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

April 20, 2021

The Board of Trustees for the Maryland State Retirement and Pension System convened, via video/audio conference call beginning at 9:31 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Kenneth Haines
Peter Franchot, Vice Chairman	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.

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

Robert Burd	Anne Gawthrop	Andrew Palmer
Melody Countess	Michael Golden	Ken Reott
Robert Diehl	Ira Greenstein	David Rongione
Patricia Fitzhugh	Angie Jenkins	Janet Sirkis
Mimi Forbes	Van Lewis	Scott Bolander (live stream)
	Kim O'Keeffe	

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

Other attendees included: Public Advisor Monte Tarbox; Justin Hayes and Alexandra Walinskas (Comptroller's Office); Frank Benham and Mary Mustard (Meketa) and Lee Jeffrey

Administrative Appeal of Lee Jeffrey

Lee Jeffrey appeared before the Board of Trustees, requesting that the Board reject the Summary Decision of the Executive Director and grant her request to allow her to earn the eligibility and service credit that was deleted from her account at the time she retired. In addition, Ms. Jeffrey asked for unspecified changes to the retiree estimate process and timeline to prevent future retirees from having their eligibility and service credit adjusted at retirement.

Ms. Jeffrey argued that the Agency was negligent in adequately discovering and notifying her about a service error that led to a deduction of four months of creditable service and nine months of eligibility service from her retirement benefit. She indicated that her annual Personal Statement of Benefits (PSB) contained erroneous information since her return to the Maryland public school system in fiscal year 1999. Ms. Jeffrey indicated that the erroneous information was also included in the pre-retirement estimates that were provided to and discussed with her on September 6, 2019.

Ms. Jeffrey argued that it was not until she received a letter postmarked December 31, 2019, that she was made aware that there would be a deduction from her retirement benefit because deductions were made to her creditable and eligibility service. Ms. Jeffrey stated that there was not an explanation of the reason for the deduction in that letter. It was not until she contacted the Agency after her retirement date, which was effective January 1, 2020, that she received an explanation for the deductions.

Ms. Jeffrey argued that while she understands that COMAR does not permit the Agency to pay benefits that were not actually earned by a participant, she believes that through the negligent actions of the Agency she was denied the opportunity to amend the deficiency of her creditable and eligibility service and earn the compensation that was deducted from her benefit.

Ms. Emily Spiering, Assistant Attorney General, addressed the Board on behalf of the Agency.

Ms. Spiering indicated Ms. Jeffrey was enrolled in the Teachers' Pension System (TPS) in 1987, where she remained enrolled until fiscal year 1995. During fiscal year 1995, Ms. Jeffrey's employer reported that she was on payroll for four months, from September through December of 1994 and reported a total of 573.3 payroll hours during that same time period. Ms. Spiering indicated that after Ms. Jeffrey left state service in 1995 her retirement account was credited with nine months of eligibility service and four months of creditable service based on the reported months on payroll.

Ms. Spiering reported that Ms. Jeffrey returned to State service in fiscal year 1999 and resumed membership in the TPS. Ms. Spiering indicated that on August 14, 2019, Ms. Jeffrey applied for a service retirement effective January 1, 2020. On December 19, 2019, in accordance with Agency policy, the Agency conducted a detailed review of her account to verify service credit. That review determined that Ms. Jeffrey was not entitled to pro-rated service credit for fiscal year 1995, during which she worked less than 700 hours, since she returned to State service and fiscal year 1995 was not her last fiscal year of employment. The Agency notified Ms. Jeffrey, of the change to her service credit by letter dated December 19, 2019, which indicated that "adjustments were necessary because the review of your membership record revealed an error in creditable and/or eligibility service awarded to you in fiscal year(s) 1995. In this year, you did not have sufficient service hours to earn service and eligibility credit."

