

THE INVESTMENT COMMITTEE
OF THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

MINUTES OF OPEN MEETING

May 16, 2023

The Investment Committee convened on Tuesday, May 16, 2023 at 9:00 am via an in-person / hybrid video-conference call meeting with the host site at the Maryland State Retirement Agency, Truist (SunTrust) Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland.

Committee Members	Linda V. Allen	Comptroller Brooke Lierman
Attending:	Michael Barry	Richard Norman
	James Daley, Jr.	Douglas Prouty
	Treasurer Dereck Davis	Michael J. Stafford, Jr., Chairman
	Budget Secretary Helene Grady	Monte Tarbox
	Sheila Hill	

Absent: Anne L. Shelton

Also Attending:	Robert Burd, Deputy CIO	Michael Howard (Trustee)
	Antionette Butcher	Martin Noven, Exec. Director
	Teresa (Tea) Carnell, OAG	Andrew Palmer, CIO
	Rachel Cohen, OAG	Robert Sandlass, Jr. (Trustee)
	Kenneth Haines (Trustee)	Toni Voglino
	Alex Harisiadis, OAG	

Mr. Palmer conducted a roll call to establish a quorum. Chairman Stafford called the meeting to order at 9:13 a.m.

Item 1: Ratification of Open Session Minutes

On a motion made and seconded, the Investment Committee ratified the February 21, 2023 open meeting minutes.

Item 2: Motion by the Investment Committee to meet in Closed Session

On a motion made and seconded, the Investment Committee voted without objection to meet in Closed Session at 9:14 a.m. for the purposes of:

- (a) reviewing the closed session Investment Committee 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 statutory requirement that prevents public disclosure, 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) interviewing candidates for the position of Public Advisor to the Investment Committee, pursuant to General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., Section 3-305(b)(1)(i), the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction;

- (c) considering the selection of a candidate for the position of Public Advisor to the Investment Committee, for recommendation to the Board of Trustees, pursuant to General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., Section 3-305(b)(1)(i), the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; and
- (d) presenting by staff of a sample Manager Due Diligence report including the analysis by staff, pursuant to General Provisions Art., Section 3-305(b)(5), to consider the investment of public funds; and General Provisions Art., Section 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art. Sec. 4-335, preventing the disclosure of trade secrets and confidential commercial or financial information, General Provisions Art. Sec. 4-344, requiring denial of inspection of confidential interagency memoranda, and State Personnel and Pensions Article, Section 21-123(g) and Code of Maryland Regulations 22.01.02.03E, protecting from disclosure certain investment records.

CLOSED SESSION

Committee Members Attending:	Linda V. Allen Michael Barry James Daley, Jr. Treasurer Dereck Davis Budget Secretary Helene Grady Sheila Hill	Comptroller Brooke Lierman Richard Norman Douglas Prouty Michael J. Stafford, Jr., Chairman Monte Tarbox
Also Attending:	Robert Burd, Deputy CIO Antionette Butcher Teresa (Tea) Carnell, OAG Rachel Cohen, OAG Kenneth Haines (Trustee) Alex Harisiadis, OAG	Michael Howard (Trustee) Martin Noven, Exec. Director Andrew Palmer, CIO Robert Sandlass, Jr. (Trustee) Toni Voglino

Item 7: Motion by Investment Committee to adjourn closed session

On a motion made by Comptroller Lierman and seconded by Mr. Daly, the Investment Committee voted to adjourn closed session at 10:51 a.m. and returned to open session at 10:53 a.m.

During closed session, the Investment Committee discussed and acted on the following matters:

The Investment Committee reviewed and ratified the Closed Session minutes from the February 21, 2023 meeting.

The Committee interviewed candidates for the position of public advisor and voted to recommend that the Board of Trustees appoint one of the candidates to serve as a public advisor of the Investment Committee.

Staff presented a confidential summary of the diligence process for an Absolute Return manager.

OPEN SESSION

Committee Members Attending:	Linda V. Allen Michael Barry James Daley, Jr. Treasurer Dereck Davis Budget Secretary Helene Grady Sheila Hill	Comptroller Brooke Lierman Richard Norman Douglas Prouty Michael J. Stafford, Jr., Chairman Monte Tarbox
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Also Attending:	Kevin Balaod (With.Intelligence) Phillip Anthony (MLIS) Michael Baker Anish Bedi Frank Benham (Meketa) Jonathan Blicher Robert Burd, Deputy CIO Antionette Butcher Rhett Butler Teresa (Tea) Carnell, OAG Dominique Cherry Gar Chung (FIN-News) Rachel Cohen, OAG Melody Countess Bob Diehl Dani DiPietro (Comptroller's Assistant) Mike Fang Eric Farls David Ferguson Michael Gallagher (Public) Anne Gawthrop Gregg Gethard (Public) Michael Golden Dimitri Grechenko Kenneth Haines (Trustee) Alex Harisiadis, OAG Michael Howard (Trustee)	Angie Jenkins Danita Johnson Greg Kasten Larry Katsafanas Michael Klos Michael McCord Nitin Mathew Kyongdo Min Mary Mustard (Meketa) Minh Nguyen Martin Noven, Exec. Director Ashu Pal Andrew Palmer, CIO Steven Pytlar Stephen Reilly Benjamin Robb David Rongione (Audit) Robert Sandlass, Jr. (Trustee) Dan Schick Megan Schutz Ben Seigel (Deputy Comptroller) David Sheng (Aksia) Janet Sirkis Frederick "Beau" Smith Toni Voglino Jack Wheatley Ed Witham
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Item 8: Report from CIO

Mr. Palmer highlighted that staff had begun to implement changes to the asset allocation made by the Board during the last meeting. He stated that staff had reduced the emerging markets equities portfolio by 1% and that further changes, including the reduction in TIPS and the increase in the credit portfolio, would be implemented later in the month. He added that staff had provided the Investment Committee with copies of manager summaries for all new hires and would continue to provide summaries of new investments as they are made.

