

THE INVESTMENT COMMITTEE
OF THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

MINUTES OF OPEN MEETING

February 4, 2016

The Investment Committee convened on Thursday, February 4, 2016 at 9:18 a.m. in the 16th Floor Board Room of the State Retirement Agency, SunTrust Building, 120 E. Baltimore Street, Baltimore, MD.

Committee Members Attending:	David Blitzstein David Brinkley James A. Bush, Jr.	F. Patrick Hughes, Chairman (1) Larry E. Jennings, Jr. Charles W. Johnson
(1) Via telephone	Peter Franchot James Harkins Linda A. Herman Sheila Hill (1)	Nancy K. Kopp Theresa Lochte Stefan Strein Brian Topping

Committee Members Not Attending:	Eric Brotman James “Chip” DiPaula	Kenneth Haines Richard Norman
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Also Attending:	Victor Adekoya Frank E. Benham (Meketa) Les Bond (Attucks Asset Management) Hazel Bradford, Reporter (Pensions & Investments) Kathy Brady, OAG Susanne Brogan Robert Burd, Deputy CIO Antionette Butcher Michael Cheung Rachel Cohen, OAG Melody Countess Indra Elangovan Eric Farls David Ferguson Michael Golden Will Green (Loop Capital) Dimitri Grechenko Dana Johns Faina Kashtelyan	Larry Katsafanas Dean Kenderdine John Kenney Thomas R. Kurowski (Deutsche Bank) Mary Mustard (Meketa) Eileen O’Grady (UniteHere!) Andrew Palmer, CIO Stephen Reilly David Rongione, Chief Internal Auditor, Internal Auditing Div. Jody Shaw, OAG Patrick Silvestri (Attucks Asset Mgmt) Beau Smith Jared A. Synnestvedt (Wellington Mgmt) Toni Voglino Patricia Wild
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Mr. Hughes, Chairman, called the Investment Committee meeting to order at 9:18 a.m., with the assistance of Treasurer Kopp.

Item 1: Minutes

On a motion made by Mr. Hughes and seconded by Mr. Bush, the Investment Committee unanimously approved the November 13, 2015 open meeting minutes.

Item 2: Public Member Position – Call for Nominations

Treasurer Kopp informed the committee of the June 30, 2015 expiration of Mr. Brian Topping's public member position on the Investment Committee. A call for nominations for the position has been issued.

Treasurer Kopp informed the committee that Mr. Topping does not wish to serve another term. This position will serve a three-year term from July 1, 2016 – June 30, 2019. The deadline for submitting nominations to Mr. Kenderdine is Tuesday, March 1, 2016.

Mr. Kenderdine reviewed the process by which the Board selects public members. A copy of Section 21-115 of the State Personnel and Procurement Article of the Annotated Code of Maryland was distributed to the Committee.

Item 3: Meketa Reports

Meketa Investment Group presented the Fourth Quarter of 2015 performance update and current market overview to the Committee.

Item 4: Report from CIO

The Committee received a performance update from the CIO and staff as of December 31, 2015. The total fund performance for the quarter ending December 31, 2015 was -2.33%, exceeding the policy benchmark by 0.44%. The System's Net Asset Value is 44.22 billion as of 12/31/15.

Performance number relative to benchmark

Total Growth Equity:

% Fund: 47.8%
1 month: -1.50% → 12 basis pts. over benchmark
ITD: -1.53% → 70 basis pts. over benchmark

Total Rate Sensitive:

% Fund: 22.3%
FYTD: -0.24% → 48 basis pts. under benchmark
1 year: .60% → 21 basis pts. under benchmark

Total Credit/Debt Strategies

% Fund: 8.1%
FYTD: -2.47% → 358 basis pts. over benchmark
1 year: -1.69% → 397 basis pts. over benchmark

Total Real Assets:

% Fund: 12.8%
FYTD: -6.04% → tied with benchmark
1 year: -7.59% → 159 basis pts. under benchmark

Total Absolute Return:

% Fund: 9.0%
FYTD: -3.28% → 172 basis pts. under benchmark
1 year: -2.56% → 317 basis pts. under benchmark

Mr. Palmer informed the Committee of ongoing projects including the Terra Maria review, Investment Management Software RFI, the Securities Lending RFI, and working with the Treasurer's Office pertaining to the Custody RFP. Private Equity and Real Estate consultant contracts will be extended for one year. He also informed the committee that two of the three open personnel positions were being re-posted and an offer was being prepared to fill the third open position.