Ms. Spiering argued that the rules for computing eligibility service are governed by State Personnel and Pensions Article (SPP) § 23-302, which provided that "[i]f a member completes at least 700 hours of employment while a member in any fiscal year, the member is entitled to 1 year of eligibility service." Section 23-302(b)(2) provided that "[e]xcept in the first and last fiscal years, a member may not receive any eligibility service for a fiscal year in which the member completes less than 700 hours of employment while a member." Section 23-302(b)(3) further provided that "[i]n the first and last fiscal years, if a member completes less than 700 hours of employment while a member, the Board of Trustees shall prorate the eligibility service based on the number of hours worked." Ms. Spiering reported that the law was amended in 1998 to decrease the hours of employment necessary to earn eligibility service from 700 hours to 500, but noted that the law was written to take effect prospectively beginning July 1, 1998 and did not apply retroactively to service before the effective date.

Ms. Spiering argued that since Ms. Jeffrey's employer reported that she earned 573.3 hours of service in fiscal year 1995, which is less than the 700 hours required by law to earn service credit for that year and fiscal year 1995 was not her last fiscal year of employment, the Agency was required, by law, to correct the account and remove the service and eligibility credit. Ms. Spiering noted that the personal statement of benefits sent to members each year states that service will be verified and adjusted as required at retirement.

Ms. Spiering also argued that the Agency routinely audits the accounts of members who have applied for retirement, prior to the payment of benefits. Ms. Spiering reported that this practice is applicable to all members and the procedure properly resulted in the removal of four months of creditable service and nine months of eligibility service, but also resulted in Ms. Jeffrey receiving an increase of her actual monthly benefit to an amount greater than that based on the correct service credit.

Mr. Brotman expressed concern that some members could receive statements from the Agency that are incorrect and affect the member's ability to make an informed decision regarding their retirement. He asked Ms. Jeffrey if she had been aware of this prior to retiring, would she have worked the extra months.

Ms. Jeffrey responded that she would have worked the extras months to make up what was being deducted and that she was glad that she did not take the early retirement date of October 2019.

Mr. Brandt commented that the Agency followed internal procedures which led to a correction of a long-standing error but that the related Agency procedures are also before the Board.

Ms. Spiering commented that allowing Ms. Jeffrey to earn the credit is not permissible, however procedural remedies could be achieved through legislation or regulation amendments.

Mr. Brotman commented that he understands that we must follow the law but feels the Board should review the procedures as no one should have to make an irrevocable decision based on incorrect information. Mr. Brotman thanked Ms. Jeffrey for bringing this matter to the Board's attention.

The Board discussed and voted on this appeal in closed session.

Consent Agenda

Treasurer Kopp asked that the April 6, 2021 Administrative Committee meeting summary be corrected. The summary presented states that Treasurer Kopp commented "that she is personally aware of instances where people are calling the hotline and due to a high call volume are being told to try again later and then the call is dropped". She asked that the summary be amended to accurately reflect that the caller hears a recording that the System is experiencing a high call volume and to try again later, at which time the call is disconnected.

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

- March 16, 2021 Open Meeting Board Minutes
- March 30, 2021 Ad Hoc Committee on Actuarial Economic Assumptions Meeting Summary
- April 6, 2021 Administrative Committee Meeting Summary, with amendments.

Ratification of the Board of Trustees' Electronic Vote to Revise the Board of Trustees Election Schedule for the Employees' Systems Representative

Mr. Kenderdine notified the Board, by email on March 25, 2021, that staff encountered delays in processing the procurement for a vendor to conduct the election for the Active Employees' Systems representative seat on the Board. Therefore, it had become necessary for the election schedule, previously approved by the Board, to be modified and requested the Board's electronic approval of the revised election schedule, as follows:

Date	Action
September 4, 2020 through December 4, 2020	An eligible voter who seeks to become a candidate may obtain a nomination form from the Executive Director.
January 29, 2021	Completed nomination forms must be submitted to the Executive Director by an eligible voter who seeks to become a candidate by 4:30 p.m.
February 15, 2021	Executive Director certifies that an eligible voter satisfies the conditions set forth in 22.03.01.06 of the Board of Trustees' Regulations.
May 3, 2021	Agency will provide the names and biographies of the candidates for the election to the Contractor. Agency will provide the electronic data file to the Contractor.
May 17, 2021	Contractor will open access of the IVR and website for testing by Agency.
May 24, 2021[2]	Mailing of election materials to eligible voters, including candidate biographies and personal identification numbers for internet and IVR (telephone) access.
June 1, 2021[2]	IVR (telephone) and website (internet) open for voting.
June 30, 2021	Last date for voting. Deadline is 4:30 p.m.

