

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

September 17, 2013

The Board of Trustees for the Maryland State Retirement and Pension System met in the Board Room of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland beginning at 10:01 a.m.

The Trustees present included:

Peter Franchot, Vice Chairman, Presiding	Linda Herman (via telephone)
James Bush, Jr.	F. Patrick Hughes
John Douglass	Major Morris Krome
T. Eloise Foster	Theresa Lochte
Robert Hagans (via telephone)	Harold Zirkin
Kenneth Haines	Thurman Zollicoffer

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

Anne Budowski	Anne Gawthrop	A. Melissa Moye
Robert Burd	Michael Golden	Kenneth Reott
Margaret Bury	Ira Greenstein	Janet Sirkis
Melody Countess	Angie Jenkins	Toni Voglino
	Van Lewis	

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Wendy Scott and Melissa Warren.

Also attended by: Phillip Anthony, Brad Armstrong, Nathan Bowen, John Kenney, Randy Mickens, Brian Murphy, Rick Norman, Michael Rubenstein, and Dana Tagalicod.

Consent Agenda

On a motion made by Major Krome and seconded by Mr. Zirkin, the Board approved the consent agenda, which included:

- › August 20, 2013 Open Meeting Board Minutes
- › August 20, 2013 Audit Committee Report
- › August 20, 2013 Corporate Governance Report
- › September 3, 2013 Administrative Committee Report
- › September 13, 2013 Investment Committee Report

FY15 Budget  
Proposal

At the Administrative Committee's request Mr. Dean Kenderdine introduced the Agency's Budget Request for Fiscal Year (FY) 2015.

Mr. Kenderdine reported that the Agency's FY14 operational budget totaled \$28.0 million with greater than 94% of the budget attributable to payroll, contractual obligations, fixed charges and communications. The Department of Budget and Management (DBM) has given the Agency a FY15 budget target of \$28.7 million which reflects level funding plus additional funds to provide a second year provision for MPAS II, a second Storage Area Network Device, cost-of-living adjustments, salary increments and annual salary reviews.

Mr. Kenderdine reported that the FY 2015 budget proposal, provided to the Administrative Committee, exceeds the DBM target by \$156,000. The operational costs which have largely driven this amount above the target include staff professional development needs, contractual services inflation, postage, and vehicle costs.

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Mr. Kenderdine also reported that the budget, for recommendation to the Board, includes one "Over the Target" request for MPAS hardware upgrades and server replacement deemed necessary to ensure continuity of the Agency's system operations.

Ms. Herman requested information on costs relating to outside counsel reviewing investment contracts. Specifically, where and how those numbers are reported.

On a motion made by Major Krome and seconded by Mr. Douglass, the Board approved the FY15 Budget Proposal.

Adoption of COMAR  
Regulations

At the request of the Administrative Committee Ms. Anne Budowski presented to the Board recommended amendments to those regulations controlling applications for service retirements. Specifically, the section of the regulations deals with applications for service retirement for former members who are eligible to retire at the time of separation from employment. The language would be clarifying in nature and eliminate redundant language.

Ms. Budowski reported that one of the four regulation revisions approved by the Board on December 20, 2011 affects members who submitted the retirement application during the month following their going off payroll. Unfortunately, this particular amendment was not submitted to the AELR for review and approval. In that these regulations still require AELR review and approval, staff went back to see if any other changes could be needed. Certain technical changes were identified. Therefore, Ms. Budowski requested that the Administrative Committee approve the regulations, with the additional clarifying language, for recommendation to the Board.

On a motion made by Major Krome and seconded by Ms. Lochte the Board approved the amended regulations to publish for comment.

Recommendation of  
Class Action  
Monitoring Provider

Mr. Kenderdine informed the Board that the Agency issued a Request for Information (RFI) for a Class Action Monitoring provider on May 9, 2013. The Agency received five proposals.

The search committee decided to recommend that the System extend the current contract with Institutional Shareholders Services (ISS) for one year, rather than award a new contract based on the RFI, to allow the Agency and the Office of the Attorney General to explore alternative options for the delivery of the services in the future.