Mr. Palmer reported that during the quarter there have been ongoing manager transitions. Mr. Hughes said that specific managers would be discussed in Closed Session. Mr. Palmer discussed Staff's estimate of the transaction costs associated with implementing the Asset Allocation targets adopted by the Board in September. Through January, Staff estimates transaction costs of between \$15 and \$20 million. Ms. Herman asked if Staff employed any transition managers in this process. Mr. Katsafanas replied that State Street was used for the full redemptions and the fixed income managers transitioned themselves to reflect the new benchmarks.

Mr. Burd reported that in the Currency program, the Canadian Dollar had been removed from the hedging program to lock-in gains, while the maximum hedging exposure to the Yen had been expanded from 25% to 50%.

Item 5: Investment Reports

The Committee received the following investment reports:

- State Street Performance Reports
- Private Markets Performance Reports
- Securities Lending Report
- Quarterly ORP Performance Report
- OPEB-PHBT Update
- New Hire Manager Report

On the Directors Desk:

- Broker Commission Reports

On a motion made by Mr. Hughes and seconded by Mr. Bush, the Investment Committee voted without objection to meet in closed session at 11:12 a.m. for the purposes of:

- a) reviewing the closed session Investment Committee minutes, pursuant to General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function;
- b) hearing a presentation by Meketa of a Terra Maria Program Analysis pursuant to General Provisions Art., Section 3-305(b)(5), to consider the investment of public funds, and 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., Section 4-335 preventing the disclosure of trade secrets and confidential commercial or financial information;
- c) hearing a presentation by Investment Division staff of a Terra Maria Program Analysis pursuant to General Provisions Art., Section 3-305(b)(5), to consider the investment of public funds, and 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., Section 4-335 preventing the disclosure of trade secrets and confidential commercial or financial information;
- d) discussing matters regarding the investment of public funds with staff, pursuant to General Provisions Art., Section 3-305(b)(5).

CLOSED SESSION

Committee Members
Attending:

(1) Via telephone

David Blitzstein
David Brinkley
James A. Bush, Jr.
Peter Franchot
James Harkins
Linda A. Herman
Sheila Hill (1)

F. Patrick Hughes, Chairman (1)
Larry E. Jennings, Jr.
Charles W. Johnson
Nancy K. Kopp
Theresa Lochte
Stefan Strein
Brian Topping

Committee Members
Not Attending:

Also Attending:

Eric Brotman
James "Chip" DiPaula
Victor Adekoya
Frank E. Benham (Meketa)
Kathy Brady, OAG
Susanne Brogan
Robert Burd, Deputy CIO
Antionette Butcher
Michael Cheung
Rachel Cohen, OAG
Melody Countess
Indra Elangovan
Eric Farls
David Ferguson
Michael Golden
Dimitri Grechenko

Kenneth Haines
Richard Norman
Dana Johns
Faina Kashtelyan
Larry Katsafanas
Dean Kenderdine
John Kenney
Mary Mustard (Meketa)
Andrew Palmer, CIO
Stephen Reilly
David Rongione, Chief Internal
Auditor, Internal Auditing Div.
Jody Shaw, OAG
Beau Smith
Toni Voglino
Patricia Wild

On a motion made by Mr. Brinkley and seconded by Mr. Bush, the Investment Committee voted to return to open session at 12:45 p.m.

OPEN SESSION

Committee Members
Attending:

David Blitzstein
David Brinkley
James A. Bush, Jr.
James Harkins
Linda A. Herman
Sheila Hill (1)

F. Patrick Hughes, Chairman (1)
Larry E. Jennings, Jr.
Charles W. Johnson
Nancy K. Kopp
Theresa Lochte
Stefan Strein
Brian Topping

Also Attending:

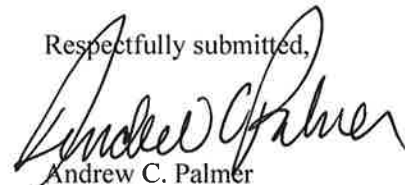
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Larry Katsafanas
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John Kenney
Mary Mustard (Meketa)
Andrew Palmer, CIO
Stephen Reilly
Jody Shaw, OAG
Beau Smith
Toni Voglino
Patricia Wild

Adjournment

There being no further business before the Investment Committee, on a motion made by Ms. Herman and seconded by Mr. Bush, the meeting adjourned at 12:45 p.m.

Respectfully submitted,



Andrew C. Palmer
Chief Investment Officer