July 7, 2021	Contractor shall provide general voting statistics to Agency. Contractor shall submit the tabulation of ballots to the Executive Director
July 20, 2021	Executive Director announces election results at the July Board of Trustees meeting.
August 6, 2021	Agency will notify the Contractor no later than August 6, 2021 if a recount of ballots is required.

A majority vote in favor of the revised election schedule was received.

On a motion made by Mr. Norman and seconded by Mr. Prouty, the Board ratified its electronic vote to approve the revised election schedule, as presented.

2021 Legislation

Ms. Anne Gawthrop provided the Board of Trustees with a final update of the 2021 pension related legislation currently before the General Assembly.

Ms. Gawthrop reported that a total of six bills have passed. Ms. Gawthrop commented that the bill regarding the pension forfeiture of law enforcement officers was passed by the House, but not by the Senate so the bill failed.

Treasurer Kopp thanked Ms. Gawthrop for her hard work throughout the legislative session.

CIO Report

Mr. Palmer presented updates on performance, staffing and the work on the responsible contractor policy.

On performance, Mr. Palmer referenced the final tear sheet for February. The new information available on that document was the policy benchmark of 0.91% for the month and the absolute return benchmark of 2.66%. He commented on the strength of that benchmark relative to the total plan and the public equity benchmark of .91% and 1.79% respectively. Mr. Palmer turned to the preliminary performance for March which showed system assets exceeding $63.6 billion as the fund produced 1.16% for the month. He observed that the long-term performance exceeds the actuarial rate for all periods. He discussed the changes in the leadership in equity markets that led to the public equity portfolio trailing the benchmark after a very strong period of outperformance.

Mr. Daly asked for Mr. Palmer's market outlook and if any changes to the portfolio may be indicated.

Mr. Palmer responded that public markets remain strong and are well supported by fiscal and monetary policy. Mr. Palmer commented that he is allowing the portfolio to maintain a small risk posture but consistently rebalancing toward benchmark when positions become extended. He added that staff have been staying a small amount underweight in bonds but that this has not been adding meaningfully to tracking error.

Mr. Stafford asked how the board is kept apprised of these relative positions.

Mr. Palmer offered that the quarterly material for the investment committee has exhibits showing the dollar exposure differences in terms of percentages and the sensitivity exposures in terms of equity beta and portfolio duration.

Mr. Brandt commented that he was concerned about low bond yields and the Board's task of generating returns being incompatible, suggesting that the role of bonds should be evaluated in the context of a traditional 60/40 portfolio.

Mr. Stafford pointed out that the System's bond portfolio had longer duration than the Aggregate Bond Index.

Mr. Palmer agreed, noting that a 15% allocation to longer duration bonds allows for similar diversification benefits as a 30% allocation to a broad Aggregate Bond Index with the 15% difference invested in more productive bond like diversifying assets.

Mr. Palmer turned to an update on staffing. He referred to a memo that provided a summary of positions authorized under Board staffing authority, a summary of the criteria for approving new positions and a proposal to create a new position for a Senior Governance Officer. He noted that following the Board's established criteria, there is a strong business reason for the new position, as well as, the fact that the System's peers are similarly staffed. The business case is that governance has become a bigger focus for the System and is being executed through the part time efforts of the compliance officer and two internal committees. Staff believes that its work would benefit from a dedicated resource to direct these efforts. The peer review previously performed for the System showed that many large plans have a similar position.

Mr. Brotman asked for an organization chart at the May meeting with a presentation of all open positions.

Mr. Palmer offered to provide a before-and-after set of organization charts for comparison and discussion.

