

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

February 15, 2022

The Board of Trustees for the Maryland State Retirement and Pension System convened, via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 1:10 p.m.

The Trustees present included:

Peter Franchot, Chairman, Presiding
Dereck Davis, Vice-Chairman
Linda Allen
Thomas Brandt
David Brinkley (in person)
Jamaal Craddock (in person)

James Daly (in person)
Kenneth Haines
Sheila Hill (in person)
Richard Norman
Douglas Prouty
Michael Stafford, Jr. (in person)

Agency Staff members attending, in person, included: Martin Noven, Executive Director/Board Secretary
Angie Jenkins
Scott Bolander (live stream)

Assistant Attorneys General present via Teams included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

Other attendees, via Teams, included: Justin Hayes and Alex Butler (Comptroller's Office); Kerstin Miller, Esq., David Jarrell and Joel Braithwaite (City of Annapolis)

Call Meeting to Comptroller Franchot, Chairman of the Board of Trustees, having established that
Order there was a quorum present, called the meeting to order.

On a motion made by Ms. Hill and seconded by Mr. Prouty, the Board voted to meet in a Closed Session, beginning at 1:13 p.m., via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland, for the purpose of:

- a) receiving a presentation from the partis regarding the administrative appeal of *City of Annapolis v. Maryland State Retirement Agency/Maryland State Retirement and Pension System*, pursuant to General Provisions Art., § 3-103(a)(1)(iii), the exercise of a quasi-judicial function, and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely General Provisions Art., § 4-311, regarding the prohibition against disclosing personnel records, and General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records.

CLOSED SESSION

The Trustees present included:

Peter Franchot, Chairman, Presiding
Dereck Davis, Vice-Chairman
Linda Allen
Thomas Brandt
David Brinkley (in person)
Jamaal Craddock (in person)

James Daly (in person)
Kenneth Haines
Sheila Hill (in person)
Richard Norman
Douglas Prouty
Michael Stafford, Jr. (in person)

Agency Staff members attending, in person, included: Martin Noven, Executive Director/Board Secretary
Angie Jenkins

Assistant Attorneys General present via Teams included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

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Other attendees, via Teams, included: Justin Hayes and Alex Butler (Comptroller's Office); Kerstin Miller, Esq., David Jarrell and Joel Braithwaite (City of Annapolis)

On a motion made by Ms. Hill and seconded by Mr. Daly, the Board returned to open session at 1:38 p.m., via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland.

OPEN SESSION

The Trustees present included:

Peter Franchot, Chairman, Presiding	James Daly (in person)
Dereck Davis, Vice-Chairman	Kenneth Haines
Linda Allen	Sheila Hill (in person)
Thomas Brandt	Richard Norman
David Brinkley (in person)	Douglas Prouty
Jamaal Craddock (in person)	Michael Stafford, Jr. (in person)

Agency Staff members attending, in person, included: Martin Noven, Executive Director/Board Secretary

Greg Busch	Megan Myers	Janet Sirkis
Robert Diehl	Kim O'Keeffe	Toni Voglino
Patricia Fitzhugh	Andrew Palmer	Scott Bolander (live stream)
Michael Golden	Ken Reott	
Angie Jenkins	David Rongione	

Assistant Attorneys General present via Teams included: Rachel Cohen and Alex Harisiadis

Other attendees, via Teams, included: Justin Hayes and Alex Butler (Comptroller's Office)

Consent Agenda On a motion made by Mr. Prouty and seconded by Mr. Haines, the Board approved the consent agenda, which included:

- January 18, 2022 Open Meeting Board Minutes
- January 18, 2022 Audit Committee Meeting Summary
- February 1, 2022 Administrative Committee Meeting Summary

2022 Legislation The Board was provided with a 2022 legislation update. Mr. Noven specifically discussed the following bill:

- House Bill 905/Senate Bill 727 – State Retirement and Pension System – Investment Management Fees

Mr. Noven reported that staff recommended to the sponsors that they wait before moving forward with their proposed legislation until the SEC proposed rules are either adopted or rejected. If the sponsors choose to proceed with their bills, staff recommends opposing this legislation due to the potential losses the System may incur if the legislation is enacted. Presently the System reports the fees paid to private equity and absolute return in the aggregate for each fund in which the System is invested. Currently, information received from managers is subject to disclosure under the Public Information Act., which includes an exemption for confidential commercial information.