The initial term of the current contract with ISS which began on October 15, 2008 will expire on October 14, 2013. The contract contains an option to renew, upon the same terms and conditions, for up to two additional one year periods. Renewal is at the sole discretion of the System.

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On a motion made by Major Krome and seconded by Ms. Lochte, the Board approved the extension of the ISS contract by one year.

Introduction of New  
Assistant Attorney  
General

Ms. Bacharach introduced Assistant Attorney General Wendy Scott to the Board of Trustees. Prior to being assigned to the State Retirement Agency, Ms. Scott was an Assistant Attorney General assigned to the Department of Information Technology and the Department of Budget and Management.

FY2013 Valuation  
Preliminary Results  
(GRS)

Brian Murphy and Brad Armstrong from the System's actuary Gabriel Roeder Smith and Company (GRS) presented the preliminary results of the State Retirement and Pension System's Actuarial Valuation for the period ending June 30, 2013 for the Board's consideration.

GRS will return to present the final valuation results at the October 15, 2013 meeting of the Board of Trustees in order for the FY15 contribution rates to be certified as required by December 1, 2013.

CIO Report

Dr. A. Melissa Moye reported that the total market value of the fund, as of August 31, 2013, is \$40.6 Billion.

Dr. Moye reported that the fund return was -0.88% for the month of August and that the policy benchmark was -1.01%.

Mr. Douglass expressed concern over the Agency's asset allocation.

Mr. Douglass provided to the Board a document he produced entitled "Bang for the Buck", which showed a comparison of the SRA fund returns and those of the S&P 500 Index over various time periods. The document shows that the S&P 500 Index has beaten the System's returns for every period for the last 10 years. Mr. Douglass also indicated that for the last month that comparable data was available, the S&P 500 Index beat the System's returns by more than two to one. Mr. Douglass requested that a copy of this document be made a part of the Board minutes.

Mr. Zirkin provided the Board of Trustees with a document which shows market leadership changes since 1990. Mr. Zirkin indicated that in any single year investment class will be out performing all other classes. Mr. Zirkin also stated that diversification among all asset classes provides for a conservative and prudent method of investing. Mr. Zirkin also requested that a copy of this document be included in the Board minutes.

Dr. Moye stated that Asset Allocation is set by the Board with Investment Committee recommendations and Staff concurrence.

At Vice Chairman Franchot's recommendation and without objection, the Board requested that the Investment Committee review this matter further and report back to the Board.

**BOARD OF TRUSTEES FOR THE  
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September 17, 2013

Executive  
Director's  
Report

Mr. Kenderdine asked for Trustee volunteers to serve on the committee to evaluate the Board Portal.

Trustees Bush and Lochte volunteered.

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Mr. Kenderdine provided the Board with a copy of the correspondence that the Maryland Retired School Personnel Association would be mailing to appropriate retirees of the System.

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Mr. Kenderdine provided the Board with a copy of the correspondence that the Maryland State Education Association would be mailing to appropriate retirees of the System.

**CLOSED SESSION**

On a motion made by Mr. Hughes and seconded by Mr. Zirkin, the Board voted to meet in a Closed Session (11:45 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. approving the closed session minutes, pursuant to State Government Article § 10-503(a)(1)(i), the exercise of an administrative function;
2. approving the Medical Board reports, pursuant to State Government Article § 10-508(a)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
3. consider the claim of Lori E. Bowen, for ordinary disability retirement benefits, pursuant to State Government Article § 10-503(a)(1)(iii), the exercise of a quasi-judicial function;
4. review a claim for disability retirement benefits and consider remanding the matter to the medical board, pursuant to State Government Article § 10-508(a)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
5. discuss the offset of retirement benefits of two participants under State Personnel and Pensions Article § 21-113, pursuant to State Government Article § 10-508(a)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
6. discuss the evaluation of the Chief Investment Officer, pursuant to State Gov't Article § 10-508(a)(1)(i), to discuss a personnel matter.