Mr. Brotman expressed concern that areas of the division remained thinly staffed for the task ahead.

Mr. Brandt concurred with a focus on operations staff as being critical to avoid errors and should not be overlooked in an evaluation of staffing.

Mr. Palmer assured the Board that operational support was the first step in evaluating any new initiative.

Treasurer Kopp noted that members of the legislature had inquired about the existence of this position in the past year indicating an interest on governance among the members and sponsors of the plan.

Mr. Palmer addressed the draft Responsible Contractor Policy (RCP). He referenced a memo that outlined the charge from the Investment Committee to research the prevalence of RCPs among large public plans, the impact of the RCP on access to managers, the impact of the RCP on staff workload and the fit of the RCP into an overall ESG policy. Mr. Palmer acknowledged the teamwork of staff, the consultants, and Committee members in carrying out the assignment.

Ms. Mustard of Meketa, then presented the workgroup's findings that:

- 10 of approximately 50 large plans had RCPs;
- Manager access for funds would not be impacted if the RCP clearly applied a best effort methodology for funds while retaining a full implementation requirement for direct investments;
- Changes to staff practice would be consistent with ESG practices of notifying managers of the System's RCP, evaluating any manager RCP, suggesting improvements to manager policies and soliciting exception reporting for less than control investments;
- Reporting would be similar to ESG reporting; and
- Overall the impact on staff time would be manageable with the revised policy being presented.

There are some sections of the draft policy that have language not found in other states' RCPs. A discussion ensued on the report and policy.

Trustee Brotman requested a redline of the changes from the original policy. He noted that only 20% of public funds considered had such policies and asked for an evaluation of the relative performance of the portfolios for plans that had RCP's vs those that did not.

Trustee Brinkley suggested that it would be beneficial to have a model RCP either from an industry organization or through collaboration among the large plans cited. He requested data on the size of the real estate and infrastructure portfolio for the peer plans.

Trustee Brandt expressed concerns that the policy did not have measurable data and that it would be difficult to monitor from a compliance and impact perspective.

Ms. Mustard stated that the RCP is focused on the contracting policies and safety records which are subject to quantitative evaluation.

Mr. Stafford inquired about the role of the Board in the RCP noting that the first draft seemed to have an expanded role for the Board.

Ms. Mustard responded that the workgroup removed the Board's role segment as it represented a significant departure from the current practice and added that the Board would be informed retrospectively through reporting on the prevalence of RCP's and occasional exception reporting.

Trustee Prouty made a motion to task the Investment Committee with taking up the revised RCP at the May meeting for potential revision and recommendation to the Board. The motion was seconded by Trustee Stafford and was supported unanimously.

Executive Director's Report

Mr. Kenderdine asked the Board for topic and speaker suggestions for the Board's annual education session, which is scheduled to be held on Tuesday, October 19, 2021. He requested that all ideas be directed to him and Andy Palmer.

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Mr. Kenderdine reported that the Agency continues to move forward with space expansion for the anticipated growth of Investment staff and the move to internal asset management.

In addition, all agencies have been asked to come forward with a plan to submit to the Department of Budget and Management (DBM) by June 1, 2021, that lays out the Agency's return to work at Agency offices as of June 30, 2021.

The Agency is prepared to move forward with a new lease that would give us 13% additional square footage on the 13^{th} floor with a 5% rent rate reduction over the next 10 years.

Mr. Haines asked if there was any wiggle-room for having staff return as COVID cases are up approximately 60,000 nationwide.

Secretary Brinkley responded that this is to get feedback from agencies on what their on-going needs will be. Once DBM staff receives the plans they will share that information with the Department of General Services.

Mr. Kenderdine thanked Melody Countess for her work on the space plans and the new lease.

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Mr. Kenderdine reported that the 2021 cost of living adjustment ("COLA") to be reflected in the July benefit payments for eligible retirees will be 1.234%.

