

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

July 21, 2020

The Board of Trustees for the Maryland State Retirement and Pension System convened, via video-conference call with the host site at the SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor, Board Room, Baltimore, Maryland, beginning at 9:34 a.m.

The Trustees present included:

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

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

Melody Countess	Angie Jenkins	David Rongione
Mildred Forbes	Kim O’Keeffe	Janet Sirkis
Anne Gawthrop	Andrew Palmer	Toni Voglino
Michael Golden	Chandra Puranam	Scott Bolander (live stream)
Ira Greenstein	Ken Reott	

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

Other attendees included: Justin Hayes (Comptroller’s Office), Bernadette Benik, Joyce Miller, Muriel Turner (State Treasurer’s Office) and Robin Black, Tim Bowen, Candy Burton and Tom Hoblitzell (Willis Towers Watson)

Consent Agenda

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

- June 16, 2020 Open Meeting Board Minutes

Proposed  
Amendments to the  
Board Operations  
Policy Regarding  
Election of Officers

Mr. Kenderdine reported that at its June meeting, the Board approved amendments to the Board Operations Policy regarding the procedures for the election of officers; however, the amendments did not address the option for electronic voting when Board meetings are held electronically. Therefore, a red-lined version of the Board Operations Policy, with proposed amendments as it pertains to electronic voting, was provided to the Board for review and approval.

Ms. Herman asked for confirmation of whether the findings of the consultants for Board Governance suggested that the position of Chairman and Vice-Chairman be rotated.

Mr. Kenderdine responded that he believed the consultant’s suggestion was that there be a turnover in Board leadership over time and that it could be achieved by adopting a new election policy.

Ms. Herman asked Secretary Brinkley, as Chairman of the Ad Hoc Committee on Board Governance, why the committee did not incorporate the rotation in the election policy.

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Secretary Brinkley responded that he did not recall that being a recommendation for consideration by the committee.

Ms. Cohen further responded that at the Ad Hoc Committee meeting, there was a discussion of the statute, which indicates that there must be an annual election from membership and does not limit who can be nominated.

Mr. Brotman asked why provision eight concerning policy review was struck from the Board Operations Policy.

Ms. Cohen responded that that provision is superfluous as there is a separate policy for the review of all charters and policies.

On a motion made by Mr. Brotman and seconded by Ms. Hill, the Board of Trustees approved the amendments to the Board Operations Policy, as presented.

CIO Report

Mr. Palmer provided the Board with two fund tear sheets, one as of May 31, 2020, which showed that the total fund value at \$53.7 billion, with a fund return of 0.77% for the month and a return of 4.74% for the trailing year. The May report also included final benchmark data. For the month and fiscal year, the performance was modestly lower than the benchmark. The second tear sheet provided preliminary numbers, as of June 30, 2020. The total fund value was approximately \$54.8 billion. The report also showed that the fund's return for the month was up by 2.01% and 3.70% for the trailing year. He noted that he expected a downward revision to the monthly and yearly returns to reflect the June 30 valuation of open-end real estate funds.

Mr. Stafford requested clarification on the latitude staff had to vary from the Board approved asset allocation.

Mr. Palmer responded that the leeway is specified in the Investment Policy Manual and that tactical asset allocation had long been part of the Board's expectation for helping drive relative performance. He offered to provide additional information to Trustee Stafford.

Mr. Norman asked if the System is on target to be 100% funded by 2039.

Treasurer Kopp responded that as of the end of the last fiscal year, the System was ahead of projections made in 2011 when reforms were passed.

Executive Director's  
Report

Mr. Kenderdine reported that the total number of July 1 retirements processed was down about 15% from last year. July is typically the heaviest month for retirement, with Teachers System members driving most of that volume. Last July, the Agency processed 593 employee retirement applications and this year the Agency processed 382 employee retirement applications for the month.

Treasurer Kopp asked, in terms of the number of retirements, if last year was a typical year.

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Mr. Kenderdine responded that last year the numbers were down slightly with approximately 6,700 retirements, as the typical amount is between 6,800-7,000.

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Mr. Kenderdine reported that approximately 25% of the Agency's workforce is working on-site, with 50% of the workforce coming from the Agency's Administration Division.

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Mr. Kenderdine reported that the Agency has resumed the roll-out of the *mySRPS* website, which was put on hold due to COVID-19. There are approximately 35,000 members now enrolled

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Mr. Brotman asked if there was an update regarding the lease renewal for Agency office space.

