what the cost would be to hold an election for the State Police representative.

Mr. Kenderdine responded that an election for the State Police Retirement System representative would cost approximately \$60,000.

Adoption of
Amendments to
COMAR
(22.04.02.04) –
Membership in the
Employees'
Pension System

Mr. Harkins, Chairman of the Administrative Committee reported that the Committee received a full report on the proposed amendments to COMAR 22.04.02.04 – Membership in the Employees' Pension System, and that the Committee voted to approve for recommendation to the Board, the proposed amendments as presented.

Ms. Wherthey commented that should the Board adopt the proposed amendments to COMAR 22.04.02.04, Anne Gawthrop would submit the proposed amendments for publication in the Maryland Register, adding November 6th as the effective date of the regulation.

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On a motion made by Mr. Harkins and duly seconded, the Board of Trustees adopted for publication in the Maryland Register for comment, the amendments to COMAR 22.04.02.04, as presented.

Town of Cheverly –
Participation in the
Employer Pick-Up
Program

Mr. Harkins, Chairman of the Administrative Committee reported that the Committee received a full report from Mr. Kenderdine regarding the Town of Cheverly's request to participate in the Employer Pick-Up Program. The Committee approved, for recommendation to the Board of Trustees, the Town of Cheverly's request to participate in the Employer Pick-Up Program, effective July 1, 2017.

On a motion made by Mr. Harkins and seconded by Ms. Lochte, the Board of Trustees approved the Town of Cheverly's request to participate in the Employer Pick-Up Program, effective July 1, 2017.

Mr. Kenderdine further reported that Town of Cheverly submitted a resolution to withdraw eligible law enforcement personnel from the Employees' Pension System and transfer them to the Law Enforcement Officers' Pension System. Since State Personnel and Pensions Art., § 31-302 allows law enforcement personnel to withdraw and transfer from one State system to another State system without approval by the Board of Trustees, this matter is before the Board as an informational item.

Mid-Year
Attendance &
Training Reports –
January 1, 2017
through June 30,
2017

Mr. Kenderdine presented the six-month attendance and training reports for January 1 through June 30, 2017 to the Board for its review and asked that any corrections be sent to him. Mr. Kenderdine indicated that the attendance report would be updated to reflect the Board's attendance at the June, 2017 meeting.

Executive
Director's Report

Mr. Kenderdine announced that Calvin Kiser, Deputy Chief Information Systems Officer, will be retiring at the end of June, after 21 years of service.

Mr. Kenderdine reported that the Ad Hoc Committee on Actuarial Valuations and Economic Assumptions is scheduled to meet on Monday, June 24, 2017, beginning at 9:00 a.m. in the Boardroom.

Mr. Kenderdine announced that he has been asked to join the Board for the International Foundation for Employee Benefit Plans, which he has accepted.

Mr. Kenderdine reported that the procurement for the Actuarial Services Contract is underway and adhering to the procurement schedule previously presented to the Board.

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Mr. Kenderdine reminded the Board that a special meeting of the Investment Committee will be held on July 18, 2017 beginning at 9:00 a.m. to conduct Key Service Provider interviews for the Optional Retirement Program (ORP)

Ms. Countess introduced Timothy Pam and Jordan Ganzermiller, two student interns assigned to the Finance Division.

Mr. Brotman requested that the attire for the Board's education session in August, be casual. The Board agreed.

On a motion made by Mr. Bush and duly seconded, the Board voted to meet in a Closed Session, beginning at 11:29 a.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

- a. reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
- b. 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;
- c. reviewing the Earnings Limitation Recovery Report, 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., § 4-331 regarding the prohibition on disclosing information about public employees;
- d. reviewing the Disability Offset Report, 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., § 4-331 regarding the prohibition on disclosing information about public employees; and
- e. receiving a litigation update from Board counsel, pursuant to General Provisions Art., § 3-305(b)(8), to consult with staff, consultants, or other individuals about pending or potential litigation.