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Mr. Kenderdine asked the Trustees to respond, at their earliest convenience, to the two requests issued by Angie Jenkins for their availability for the Ad Hoc Committee on Executive Director Search meeting on April 27^{th} and the Doodle request for a special meeting of the Board to conduct final interviews of executive director candidates.

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Mr. Kenderdine reported that both Andy Palmer and Monte Tarbox had been selected by CIO magazine as one of their "Power 100" investor officers for 2021.

Mr. Palmer commented that several former investment staff, including Mansco Perry, Tom Lee and Elizabeth Burton, also made the list.

Mr. Palmer reported that the General Consultant search is moving along, the Committee has interviewed numerous firms, are conducting reference checks and will be bringing several firms to the Investment Committee and Board in May.

Mr. Haines reported on the Executive Director search, indicating that there were over 20 applicants and that the Committee interviewed five of thosem and have now selected two finalists to bring to the full Board at a future date next month.

Mr. Haines reported that the position was posted on the Maryland Department of Budget and Management's website and the Committee is scheduled to meet on April 27, 2021 to review any new applications that may result from that posting.

Secretary Brinkley indicated that he had reached out to one person in Maryland as a potential candidate.

On a motion made by Mr. Prouty and seconded by Mr. Daly, the Board voted to meet in a Closed Session, beginning at 11:21 a.m., via video/audio conference call, for the purposes of:

a) 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;

b) 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 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 psychological information;

c) discussing the administrative appeal of Lee Jeffrey, pursuant to General Provisions Art., § 3-103(a)(1)(iii), a quasi-judicial function; and

d) receiving and discussing a presentation by the Agency's Chief Information Systems Officer regarding information security for the System, pursuant to General Provisions Art., § 3-305(b)(15), to discuss cybersecurity, if the public body determines that public discussion would constitute a risk to security assessments or deployments relating to information resources technology or network security information, including information that is related to passwords, personal identification numbers, access codes, encryption, or other components of the security system of a governmental entity; collected, assembled, or maintained by or for a governmental entity to prevent, detect or investigate criminal activity; or related to an assessment, made by or for a governmental entity or maintained by a governmental entity, of the vulnerability of a network to criminal activity; or deployments or implementation of security personnel, critical infrastructure, or security devices, as well as General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-338 regarding the protection of information about the security of an information system.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Kenneth Haines
Peter Franchot, Vice Chairman	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.

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

Robert Burd	Anne Gawthrop	Kim O'Keeffe
Melody Countess	Michael Golden	Andrew Palmer
Robert Diehl	Ira Greenstein	Ken Reott
Patricia Fitzhugh	Angie Jenkins	David Rongione
Mimi Forbes	Van Lewis	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Jody Shaw, and Kathleen Wherthey

Other attendees included: Public Advisor Monte Tarbox; Justin Hayes and Alexandra Walinskas (Comptroller's Office)

On a motion made by Mr. Norman and seconded by Mr. Prouty, the Board returned to open session at 11:36 a.m., via video/audio conference call.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Kenneth Haines
Peter Franchot, Vice Chairman	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.

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

Robert Burd	Anne Gawthrop	Andrew Palmer
Melody Countess	Michael Golden	Ken Reott
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Mimi Forbes	Van Lewis	Scott Bolander (live stream)
	Kim O'Keeffe	

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

April 20, 2021

Assistant Attorneys General present included: Rachel Cohen, Jody Shaw, and Kathleen Wherthey

Other attendees included: Public Advisor Monte Tarbox; Justin Hayes and Alexandra Walinskas (Comptroller's Office)