Mr. Kenderdine responded that there was nothing to report at this time, but that a meeting with the Department of General Services was scheduled.

Mr. Brotman asked if the meeting was scheduled before the next Board of Trustees meeting and if so, could the Board receive an update at that meeting.

Ms. Countess responded in the affirmative.

Presentation  
regarding Fiduciary  
Liability Insurance

The Board of Trustees received information from representatives of Willis Towers Watson and the State Treasurer's Office regarding fiduciary liability insurance. Tim Bowen of Willis, presented an overview of the insurance proposal provided to the Board of Trustees, which outlined the various proposals received from a number of insurance companies, with levels of coverage and the annual premium for each.

Secretary Brinkley commented that he presumes that the Trustees are all covered per claim.

Mr. Bowen responded aggregate liability is one claim, with one limit of liability per claim.

Mr. Brotman asked what the present coverage amount is and how are premiums paid, if any.

Mr. Bowen responded that premiums are on an annual basis and the Board of Trustees has no current coverage.

Mr. Hamilton commented that, as it related to coverage, last Tuesday the Court of Appeals issued a decision recognizing a cause of action for breach of fiduciary duty in Maryland and asked whether the insurance policy would cover such changed in the law.

Mr. Bowen responded that the policy would follow any State and/or Federal laws as they change.

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Mr. Stafford asked for examples of what would be covered.

Mr. Bowen responded that breaches of fiduciary responsibilities are the most common, including claims regarding a plan's funded status or conflicts of interest. Another example are claims for benefits alleged to be due but not provided.

Mr. Stafford asked why the Board needs insurance if, as has been understood, there has been indemnification of the Board. Mr. Stafford also expressed his concern regarding ULLICO.

Mr. Bowen responded that the recommended lead carrier, Euclid, is a A15 rated insurance carrier and does not have the same history as ULLICO. He added that he understands that the Board is indemnified but that the indemnification does not cover all potential scenarios the Board could potentially face.

Mr. Prouty asked about indemnification for errors in benefit payments.

Mr. Bowen responded that the policy from Euclid would include some coverage for benefit overpayments.

Ms. Cohen asked Mr. Bowen to speak to the levels of coverage being quoted and what System peers, according to their asset size, are carrying.

Mr. Bowen commented that for a fund purchasing insurance for the first time, with assets of more than \$10 billion, he suggests a policy with a limit not more than \$10 million. A fund could increase limits later, if it was felt to be needed.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Board voted to meet in a Closed Session, beginning at 10:56 a.m., via video-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) receiving advice of counsel regarding Fiduciary Liability Insurance, pursuant to General Provisions Art., § 3-305(b)(7), to consult with counsel to obtain legal advice;

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- d) discussion regarding the decision to purchase Fiduciary Liability Insurance, pursuant to General Provisions Art., § 3-305(b)(14), to discuss, before a contract is awarded, a matter directly relating to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process;
- e) receiving a litigation update from Board counsel, pursuant to General Provisions Art., § 3-305(b)(7), to consult with counsel to obtain legal advice and § 3-305(b)(8), to consult with staff, consultants, or other individuals about pending or potential litigation;
- f) conducting an Election for Board Officers, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function.

**CLOSED SESSION**

The Trustees present included:

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

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

Melody Countess	Angie Jenkins	David Rongione
Anne Gawthrop	Kim O’Keeffe	Janet Sirkis
Michael Golden	Andrew Palmer	
Ira Greenstein	Ken Reott	

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Justin Hayes (Comptroller’s Office)

On a motion made by Ms. Hill and seconded by Mr. Prouty, the Board returned to open session at 12:01 p.m., via video-conference call.

**OPEN SESSION**

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
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Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

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During closed session, the Board of Trustees discussed and acted on the following matters:	
Closed Session Minutes	The Board reviewed and approved the June 16, 2020 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from June 18, June 24, July 2, July 8 and July 16, 2020.
Purchasing Fiduciary Liability Insurance	The Board voted to refer this matter to the Administrative Committee for further discussion.

Other Business      On behalf of the Board of Trustees, Treasurer Kopp, a Board resolution was presented to Mr. F. Patrick Hughes in recognition of his years of service to the System as Trustee.

On a motion made by Mr. Prouty and seconded by Mr. Haines the Board adopted the resolution.

Adjournment      There being no further business before the Board, on a motion made by Mr. Haines and seconded by Mr. Prouty, the meeting adjourned at 12:07 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board