**BOARD OF TRUSTEES FOR THE
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CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Brinkley
Eric Brotman
James Bush, Jr.
James "Chip" DiPaula
Kenneth Haines

James Harkins
Linda Herman
Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte
Richard Norman

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

Melody Countess	Angie Jenkins	Andrew Palmer
Anne Gawthrop	Van Lewis	Harvey Raitzyk
Michael Golden	Michelle Lowery	Janet Sirkis
	Kimberly O'Keeffe	

Assistant Attorneys General present included: Rachel Cohen, Carla Goldman Katzenberg, Jill Leiner, William Mandycz, Jody Shaw and Kathleen Wherthey

Other attendees included: Susanne Brogan

On a motion made by Mr. Brotman and seconded by Ms. Lochte, the Board returned to open session at 11:44 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Board of Trustees discussed and took action on the following matters:

Closed Session Minutes	The Board reviewed and approved the May 16, 2017 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from May 17, May 25, May 31, June 8 and June 14, 2017.
Earnings Limitation Recovery Report	The Board reviewed the earnings limitation recovery report and authorized the Agency to reduce the FY18 benefits of the affected retirees.
Disability Offset Report	The Board reviewed the disability offset report authorized the Agency to reduce the FY18 benefits of the affected retirees.

**BOARD OF TRUSTEES FOR THE
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OPEN SESSION – APPEALS AND HEARINGS

The Trustees present included:

David Brinkley, Presiding
Eric Brotman
James Bush, Jr.
James "Chip" DiPaula
Kenneth Haines

Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Angie Jenkins Harvey Raitzyk Janet Sirkis

Assistant Attorneys General attending included: Rachel Cohen, Carla Goldman Katzenberg, Jill R. Leiner, William Mandycz and Kathleen Wherthey

Other attendees included: Det. Sgt. Bryan Waser

Charles Widdoes
(on Remand)

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Charles Widdoes 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.

Rebecca L. Smith, Esq., and Mr. Widdoes, 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.

Following discussion, the Board deferred further consideration to Closed Session.

Janis Elrod

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Janis Elrod 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. Elrod, nor anyone authorized to represent Ms. Elrod, 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.

Following discussion, the Board deferred further consideration to Closed Session.

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Daniel Truitt The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Daniel Truitt 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.

Rebecca L. Smith, Esq., and Mr. Widdoes, 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.

Following discussion, the Board deferred further consideration to Closed Session.

William J. Foard
(on Remand) The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. William J. Foard 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.

Robin R. Cockey, Esq. and Mr. Foard 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.

Following discussion, the Board deferred further consideration to Closed Session.

Kai R. Glover The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Kai Glover 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. Glover 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.

Following discussion, the Board deferred further consideration to Closed Session.

On a motion made by Mr. Bush and duly seconded, the Board voted to meet in a Closed Session (1:32 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

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

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CLOSED SESSION – APPEALS AND HEARINGS

The Trustees present included:

David Brinkley, Presiding
Eric Brotman
James Bush, Jr.
James “Chip” DiPaula
Kenneth Haines

Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Angie Jenkins Harvey Raitzyk Janet Sirkis

Assistant Attorneys General attending included: Rachel Cohen and Kathleen Wherthey

On a motion made by Mr. Hughes and seconded by Mr. Brotman, the Board returned to open session at 1:44 p.m.

During closed session, the Board of Trustees discussed and took action on the following disability appeals:

**Charles
Widdoes**
(on Remand)

The Board voted to **ADOPT** the Administrative Law Judge’s Proposed Decision and **DENY** Charles Widdoes’ request for accidental disability benefits.

Janis Elrod

The Board voted to **ADOPT** the Administrative Law Judge’s Proposed Decision and **DENY** Janis Elrod’s request for accidental disability benefits.

Daniel Truitt

The Board voted to **ADOPT** the Administrative Law Judge’s Proposed Decision and **DENY** Daniel Truitt’s request for special disability benefits.

**William J.
Foard**
(on Remand)

The Board voted to **ADOPT** the Administrative Law Judge’s Proposed Decision and **DENY** William J. Foard’s request for accidental disability benefits.

Kai R. Glover

The Board voted to **ADOPT** the Administrative Law Judge’s Proposed Decision and **DENY** Kai Glover’s request for accidental disability benefits.

Adjournment

There being no further business before the Board, on a motion made by Mr. Hughes and seconded by Ms. Lochte, the meeting adjourned at 1:45 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board