During closed session, the Board of Trustees discussed and acted on the following matters:		
Closed Session Minutes		The Board reviewed and approved the March 16, 2021 closed session minutes.
Medical Board Reports		Upon recommendation of staff, one disability case from the March 31, 2021 medical board report was removed for further consideration. The Board reviewed and adopted the medical board reports from March 17, March 25, March 31, April 8 and April 14, 2021.
Administrative Appeal of Lee Jeffrey		The Board reviewed and adopted the Administrative Committee's recommendation for summary decision and denied the appeal of Lee Jeffrey.
Other Business		Mr. Brotman, Chair of the Investment Committee asked for clarification on the start time of the May Investment Committee meeting. Mr. Kenderdine responded that the May Investment Committee meeting is scheduled to begin at 9:30 a.m., with the Board of Trustees immediately following the Committee meeting. Mr. Brotman commented that he did not think that would allow the Committee enough time to get through all agenda items and asked if the meeting could begin earlier than 9:30 a.m. Ms. Jenkins responded that a Corporate Governance and Securities Litigation Committee (CGSLC) was also scheduled for May 18 beginning at 9:00 a.m. However, with the permission of Ms. Hill, Chair of the CGSLC, she could look in to rescheduling that meeting to allow the Investment Committee meeting to begin earlier. Ms. Hill agreed. Mr. Brotman commented that he feels that the Investment Committee should begin at 8:00 a.m. Ms. Jenkins responded that she would update the Board portal and agency website to reflect the changes in the meeting schedule.

Adjournment

There being no further business before the Board, on a motion made by Mr. Brotman and seconded by Mr. Brandt, the meeting adjourned at 11:42 a.m.

Respectfully submitted,

R. Dean Kenderdine
Secretary to the Board

AD HOC COMMITTEE ON ACTUARIAL ECONOMIC ASSUMPTIONS MEETING SUMMARY MARCH 30, 2021

Charge to Committee

Mr. Brotman, Chair of the Committee called the meeting to order and announced that Trustee Brandt would be Chairing for the duration of the meeting.

Mr. Brotman read the charge to the Committee as established by the Board of Trustees. The Committee was charged with examining the System's current actuarial economic assumption for the System's Investment Rate of Return and possibly make recommendations to the Board as to whether changes in the rate or its components should be implemented, and if implemented, where that assumption should be set. The Committee may make more than one recommendation and that the Committee should consider alternative Investment Rate of Return assumptions within a range of acceptable rates provided by the System's actuary based upon statistics from the set of investment consultants that the actuary monitors.

Presentation by Gabriel Roeder Smith & Company on the Assumed Rate of Investment Return

The Committee was provided a copy of a presentation presented by Gabriel Roeder Smith & Company (GRS), which provided information on the assumed rate of investment return that would provide guidance with making a recommendation to the Board of Trustees for economic assumptions to be used for the June 30, 2021 actuarial valuation determining funding requirements for FYE 2023 and beyond.

Brad Armstrong from GRS reported that each economic assumption is set based on price inflation and an amount in excess of price inflation. He referenced the following table that summarizes the primary economic assumptions developed in the 2014-2018 experience study that were used in the actuarial valuation as of June 30, 2020.

	Current Assumption
Price Inflation	2.60%
Real Return	4.80%
Investment Return	7.40%
Payroll Growth	3.10%

Ms. Williams presented information according to a survey conducted by the National Association of State Retirement Administrators (NASRA), that the median return assumptions for plans in the NASRA database was 7.25% as of February. MSRPS assumption is 7.40%, somewhat above the median. Ms. Williams pointed out that it does not adjust for the asset allocation or other plan specifics.

Mr. Murphy commented that Meketa indicated that the median expected 10-year return for this policy is 6.29% and the median expected 20-year return is 7.03% with standard deviation of 12.9%.

Mr. Palmer commented that they are currently in the position for a General Consultant search with responses that are current. He would be able to provide that chart to the Committee and that it would show that Meketa's assumptions were within the range of other consultants.

AD HOC COMMITTEE ON ACTUARIAL ECONOMIC ASSUMPTIONS
MEETING SUMMARY
MARCH 30, 2021

Presentation by Meketa Investment Group on Capital Markets Expectations

The Committee was provided a copy of a presentation presented by Meketa Group, which provided information on the 2021 capital market expectations and benchmark review.