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Robert Hagans (via telephone)	Harold Zirkin
Kenneth Haines	Thurman Zollicoffer

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

Anne Budowski	Anne Gawthrop	Angie Jenkins
Margaret Bury	Michael Golden	Janet Sirkis
Melody Countess		

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Katzenberg, Wendy Scott and Melissa Warren.

Also attended by: John Kenney.

**OPEN SESSION**

The Board returned to open session at 12:35 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

Janet E. Harrison

The Board considered the recommendation of the Medical Board in connection with the claim of Ms. Janet E. Harrison for SPECIAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Rebecca Smith, Esq., Ms. Harrison's attorney, appeared before the Board to oppose the Agency's position and the Medical Board's recommendation. Ms. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

Roger L. Irons

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Roger L. Irons for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Neither Mr. Irons nor anyone authorized to represent Mr. Irons appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.



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

September 17, 2013

**OPEN SESSION**

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

**Janet E. Harrison**

The Board voted to **ACCEPT** the Medical Board's recommendation and **DENY** Janet E. Harrison's request for special disability benefits.

**Roger L. Irons**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Roger L. Irons' request for accidental disability benefits.

**Sonia Whittaker**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Sonia Whittaker's request for accidental disability benefits.

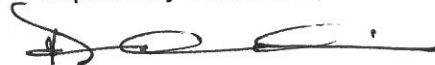
**Morris M. Cooper**

The Board voted to **ACCEPT** the Medical Board's recommendation and **DENY** Morris M. Cooper's request for disability benefits.

Adjournment

There being no further business before the Board, the meeting adjourned at 1:40 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

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

**AUDIT COMMITTEE MEETING REPORT  
AUGUST 20, 2013**

Designation for Open Meetings Act Training

Ms. Voglino informed the Committee that House Bill 139 requires the System's committees to designate an employee, officer, or member to obtain training on the Open Meetings Act. Staff recommends that Ms. Voglino be approved as the Audit Committee's designee.

On a motion by Mr. Hagans and seconded by Mr. Bush, the Committee approved the designation of Ms. Voglino for Open Meetings Act training.

Internal Audit Division Charter – Proposed Changes

Ms. Voglino informed the Committee that the Internal Audit Division Charter must be reviewed and approved every three years by the Audit Committee. She proposed amending the Charter to remove an item that requires Internal Audit to "evaluate annually the quality of the System's annual financial report and suggest improvements in the presentations and disclosures." Internal Audit no longer performs this task, because it is not requested by management, and the System's existing external financial statement audit incorporates a review of the Consolidated Annual Financial Report (CAFR).

On a motion by Mr. Hughes, the Committee unanimously approved the changes to the Internal Audit Division Charter, as recommended by staff.

FY 2013 Internal Audit Time Report

Ms. Voglino presented the Committee with the FY 2013 Internal Audit Hours Report. The report identifies all hours spent by the Internal Audit Division during the year, and classifies them as "State Benefit Hours", "Administrative Hours", and "Audit Hours". She noted that a vast majority of the hours were spent on activities related to performing audits. Internal Audit tries to maintain efficiency by limiting hours for administrative activities. Its goal is to limit its administrative time to 20% of total hours, or less. Ms. Voglino informed the Committee that this goal was met for FY 2013, where administrative time was 14.6% of total time. She added that her position as Chief Internal Auditor accounted for a majority of the administrative time expended during the year.

FY 2013 Internal Audit Performance Report

Ms. Voglino provided the Committee with the Internal Audit Performance Report for FY 2013. This report is produced every year to compare the Internal Audit Division's performance to its benchmarked standards. In FY 2013, Internal Audit met seven of nine standards. Ms. Voglino explained that the two standards not met were related to audits that took longer to complete than expected. In some cases, the estimated hours to complete an audit were understated, due to unforeseen complexity, such as a higher number of audit issues encountered, or a greater number of related laws, or regulations.