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Comptroller Franchot recommended that staff speak with the legislature about the bills and defer voting on it until the next meeting and asked that staff provide a copy of the memorandum, if one is written, to the Board.

Certification of the
State Police
Retirement
System
Representative

Mr. Noven certified to the Board that there is one eligible candidate, Richard E. Norman, who met the requirements to be included on the ballot for the 2022 State Police Retirement System Trustee Election.

Mr. Noven indicated that when a single candidate qualifies to be placed on the ballot, that candidate shall be considered nominated to serve as Trustee for his or her system and, upon the Board's certification, the candidate shall serve as trustee for the appropriate term. Mr. Norman would serve a new four-year term beginning August 1, 2022 through July 31, 2026.

On a motion made by Mr. Stafford and seconded by Ms. Hill, the Board certified that Mr. Norman is deemed nominated to serve as a trustee for four years, beginning August 1, 2022.

Recommendation
of the Corporate
Governance and
Securities
Litigation
Committee
regarding the Iran-
Sudan Divestment

The Board was provided with a memorandum, a recommended Iran and Sudan restricted list and an Iran and Sudan Divestment Impact Analysis of all companies on the January 1, 2022 MSCI ESG Iran-Sudan Focus List, performed by Meketa. The memorandum provided staff's recommendation to approve adding an additional five companies to the Iran and Sudan Restricted List.

<u>Iran and Sudan Restricted List</u>		
<u>February 15, 2022</u>		
<u>ISSUER NAME</u>	<u>Country</u>	<u>Iran or Sudan</u>
Bharat Heavy Electricals Limited	India	Sudan
China National Petroleum Corporation (PetroChina Co)	China	Both
China Petrochemical Corporation	China	Both
CNOOC Curtis Funding NO.1 PTY LTD	Australia	Iran
CNPC (HK) Overseas Capital Ltd.	British Virgin Islands	Both
CNPC General Capital Limited	British Virgin Islands	Both
CNPC Global Capital Limited	China	Both
EI Sewedy Cables Co	Egypt	Sudan
Energy House Holding Company	Kuwait	Sudan
Gaz Capital S.A.	Luxembourg	Iran
Gazprom Capital OOO	Russia	Iran
Gazprom PAO	Russia	Iran
Gaz Finance PLC	Great Britain	Iran
Gazprom Gazoraspredeleniye Sever AO	Russia	Iran
Harbin Power Equipment Co., Ltd	China	Sudan
Kontrolmatik Teknoloji Enerji ve Muhendislik AS	Turkey	Sudan
Kuwait Finance House	Kuwait	Sudan
Managem S.A.	Morocco	Sudan

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Oil and Natural Gas Corporation Limited	India	Sudan
Oil India International PTE. LTD.	Singapore	Sudan
Oil India Ltd.	India	Sudan
ONGC Videsh Limited	India	Sudan
Orca Gold Inc.	Canada	Sudan
Petroliaam Nasional Berhad (Petronas)	Malaysia	Sudan
Petronas Capital Limited	Malaysia	Sudan
Schneider Electric S.A.	France	Sudan
Siemens Aktiengesellschaft	Germany	Sudan
Siemens Energy AG	Germany	Sudan
Siemens Financieringsmaatschappij N.V.	Netherlands	Sudan
Sinopec Group Overseas Development (2012) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2013) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2014) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2015) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2016) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2017) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2018) Limited	British Virgin Islands	Both
Total		36

On a motion made by Mr. Prouty, Chairman of the Corporate Governance and Securities Litigation Committee and seconded by the Committee, the Board approved the Corporate Governance and Securities Litigation Committee's recommendation to approve the Iran and Sudan Restricted List as presented.

Recommendation of the Investment Committee regarding Investment Division Salary Scale Adjustments

The Board was provided with a report from CBIZ Talent & Compensation Solutions, regarding its annual recommendation to adjust the salary range scale for certain Investment Division employees. CBIZ's recommendation for the salary scale adjustment is 3.0%. This adjustment does not apply to Investment Administration positions, as these employees receive salary adjustments available to all other State employees in the State Personnel Management System.