Frank Benham from Meketa reported that the meeting materials for this meeting were a summary of their annual capital market assumption changes and had been presented to the Investment Committee at the February meeting. He reported that the capital market assumptions are set in January and that changes are driven by many factors, including interest rates, credit spreads and equity prices. Mr. Benham reported that in 2020, yields went down, credit spreads tightened and prices for most risk assets went up causing their expected returns to decline for almost every asset class. As a result, the 20-year return expectation for the MSPS portfolio declined from 7.64% to 7.03%.

Presentation by the Chief Investment Officer on Inflation

The Committee was provided a copy of a presentation presented by Andrew Palmer, Chief Investment Officer regarding inflation assumptions. Mr. Palmer commented that it is interesting that Meketa's long term inflation assumptions had fallen when market-based expectations of future inflation have recently risen. He commented that even with the recent rise, long-term market-based expectation of future inflation remain low.

Mr. Palmer then turned the conversation to real yields and noted that those are the more important areas of focus for the System since realized inflation impacted both assets and liabilities in the same direction. He noted that real yields have been falling and were no negative as the Federal Reserve works to keep interest rates lower than nominal GDP. The System's 4.8% real return assumption includes an element of real yields as the risk-free building block. If real yields are expected to remain law, the 4.8% real return is more challenging.

Discussion

Mr. Kenderdine reported that, in the past, it has taken approximately three meetings to conclude and determine recommendations to present to the Board of Trustees. Mr. Kenderdine commented that the amortization period should be discussed at the next meeting to recommend to the Joint Committee, with part being that greater authority be given to the Board and pulled out of statute.

Mr. Murphy commented that he feels the Board needs more authority than it has now.

Mr. Stafford asked what the general topic of amortization is.

Mr. Armstrong responded the amortization of the unfunded liability of the System.

Mr. Kenderdine commented that it would not be news to the legislature that the Board would be bringing a request to them regarding authority.

Ms. Herman asked for the following information from the following individuals to be provided to the Committee at the next meeting:

- Alpha projections for asset classes from Mr. Palmer;
- 10 and 20-year assumptions for individual assets and the total plan from Meketa;
- Projections showing what an increase in contributions would be for a 25-basis point change from GRS
- If GRS factors in fees paid and fees are down, show the fee schedule for GRS to factor in, from Mr. Palmer.
- Frank Benham's opinion on alpha assumptions.

Mr. Kenderdine reported that another experience study would need to be conducted in 2022. However, if we are looking at significant retirements in the next two years what impact would that have, especially with the Teachers' Pension System being two-thirds of our System. Mr. Kenderdine asked GRS to speak on that subject at the next meeting.

Mr. Stafford asked for background information on the history of the amortization policy of the unfunded liability to be provided to the Committee.

Mr. Brandt asked to the extent we have a role in actuarial inflation assumptions, he asked for clarification on that subject.

BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

ADMINISTRATIVE COMMITTEE MEETING SUMMARY
APRIL 6, 2021

Administrative Appeal of Lee Jeffrey	**THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION AND VOTED ON IN CLOSED SESSION.** Ms. Lee Jeffrey filed a Petition for Hearing requesting that the Board of Trustees reject the recommendation for Summary Decision of the Executive Director and grant her request to allow her to earn the eligibility and service credit that was deleted from her account at the time she retired. The Chairman of the Administrative Committee will present, in closed session, the Committee's recommendation for the Board's approval.
Member Services Update	Mr. Reott provided a Member Services update, reporting that the most recent monthly numbers were slightly better than last fiscal year with a call abandonment rate of 18.24%. However, the average call wait time was 420 seconds, thus slightly above last fiscal year. Mr. Reott reported that January and February are typically high call volume months due to members requesting duplicate 1099Rs. This year, the numbers have also increased due to the delays with the postal service, but again, March numbers appear to be slightly lower. Mr. Brandt asked how many vacancies are currently in the member services unit. Mr. Reott responded that currently there are no vacancies. However, with staff working remotely they are not able to handle as many calls as they would if they were physically in the office. In the office, a Benefits Counselor is able to handle approximately eight phone calls per hour, versus six calls per hour working remotely. Treasurer Kopp asked that staff be charged with the task of coming up with recommendations for effective changes in call center operations. Mr. Reott responded that he and the lead directors of each unit in Benefits Administration would be charged with that task and added that this group is working to identify reforms and other solutions for this challenge. Mr. Reott commented that he believes staff is just not as productive at home, as they would be in the office, due to limitation with technology, such as having access to a printer or scanner. Mr. Kenderdine asked Mr. Reott to elaborate on what the Agency has done regarding technology for the staff working remotely and if he feels that we have done all that we can. Mr. Reott responded yes; the Agency has done all that it can technology-wise with the assistance of the Agency's IT staff. We have provided staff with dual monitors to help the counselors to work more efficiently. Mr. Brandt commented that it appears that we can expect our customers to have a bad experience for the foreseeable future which cannot be acceptable. Treasurer Kopp asked if there was anything to compensate for that.