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

**AUDIT COMMITTEE MEETING REPORT  
AUGUST 20, 2013**

Completed Audits

Ms. Voglino provided the Committee with an overview of the following completed audits that were issued subsequent to their last meeting:

Member Contribution Refunds Processing – Findings were noted in the following areas:

- Interest was not applied to abandoned accounts in accordance with State statute. However, this is a long-standing Agency practice, which appears to be reasonable. The audit recommended that the Agency seek clarifying legislation to ensure that its practice is consistent with statute. Agency management agreed with the recommendation.
- Interest was not calculated correctly for some 10-month employees, due to a program logic error. This resulted in small underpayments to a few individuals. The Agency agreed to correct the program logic, and pay the underpaid amounts to the individuals affected.
- A checklist of process requirements, which helps to ensure that controls are in place, was not applied for manual refunds. The Agency has agreed to use the checklist for all refund payments.

Death Match Procedures – Follow-up – This follow-up audit found that the Agency has adequately implemented the recommendations made in prior Death Match Procedures audits. The Committee and staff discussed the limitations of the federal death registry, and the measures taken by the Agency to identify deceased retirees and beneficiaries.

Audits in Progress

The Committee was advised that the following audits are currently in progress:

- Information Systems Disaster Recovery Process;
- Procurement Process; and
- Administrative Fees Process.

The Committee will be provided with reports for these audits, upon their completion.

Other Business

Mr. Hughes informed the Committee that the SEC is paying increased attention to the issue of companies with data security breaches. The System needs to be cognizant of this issue, and ensure that its cyber-security measures are sufficient. He added that the System should consider including information in the CAFR to assure our members and retirees that their personal information is protected.

Ms. Voglino advised the Committee that the security of information systems is included in Internal Audit's Agency-wide risk assessment. She added that there have been various audits of the System's information security over the past few years, internally, by external consultants, and by the Office of Legislative Audits.

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

**AUDIT COMMITTEE MEETING REPORT  
AUGUST 20, 2013**

The next Audit Committee meeting is scheduled for Tuesday, November 12, 2013 at 9:00 a.m. Ms. Voglino noted that this is one week prior to the normally-scheduled meeting date. The change is necessary, in order to provide for the Committee's review and approval of the System's draft financial statements prior to the November 19th Board meeting. The System's financial statement auditor will present their audit results to the Committee and answer questions at the meeting. All other Board members will also be invited to attend the meeting, in order to have an opportunity to hear the presentation and ask questions, as well.

**BOARD OF TRUSTEES  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CORPORATE GOVERNANCE COMMITTEE MEETING REPORT  
AUGUST 20, 2013**

CORPORATE GOVERNANCE COMMITTEE  
CHAIR'S REPORT  
MEETING HELD: August 20, 2013

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**Informational Items for the Board**

- The Committee unanimously accepted the minutes from the May 10, 2013 meeting.
- Representatives from Institutional Shareholder Services (ISS) presented an overview of the 2013 proxy season and a review of the services they provide the System.
- The Committee was updated on the upcoming Council of Institutional Investors Fall meeting that will be held in Chicago, IL, on September 25-27.

**Recommended Action Items for the Board**

**Item #1: Iran-Sudan Divestment Update and Review**

- The Committee received the semi-annual Iran/Sudan Divestment Analysis. They reviewed and discussed staff's recommendations to add two companies and remove two companies to/from the Restricted List. The Committee unanimously agree to accept staff's recommendation to add/remove the following names from the Restricted List:

<b><u>ADD</u></b>	<b><u>REMOVE</u></b>
<ul style="list-style-type: none"><li>▪ Orca Gold, Inc.</li><li>▪ Energy House Holding Company</li></ul>	<ul style="list-style-type: none"><li>▪ AREF Energy Holding Company K.S.C.C.</li><li>▪ Electricity Generating Public Company Limited</li></ul>

**ACTION:** To approve the Committee's recommendations as stated above.

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT  
SEPTEMBER 3, 2013***

FY15 Budget  
Proposal

**THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN CLOSED SESSION.**

Mr. Dean Kenderdine introduced the Agency's Budget Request for Fiscal Year (FY) 2015.

Mr. Kenderdine reported that the Agency's FY14 operational budget totaled \$28.0 million with greater than 94% of the budget attributable to payroll, contractual obligations, fixed charges and communications. The Department of Budget and Management (DBM) has given the Agency a FY15 budget target of \$28.7 million which reflects level funding plus additional funds to provide a second year provision for MPAS II, a second Storage Area Network Device, cost-of-living adjustments, salary increments and annual salary reviews.