On a motion made by Mr. Stafford, Chairman of the Investment Committee and seconded by the Committee, the Board approved the Committees' recommendation to adjust the salary range structure for the three employee categories (Professional, Management, and Leadership) in the Investment Division by 3.0%, as presented.

Recommendation of the Investment Committee regarding the Investment

The Board was provided with staff's request for additional resources to be included in the Investment Division's FY23 budget, which includes:

- Four additional full-time positions and two summer interns, totaling \$538,821; and

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Division's FY23
Budget Update

- Two services (Trade Matching Services and Daily Custodial Accounting), totaling \$295,000

In addition, staff provided an update on the FY22 budget, reporting that in May 2021, the Board executed an extension of the Agency's existing office lease that resulted in increased space to accommodate staffing growth with the Investment Division. As part of the expansion, the Agency's IT team will be moving from the 12th floor to the 13th floor, and the Investment Division will occupy the entire 12th floor. This transition will incur estimated renovation costs of \$551,429, which includes a new trading desk, associated wiring and technology expenditures, dismantling and moving existing cubicles and furniture, as well as the cost of new furniture. It is expected that most of the cost can be absorbed by the current budget for FY22, as several items in the 2022 budget such as travel, consultant fees and custody services will be less than the amount appropriated.

On a motion made by Mr. Stafford and seconded by the Investment Committee, the Board approved the Investment Division's FY23 budget request amendment, as presented.

CIO Report

Mr. Palmer reported that as of December 31, 2021, the total fund value was \$70.6 billion, an increase of 5.3%. Mr. Palmer reported that the fund value slightly decreased in January by 1.8%, due to markets being down in every asset class, however, the fund was still positive fiscal year to date.

On a motion made by Mr. Daly and duly seconded, the Board voted to meet in a Closed Session, beginning at 1:57 p.m., via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland, for the purposes of:

- b) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;
- c) reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure 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 psychological information;
- d) considering the approval of proposed salary adjustments for the Chief Investment Officer and certain employees of the Investment Division, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; and
- e) considering the administrative appeal of City of Annapolis v. Maryland State Retirement Agency/Maryland State Retirement and Pension System, pursuant to General Provisions Art., § 3-103(a)(iii), the exercise of a quasi-judicial function, General Provisions Art., § 3-305(b)(7), consulting

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with counsel to obtain legal advice, and General Provisions Art., § 3-305(b)(13), complying with specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter namely, General Provisions Art., § 4-311, regarding the prohibition against disclosing personnel records, and General Provisions Art., § 4-312, regarding the prohibition against disclosing retirement records.

CLOSED SESSION

The Trustees present included:

Peter Franchot, Chairman, Presiding
Dereck Davis, Vice-Chairman
Linda Allen
Thomas Brandt
David Brinkley (in person)
Jamaal Craddock (in person)

James Daly (in person)
Kenneth Haines
Sheila Hill (in person)
Richard Norman
Douglas Prouty
Michael Stafford, Jr. (in person)

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary (except for action item #19)

Angie Jenkins

Andrew Palmer (item#17)

Ken Reott (item #16)

Assistant Attorneys General present via Teams included: Rachel Cohen

On a motion made by Ms. Hill and seconded by Mr. Craddock, the Board returned to open session at 2:07 p.m., via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland

OPEN SESSION

The Trustees present included:

Peter Franchot, Chairman, Presiding
Dereck Davis, Vice-Chairman
Linda Allen
Thomas Brandt
David Brinkley (in person)
Jamaal Craddock (in person)

James Daly (in person)
Kenneth Haines
Sheila Hill (in person)
Richard Norman
Douglas Prouty
Michael Stafford, Jr. (in person)

Agency Staff members attending included: Angie Jenkins

Assistant Attorneys General present via Teams included: Rachel Cohen

During closed session, the Board of Trustees discussed and acted on the following matters:	
Closed Session Minutes	The Board reviewed and approved the January 18, 2022 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from January 19, January 27, February 2 and February 10, 2022.