Mr. Reott responded that adjustments could be made to the Agency's website and the interactive voice response (IVR) system to better inform members of the delay in reaching a benefits counselor.

Treasurer Kopp commented that she is personally aware of instances where when a person calls the hotline, the caller hears a recording that the System is experiencing a high call volume and to try again later, at which time the call is disconnected.

Mr. Reott responded that there are 22 phone lines that go into the call system, 10 customers are speaking with a counselor and the other customer are on hold in the queue, even if they chose the call-back feature. The twenty-third caller and beyond will not get into the call system at all. Mr. Reott further responded that staff believes that is a configuration and can be adjusted to increase the number of calls into the call system.

Treasurer Kopp commented that it is not good for our members to be dropped by the phone system.

Mr. Norman asked if there are enough staff in the unit to handle the volume of work.

Mr. Reott responded that he feels that the unit is adequately staffed if we were back in the office and able to hold staff to the standards as required by their MS-22.

Mr. Haines asked if employees are coming into the office.

Mr. Reott responded yes, in the operations and administration units staff is coming into the office. Overall, there is approximately 45% of staff in the office on any given day with social distancing processes in place.

Mr. Kenderdine further responded that the member services unit was on an A-week/B-week rotation schedule until the surge of positive COVID cases in Maryland months ago.

Mr. Reott commented that he would welcome the opportunity to go back to the rotating schedule and will be pursuing that with the State personnel office.

Mr. Haines commented that the Agency needs to have the flexibility to hire more people.

Mr. Kenderdine responded that he appreciates what comments were said and that staff need to step back and refocus on what can be done, including the possibility of reclassifying the positions in order to improve retention of people.

Mr. Reott commented that he is unsure of the turnover rate, but that we are always recruiting in that unit.

Mr. Kenderdine further commented thanks to Marc Nicole and David Brinkley, approximately two years ago we began putting two people in one position, with one on phone duty and one in training mode.

Mr. Haines suggested bringing this matter to the Board and possibly allow budget adjustments to hire more people and at a better compensation.

Mr. Norman commented that the Agency needs a different funding source.

2021 Legislation

Ms. Anne Gawthrop provided the Committee an updated overview of the 2021 pension related legislation before the General Assembly. Ms. Gawthrop reported that the Board requested bills are passing and that the COVID in line of duty death benefit bill is on its way to the Governor's desk to be signed.

Ms. Gawthrop reported that the budget has passed and that she was 99% certain that the $75M in reinvested savings this year and next year, including an additional $25M in sweeper funds next year, were approved.

Ms. Gawthrop reported that the police reform bills, that include forfeiture provisions, were amended in the House and Senate and the conference committee is meeting to address differing amendments between the Senate and House versions.

Treasurer Kopp asked if Ms. Gawthrop had explained her concerns about the bill to the Administrative Committee.

Ms. Gawthrop explained that upon learning of the bill's effect on police pensions, staff immediately reached out to committee staff regarding our concerns. Specifically, the bill contains provisions that make a judge's actions discretionary in terms of forfeiture of a convicted police officer's pension. She added that Internal Revenue Code provisions require that forfeiture language must be definitive and cannot be discretionary. Having the law give the judge discretion would jeopardize our tax qualified status