Mr. Kenderdine reported that the FY 2015 budget proposal, provided to the Administrative Committee, exceeds the DBM target by \$156,000. The operational costs which have largely driven this amount above the target include staff professional development needs, contractual services inflation, postage, and vehicle costs.

Mr. Kenderdine noted that the Agency is also submitting to the Administrative Committee, for recommendation to the Board, one "Over the Target" request for MPAS Component Upgrades and Server Replacement deemed necessary to ensure continuity of the Agency's systems operations.

On a motion made by Mr. Douglass and seconded by Mr. Haines, the Administrative Committee approved recommending the FY15 Budget Proposal to the Board.

Adoption of COMAR  
Regulations –  
22.01.14 –  
Application of  
Service Retirement

**THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN CLOSED SESSION.**

Ms. Anne Budowski presented to the Administrative Committee recommended amendments to those regulations controlling applications for service retirements. Specifically, the section of the regulations deals with applications for service retirement for former members who are eligible to retire at the time of separation from employment. The language would be clarifying in nature and eliminate redundant language.

Ms. Budowski reported that one of the four regulation revisions approved by the Board on December 20, 2011 affects members who submitted the retirement application during the month following their going off payroll. Unfortunately, this particular amendment was not submitted to the AELR for review and approval. In that these regulations still require AELR review and approval, staff went back to see if any other changes could be needed. Certain technical changes were identified. Therefore, Ms. Budowski requested that the Administrative Committee approve the regulations, with the additional clarifying language, for recommendation to the Board.

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT  
SEPTEMBER 3, 2013***

On a motion made by Ms. Brogan and seconded by Major Krome the Administrative Committee approved staff recommendations.

Finance Reports  
Quarter Ending June  
30, 2013

Ms. Melody Countess presented the Administrative Expenses Report for the quarter ending June 30, 2013. Ms. Countess reported that Agency spent the full FY13 appropriations totaling \$26.2 million.

Ms. Countess presented the FY2013 Non-Budgeted Investment Manager and Service Related Fees Report. Ms. Countess indicated that when comparing basis points, the fees paid as a percent of assets during FY2013 were lower than the fees paid during FY2012. Within the Equity and Fixed Income categories, the Agency is still experiencing a significant cushion under the statutory fee cap.

Ms. Countess also reported that the Equity asset class had a decrease of 1 basis point, the cored Fixed Income asset class had a decrease in basis points of .7 and the Alternative Investment category experienced a decrease of 14.6 basis points during FY2013. Fees incurred for investment related service providers increased slightly due to built-in contractual fee increases.

Mr. Van Lewis presented the MBE Performance Report for the quarter ending June 30, 2013. Mr. Lewis reported that MBE Performance was 39.02%.

At the request of Mr. Douglass, the Administrative Committee was provided with an additional document which showed a comparison of how the Agency's MBE report would appear once a newly passed law takes effect on July 1, 2015. This law removes non-profit organizations from the MBE calculations. The summary showed that the removal of the non-profit organizations from the MBE calculations would have decreased the procurement award totals approximately 4.97%.

Review of the Board  
Self-Assessment  
Instrument

Mr. Kenderdine reported that at the August 20, 2013 Board of Trustees meeting the Board asked that the Administrative Committee to review and make recommendations for the Board's self-evaluation policy and survey tool. Mr. William Wells from the Schaefer Center was present to answer any questions regarding the survey tool, if necessary.

Mr. Kenderdine suggested to the Administrative Committee that he and Mr. Wells interview each Trustee to determine the concerns of each Trustee about the policy and instrument language.

Mr. Kenderdine indicated that the results of those interviews would be presented to the Administrative Committee at a future meeting.

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT  
SEPTEMBER 3, 2013***

Correction of Errors  
– Offset of  
Retirement Benefits

**THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN CLOSED SESSION.**

Mr. Ken Reott provided the Administrative Committee with background information concerning an overpayment of retirement benefits of one of the Agency's participants.