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Recommendation of the Investment Committee regarding Compensation for Certain Employees of the Investment Division	The Board reviewed and approved the recommendations of the Investment Committee regarding the compensation for certain employees of the Investment Division, as presented.
Recommendation of the Investment Committee regarding Compensation for the Chief Investment Officer	The Board reviewed and approved the recommendations of the Investment Committee regarding the compensation of the Chief Investment Officer, as presented.
Consideration of the Administrative Appeal of City of Annapolis v. Maryland State Retirement Agency/Maryland State Retirement and Pension System	The Board reviewed and approved the parties' recommendations regarding the administrative appeal, as presented.

Adjournment There being no further business before the Board, on a motion made by Secretary Brinkley and duly seconded, the meeting adjourned at 2:08 p.m.

Respectfully submitted,



Martin Noven
Secretary to the Board

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

***AUDIT COMMITTEE MEETING SUMMARY
JANUARY 18, 2022***

The Committee Members present included:

Richard E. Norman, Chairman
Thomas M. Brandt, Vice-Chairman
Linda Vaughn Allen

Jamaal R. A. Craddock
Kenneth B. Haines

Agency Staff members attending included:

Martin Noven
Kimberly O’Keeffe
Megan Myers
David Rongione
Andrew Palmer

Toni Voglino
Robert Diehl
Melody Countess
Angie Jenkins
Thomas Montanye

Lauren Smith
Gregory Busch
Richa Sultana

Assistant Attorneys General present included: Rachel Cohen
Emily J Spiering

Other attendees included: Jeffrey Binford (Clearview Group)

Internal Quality
Assurance Results

Mr. Rongione mentioned that Internal Auditing Standards require that a quality assurance and improvement program are implemented by the Internal Audit Division (IAD). Mr. Rongione reviewed the results of the IAD’s Quality Assurance and Improvement program for calendar year 2021. He mentioned that there are two components of this quality assurance program – 1) Review of selected audits after their completion; and 2) Annual review of internal audit operations for compliance with general standards. He said based on the review performed, IAD operated within standards and there were no recommendations for improvements.

Audit Plan Status

Mr. Rongione reviewed the status of the Audit Plan indicating that the Enrollments and SWIFT Assessment audits are complete. He added by saying that IAD has kicked off the Cash Receipts audit as well as the three annual IT audits. He continued by saying the outsourced Cybersecurity audit is currently in progress, and he expects it to be completed within six weeks. Mr. Rongione said the outsourced Investment Valuation and Performance audit has also started. He provided an update on the participating employer audits by saying that IAD has started these internally due to the delay in the procurement for this service.

Mr. Brandt inquired about the SWIFT Assessment audit and requested further detail on the history and implication of this audit. Mr. Rongione answered by saying that SWIFT is Bloomberg’s communication platform. In order to use this communication channel, the Agency must comply with SWIFT’s guidelines. He added by saying an annual assessment is required to ensure the Agency is complying with the controls mandated by SWIFT. Mr. Rongione asked Mr. Palmer whether he would like to add any additional information. Mr. Palmer added that SWIFT is not only a platform used by Bloomberg, it is a global financial network for processing payments. He mentioned that this platform is used to move money around the globe.

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***AUDIT COMMITTEE MEETING SUMMARY
JANUARY 18, 2022***

Mr. Brandt commented that based on his research, it appears that SWIFT has major cyber security implications because moving funds globally is the greatest target for malware and mischief. He also expressed concern on who is writing the agenda for checks and balances since this is a vulnerable topic. Mr. Palmer answered by saying that to address these types of security concerns, SWIFT holds everyone to a high standard for security amongst all participants.

Open Issues Log

Mr. Rongione reviewed the open issues log mentioning that IAD was able to close nine of the issues since last meeting, and six new issues were added with the completion of the most recent audits.

Data Analytic /
Continuous Audit
Dashboard

Mr. Rongione directed the Audit Committee to the table that shows the number of exceptions identified during the continuous audits for Q1 FY2022 and Q2 FY2022. He mentioned that there was a significant decrease of exceptions from quarter to quarter. He also reviewed the table that showed the number of exceptions on a year-to-year basis and the number of remaining issues. Mr. Rongione advised that the remainder of open issues is related to documents not being scanned into the Agency's imaging system (MDS). Based on his communication with the management, it is his understanding that the documents are in the office which were never scanned into MDS. He mentioned that once management informs IAD that the imaging is complete, IAD will work to remediate these open issues prior to the next meeting.

