

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

July 21, 2015

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, 16<sup>th</sup> Floor Board Room, Baltimore, Maryland beginning at 9:41 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding  
David Blitzstein  
James Bush, Jr.  
John Douglass  
Robert Hagans  
Kenneth Haines

James Harkins (via phone)  
Linda Herman (via phone)  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary  
Margaret Bury  
Melody Countess  
Angie Jenkins  
Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Sharon Street

Also attended by: Susanne Brogan and John Kenney.

Consent Agenda

On a motion made by Mr. Hagans and Mr. Hughes, the Board approved the consent agenda, which included:

- June 16, 2015 Open Meeting Board Minutes

**CLOSED SESSION**

On a motion made by Mr. Hughes and seconded by Ms. Lochte, the Board voted to meet in a Closed Session, beginning at 9:42 a.m., in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor Board Room, Baltimore, Maryland, for the purpose of:

1. consulting with counsel regarding the financial reporting of the System and the Participating Governmental Units, pursuant to General Provisions Art., § 3-305(b)(7), to consult with counsel to obtain legal advice; and
2. discussing a memorandum from the System's auditor (SB&Co.) to the Executive Director regarding the financial reporting for the System, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-301, which requires the denial of inspection of a public record if, by the law, the public record is privileged or confidential, and Courts & Judicial Proceedings Art., § 9-110, regarding privileged accountant-client communications.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding  
Peter Franchot, Vice Chairman  
David Blitzstein  
David Brinkley  
James Bush, Jr.  
John Douglass  
Robert Hagans

Kenneth Haines  
James Harkins (via phone)  
Linda Herman (via phone)  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman



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to a private account because the System did not want to hold small non-vested accounts. Mr. Ratner stated that withdrawing the funds was not represented to him as a choice.

Mr. Ratner stated that in January 2014, he began working for the Maryland Department of Business and Economic Development and in August 2014 began working for the Maryland Health Benefits Exchange. Mr. Ratner argued that it was not until September 2014, when he received a statement of benefits showing that his membership in the System began in 2014 that he realized that his service credit earned from 2009-2014 had been eliminated.

Mr. Ratner further argued that had he not been misinformed he would not have withdrawn his contributions forfeiting his service credit and membership in the System

Ms. Sharon Street, Deputy Assistant Attorney General, argued on behalf of the Agency. Ms. Street stated that the Withdrawal of Accumulated Contributions notice that Mr. Ratner signed, contains language that states "if you choose to withdraw your contributions.....you will forfeit any accumulated service credits you have earned."

Ms. Street also argued that Mr. Ratner also completed and signed an Application for the Withdrawal of Accumulated Contributions form, which specifically warned Mr. Ratner that he would "forfeit any further right to receive a future benefit, including disability retirement benefits."

Ms. Street stated that the forms Mr. Ratner completed and signed not only informed Mr. Ratner of the consequences of withdrawing his contributions, but they also indicated that if he had any questions regarding his retirement account, he should contact the Retirement Agency directly.

Ms. Street further argued that the relief Mr. Ratner seeks is not an option under the current law. Ms. Street indicated that current law provides that a member of the EPS who separated from employment before June 30, 2011 and subsequently becomes employed in a position eligible for membership in the EPS on or after July 1, 2011 is subject to the Reformed Contributory Pension Benefit.

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

**Committee  
Assignments**

As mandated by Board Operations Policy and the State Personnel and Pensions Article § 21-115(a)(2), (b)&(d) the Board reviewed the proposed committee assignments for FY2016 as submitted by Treasurer Kopp.

Treasurer Kopp recommended keeping the present structure of the Committee assignments, and indicated her intent to reduce the size of the Investment Committee in the near future.

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On a motion made by Mr. Bush and seconded by Ms. Lochte, the Board approved the following committee assignments:

**Administrative Committee**

James Harkins, Chairman  
Theresa Lochte, Vice-Chairman  
Secretary David Brinkley (or designee)  
Kenneth Haines  
Treasurer Nancy K. Kopp (or designee)  
Richard Norman  
Newly Elected Trustee\*

**Investment Committee (SPP § 21-115(a)(2), (b)&(d))**

Harold Zirkin, Chairman  
F. Patrick Hughes, Vice-Chairman  
David Blitzstein  
Secretary David Brinkley  
James Bush, Jr.  
Comptroller Peter Franchot  
Robert Hagans, Jr.  
Kenneth Haines  
Linda Herman  
James Harkins  
Treasurer Nancy K. Kopp  
Theresa Lochte  
Richard Norman  
Thurman Zollicoffer  
Newly Elected Trustee