The Chairman of the Administrative Committee will present to the Board of Trustees, for its approval, the Committee's recommendation concerning this matter.

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– Offset of  
Retirement Benefits

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Mr. Ken Reott provided the Administrative Committee with background information concerning an overpayment of retirement benefits of one of the Agency's participants.

The Chairman of the Administrative Committee will present to the Board of Trustees, for its approval, the Committee's recommendation concerning this matter.

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

***INVESTMENT COMMITTEE MEETING REPORT  
SEPTEMBER 13, 2013***

Designation for Open Meetings Act Training

Dr. Moye reported on the requirement to designate a person to receive Open Meetings Act Training. She indicated that there is a new position in the Investment Division that will be filled shortly for a Senior Compliance Officer. The Trustees motioned and approved that the Sr. Compliance Officer is designated to receive this Open Meetings Act Training.

Albourne Education Presentation

The System's Absolute Return / Hedge Fund Consultant (Michael Hamer) presented an overview on insurance-related investment strategies to the Committee.

Report from CIO

The Committee received a performance update from the CIO as of June 30, 2013. The total fund performance for fiscal year ending June 30, 2013 was 10.57%, exceeding the policy benchmark of 8.54%. The System's Net Asset Value is at 40.3 billion as of 6/30/13.

Performance number relative to benchmarks by asset class

Total Plan:

3 mos.: -.66% →.68 basis pts. over benchmark  
FYTE: 10.57% →203 basis pts. over benchmark

Total Public Equity:

% Fund: 42.31%  
FYTE: 19.11% →237 basis pts. over benchmark

Total Fixed Income:

% Fund: 16.18%  
FYTE: 1.07% →128 basis pts. over benchmark

Total Credit/Debt Strategies

% Fund: 8.40%  
FYTE: 13.42% →832 basis pts. over benchmark

Total Real Estate:

% Fund: 5.77%  
FYTD: 12.55% →54 basis pt. over benchmark

Total Real Return:

% Fund: 12.59%  
FYTD: -1.45% →236 basis pts. over benchmark

Total Private Equity:

% Fund: 6.22%  
FYTD: 11.72% →284 basis pts. over benchmark

Total Absolute Return:

% Fund: 7.27%  
FYTD: 3.42% →-392 basis pts. under benchmark

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

***INVESTMENT COMMITTEE MEETING REPORT  
SEPTEMBER 13, 2013***

Total Cash Aggregate:

% Fund: 1.27%

FYTD: 1.47% → 139 basis pts. over benchmark

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HEK Reports	Hewit EnnisKnupp presented the July 31, 2013 performance update to the Committee.
Investment Reports	<p>The Committee received the following investment reports:</p> <ul style="list-style-type: none"><li>▪ State Street Performance Report</li><li>▪ PE 1Q13 Performance Report</li><li>▪ RE 1Q13 Performance Report</li><li>▪ Quarterly TUCS Results</li><li>▪ Securities Lending Report</li><li>▪ Division's FY14 Travel Plan – Update</li><li>▪ OPEB-PHBT Update</li><li>▪ Quarterly ORP Performance Report</li><li>▪ Investment Policy Manual Update Memo</li></ul>
Closed Session	The Committee unanimously approved the May 10, 2013 closed session minutes.



# Bang for the Buck

for 09/17/2013

	<u>1 Month</u>	<u>Fiscal YTD</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>Estimated Fund Value Billions</u>
SRA Fund Return	2.33%	2.33%	11.52%	9.34%	4.72%	6.79%	\$41.14
Policy Benchmark	2.35%	2.35%	9.50%	8.46%	4.17%	6.55%	
S&P 500 Index	5.09%	5.09%	25.00%	17.74%	8.26%	7.64%	
SRA Estimated Fund Value Had it been Indexed to S&P 500 for 10 years							\$46.29
Gross SRA Percent Return for the Month	2.33%						
S&P 500 Percent Return for the Month	5.09%						
Estimated Investment Fees paid for month in Millions	\$22.8						
Fund Bal. at Start of Month in Billions	\$40.25						
Fund Bal. at End of Month in Billions	\$41.14						
Fund Gain for the Month in Millions	\$886						
Est. Fund Gain for the Month in Millions under S&P 500	\$1,936						
Greater Bang under S&P 500 index in Millions for month	<b>\$1,050</b>						
prepared by : John Douglass Board Member 09/17/2013							
Barcelona\\C:\corel\docs\Bang_Buck_9.17.2013.xlsx							