Completed Audits

Mr. Rongione reviewed the completed audits starting with the SWIFT Assessment audit which was a "Green" report, meaning that there was an acceptable state of control and compliance. He added that the scope included examining the controls specified in the SWIFT framework for calendar year 2021. IAD tested the mandatory controls prescribed in SWIFT framework noting no exceptions.

He then reviewed the Enrollments audit report which was a "Yellow" report, meaning improvement is needed. He mentioned that the scope of the audit included the process of enrolling eligible employees during the period of July 2020 through June 2021. He continued by saying that the audit identified six issues which are detailed in the report. Management has agreed to the issues and responded with an acceptable remediation plan. Mr. Rongione added that he expected this result because the audit scope period included the transition period when State employees began teleworking due to the COVID-19 pandemic.

Mr. Rongione presented the Investment Management Reporting audit report which was a "Green" report, meaning that there was an acceptable state of control and compliance. He continued by saying the scope included examining internal controls over investment management reports prepared for internal and external parties during the period of July 1, 2020 through June 30, 2021. He mentioned that no issues were identified in this audit.

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***AUDIT COMMITTEE MEETING SUMMARY
JANUARY 18, 2022***

Other Business

Mr. Rongione provided an update on the Internal Audit Services procurement. He had anticipated that IAD would have had a new vendor by January 2022, however this procurement is moving slower than anticipated. His revised estimate for completion of this procurement is late March 2022/early April 2022. He added that this delay will potentially impact the financial statement audit, as the financial statement auditor relies on the census data testing performed by this contract. Mr. Rongione mentioned that his team has started to perform this testing internally to mitigate the risk of not having testing performed.

Mr. Rongione also mentioned that the Agency has received Office of Legislative Auditor's (OLA) discussion notes. A meeting has been scheduled with OLA during the second week of February to review the findings included in the discussion notes. Mr. Norman inquired about the findings. Mr. Rongione answered by saying that the discussion notes contained two findings, and that he is in the process of vetting the findings internally with the Agency. Mr. Rongione added that he expects the discussion notes will be brought to the Audit Committee's attention during the April 2022 meeting.

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

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 1, 2022***

The Committee Members present included:

Kenneth Haines, Chairman, Presiding	Jamaal Craddock
Richard Norman, Vice Chairman	Dereck Davis
Linda Allen	Marc Nicole
Thomas Brandt	

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

Greg Busch	Michael Golden	Ken Reott
Melody Countess	Angie Jenkins	David Rongione
Robert Diehl	Megan Myers	Janet Sirkis
Patricia Fitzhugh	Kim O'Keeffe	Scott Bolander (live stream)
Anne Gawthrop		

Assistant Attorneys General present included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

Other attendees included: Laura Atas and Megan Schutz (Treasurer's Office)

2022 Legislation

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

Ms. Anne Gawthrop provided the Committee an updated overview of the 2022 pension related legislation introduced to the General Assembly since the January Board of Trustees meeting.

Member Services
Update

Mr. Reott provided a Member Services update, reporting that the performance rates were favorable over last year's number with an abandonment rate of 11.45% and average call wait time of 202 seconds. Mr. Reott commented that there have been fewer calls this year (62,000) over last year (67,000). He commented that he feels comfortable saying that members are utilizing the *mySRPS* member portal to do transactions such as requesting an estimate or updating their address or beneficiary information.

Mr. Reott reported that the numbers for January may increase as it typically does, due to the issuance of the 1099Rs to payees. In addition, Mr. Reott noted that due to the Omicron variant, the call center was 100% remote working for all of January which will negatively affect the results. The 1099Rs were mailed out on January 21, 2022. Mr. Reott indicated that this was the first year utilizing the Comptroller's office for printing and mailing of the 1099Rs and thanked them for their assistance with the processing of those documents.

Mr. Reott reported that at the time this report was generated there were two vacancies in the unit, however, currently there are six vacancies. Staff is in the various stages of the hiring process with those vacancies.