Comptroller Lierman requested that staff consider tracking demographic data for managers that they meet with in an effort to provide additional diversity transparency. Comptroller Lierman offered to provide staff with sample diversity reports issued by other state pension plans. Mr. Palmer discussed staff's initiative with Lenox Park to survey managers within the portfolio on issues relates to DEI policies in addition to demographic data.

Mr. Palmer continued discussing the plan's performance. He stated that given the short-term issues with private markets' benchmark performance, he believed that plan assets were outperforming fiscal year-to-date by 50-60 basis points.

The report from the CIO continued with a discussion about liquidity and the System's payout ratio for benefits. Mr. Palmer responded to questions from Mr. Daly, Mr. Stafford and Mr. Barry on liquidity categorizations and modeling.

There was a further discussion on plan initiatives regarding recruiting, work process and talent management. Mr. Palmer discussed staff's work with an organizational consultant to continue internal work on team-building, sustainability and cohesiveness.

Mr. Palmer announced that Dana Johns would be leaving the Investment Division after 11 years of service to join another pension plan. Mr. Palmer acknowledged Ms. Johns for playing an integral role on the team, taking on various responsibilities and for being an invaluable asset throughout her tenure.

Mr. Palmer recognized the service of Mr. Stafford and thanked him for his time and support.

Mr. Smith, Senior Risk Manager, discussed a new portable alpha strategy in the fixed income and public equity portfolios including an explanation of portable alpha use cases, existing examples within the portfolio, and potential future plans within absolute return. Mr. Smith and Mr. Palmer addressed questions from Comptroller Lierman regarding the origin, details and management of the portfolio.

Item 9: Meketa Reports

Ms. Mustard, from Meketa, presented the System's performance report. The System's performance for the quarter was 2.9%, which was slightly behind the benchmark performance of 3.0%. Over the last year, the System's performance was -4.09% vs. -6.66% for the benchmark, outperforming by 257 basis points. She continued to discuss the System's Sharpe ratio versus other public plans, which has been in the top quartile over the last 3-year, 5-year and 10-year time periods. Ms. Mustard responded to questions from Mr. Stafford and Comptroller Lierman regarding private equity performance reporting and the multi-asset class.

Item 10: Absolute Return Review

Mr. Sheng from Aksia presented an update on the System's Absolute Return portfolio. Mr. Sheng covered activity over the last couple of years including implementation of the new benchmark, reduction in the portfolio allocation from 8% to 6% of plan assets, tactical portfolio adjustments and introduction of the portable alpha program. The portfolio has been able to demonstrate lower volatility than various equity, credit and fixed income benchmarks. Mr. Sheng addressed questions from Mr. Stafford, Mr. Daly and Comptroller Lierman on liquidity, and insurance as it relates to climate related risk.

Mr. Howard requested a change in the presentation of data in reports to include dollar amounts as well as percentages. This was followed by comments by Mr. Palmer on the role of Absolute Return in the portfolio in response to questions from Mr. Stafford and Comptroller Lierman.

Item 11: Meketa Absolute Return Asset Class

Mr. Frank Benham of Meketa gave a presentation on the System's Absolute Return portfolio and potential roles for hedge funds in the portfolio.

Item 12: Review of the Criteria for the Chief Investment Officer's Evaluation

Chairman Stafford introduced the CIO's evaluation form to the Committee and asked if they wanted to make any changes. No changes were requested.

On a motion made and seconded, the Investment Committee unanimously approved the criteria for the Chief Investment Officer's evaluation.

Item 13: Investment Reports

The Committee received the following investment reports:

- State Street Performance Reports
- Terra Maria Performance Reports
- TUCS Report
- Private Markets Performance Reports
- Securities Lending Report
- Division's FY23 Travel Plan - Update
- Quarterly ORP Performance Report
- OPEB-PHBT Update
- New Hire Manager Report

On the Directors Desk:

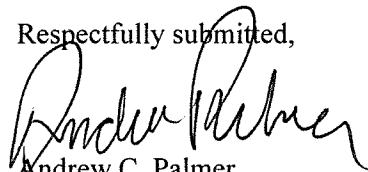
- Broker Commission Reports
- Quarterly Manager Fee Report

Item 14: Committee Led Discussion

Mr. Stafford noted the plan's liquidity relative to benchmark liquidity. Mr. Palmer commented that some of this mismatch is the result of the structures that staff uses to implement the asset allocation, in addition to manager implementation with some public managers holding less liquid positions.

Item 15: Motion by the Investment Committee to adjourn meeting

Adjournment There being no further business before the Investment Committee, on a motion made and seconded, the meeting adjourned at 12:38 p.m.

Respectfully submitted,

Andrew C. Palmer
Chief Investment Officer