# Market leadership changes

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Long-Term	
IG	9.0	59.9	29.1	74.8	7.8	38.1	24.0	36.5	42.2	66.4	22.8	14.0	10.3	56.3	26.0	34.5	32.2	39.4	5.2	78.5	29.1	MV	10.7
T-Bill	7.9	51.2	21.7	32.6	4.2	37.0	22.0	34.4	20.0	51.3	19.2	8.4	2.4	48.5	23.7	13.5	26.3	11.4	1.8	58.2	26.4	Emg	10.6
CPI	6.2	47.0	15.7	23.8	3.1	34.9	21.4	31.8	17.9	43.1	11.6	5.3	1.7	46.0	22.2	12.6	23.5	11.2	0.1	46.3	24.8	SV	10.3
LV	0.2	46.2	10.5	18.6	2.7	34.0	20.3	30.0	14.7	28.2	6.1	4.1	-1.4	42.7	20.2	12.1	20.8	9.1	-26.2	34.5	24.5	MG	8.8
MG	-5.1	41.7	11.4	17.1	-0.6	31.0	17.5	22.5	8.7	27.0	6.0	2.3	-6.0	38.6	15.7	6.3	20.2	7.0	-28.9	34.2	18.9	HY	8.7
LV	-6.9	38.4	8.7	15.6	-1.0	25.7	11.4	12.9	5.1	12.7	3.4	1.6	-9.6	38.1	15.5	4.7	13.3	7.0	-34.9	31.8	15.1	LG	7.8
HY	-9.6	37.9	7.8	13.4	-1.5	19.2	11.3	12.8	5.1	4.7	-5.9	-2.4	-11.4	31.8	14.3	4.2	11.8	4.7	-38.4	31.6	15.1	LV	7.2
Emg	-10.6	22.6	7.4	11.2	-2.1	18.5	6.0	9.7	1.9	2.7	-11.7	-9.2	-15.9	29.0	11.1	3.5	11.0	4.1	-38.5	21.2	15.1	IG	7.0
MV	-16.1	16.0	5.1	9.7	-2.2	11.2	6.0	5.2	1.6	2.4	-14.2	-11.7	-20.9	25.7	6.1	3.5	10.7	2.0	-39.2	20.6	7.8	SG	5.8
SG	-17.4	12.1	3.6	3.1	-2.4	5.7	5.3	1.8	1.2	-0.1	-22.1	-12.7	-23.6	4.1	4.3	3.0	4.8	1.9	-43.4	5.9	6.5	Intl	4.1
SV	-21.8	5.7	2.9	2.7	-2.9	2.5	3.6	1.7	-6.5	-0.8	-22.4	-20.2	-27.4	1.9	3.3	2.7	4.3	-1.4	44.3	2.9	1.3	T-Bill	3.9
Intl	-23.4	3.1	-12.2	1.7	-7.3	-5.2	3.3	3.3	11.6	-1.5	-30.6	-21.4	-30.3	1.1	1.2	2.4	2.5	-9.8	53.3	0.2	0.1	CPI	2.8
LV		S&P 500/Citigroup Value		MV		Russell Midcap Value		SV		Russell 2000 Value		IG		Barclays Aggregate		Intl		MSCI EAFE		CPI		Consumer Price Idx.	
LG		S&P 500/Citigroup Growth		MG		Russell Midcap Growth		SG		Russell 2000 Growth		HY		Barclays High Yield		Emg		MSCI Emerging		T-Bill		Citigroup 3-Mo T-Bill	

Source: Vanguard.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index. Last observation: December 31, 2010; long-term performance from December 31, 1989 through December 31, 2009.