**Public Advisors:**

Larry E. Jennings, Jr.  
Stefan Strein  
Brian Topping

**Audit Committee**

F. Patrick Hughes, Chairman  
**Vacant**, Vice-Chairman  
James Bush, Jr.  
Robert Hagans, Jr.  
Kenneth Haines  
Linda Herman  
Richard Norman  
Newly Elected Trustee

**Corporate Governance**

David Blitzstein, Chairman  
Thurman Zollicoffer, Vice-Chairman  
Secretary David Brinkley  
James Harkins  
Treasurer Nancy K. Kopp  
Theresa Lochte  
Harold Zirkin

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Securities Litigation

Thurman Zollicoffer, Chairman

Harold Zirkin, Vice-Chairman

F. Patrick Hughes

\*R. Dean Kenderdine, Executive Director, announced, at the Board of Trustees meeting, that Sheila Hill was the newly elected Trustee.

FY16 Business Plan  
Initiatives

Mr. R. Dean Kenderdine presented the FY16 Business Plan Initiatives. See *Attachment A*.

Mr. Kenderdine reported that the Agency is still waiting for the official end-of-year enrollment numbers, but that all such highlighted areas in the Benefits Administration's narrative section of the Business Plan will be updated before finalizing.

Mr. Kenderdine also reported that Trustee Lochte, at the Administrative Committee, pointed out some formatting issues which will be addressed before finalizing, as well.

Mr. Kenderdine reported that a Steering Committee will be reestablished to discuss the Agency's Business Continuity Plan, which will be brought up to date and improved based on recent modifications to Agency operations. In connection with the Business Continuity Plan, a fully off-site run of payroll is planned for October, 2015.

Mr. Blitzstein asked if there was a process in measuring the Agency's progress with the Business Plan.

Mr. Kenderdine responded that he periodically reports to the Administrative Committee on Business Plan and the status of those initiatives.

Mr. Blitzstein requested that the Board receive a copy of the status reports.

Mr. Blitzstein also asked if the respective Committees are consulted during the development of the Business Plan initiatives that relate to each committee's responsibilities.

Mr. Kenderdine responded that all Business Plan initiatives have historically been developed by staff and brought before the Administrative Committee which then presents them to the Board.

Mr. Hagans asked if the Disability Appeals should be included in the Business Plan.

Mr. Kenderdine responded that Disability Appeals is presently before an Ad Hoc Committee and a recommendation regarding that issue will be brought to the Board in the future.

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Ms. Herman commented that the Investment Division's goal is to outperform benchmark and to "maximize surplus", but isn't sure that the "maximize surplus" means.

Mr. Kenderdine responded that staff would revise the language.

Mr. Kenderdine also reported that several initiatives, including Administrative Procedure Portal, Analysis and Reengineering of Processing and Administration of Domestic Relations Orders; and Updating Division Calculation Manuals, will remain on hold for the coming fiscal year unless resources become available.

On a motion made by Ms. Lochte and seconded by Mr. Bush, the Board approved the FY16 Business Plan, with modifications to the language as requested.

Status Report on  
Benefits  
Administration

Margaret Bury presented to the Board of Trustees a performance report as of May 31, 2015, which gave a detailed overview of the Benefits Administration.

Ms. Bury reported that the Agency processed 3,000 new retiree applications. That the July retirement payments exceeded 150,000 payees. In addition to retirement application, the Agency also processed 21,000 retirement estimates. This time last year the Agency had processed 15,000 retirement estimates.

Comptroller Franchot asked what is the wait time for the call center?

Ms. Bury responded that it depends on the time of month, the wait time can fluctuate.

Comptroller Franchot requested that staff track the wait times and what time of month calls are increased, so that staff can be proactive about answering calls in a timely manner.

CIO Report

Prior to receiving Robert Burd's report, Treasurer Kopp, on behalf of the Board, thanked Mr. Burd for his service to the System since August 2014 as Interim Chief Investment Officer.

Mr. Burd reported that the total market value of the fund, as of June 30, 2015, was \$45.8 Billion. Mr. Burd reported that the fund return for one month was negative 1.146% and the fund return Fiscal Year to Date was 2.68%.

Comptroller Franchot concurred with the Treasurer and added that the 2.68% is understandable given the current "climate".

Mr. Blitzstein asked about the report by given by GRS, given at the time of their presentation of the 2010-2014 Experience Study. Specifically, Mr. Blitzstein asked about the impact a further lowering of the discount

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rate would have on the plan. Mr. Blitzstein recommended that this topic be discussed at the next Board of Trustees meeting.

Mr. Kenderdine responded that this topic would be brought to the Board at its September meeting.

Resolution  
Presentation

On behalf of the Board of Trustees, Treasurer Kopp and Comptroller Franchot presented Mr. John Douglass with a Board resolution in recognition of his 11 years as Trustee to the System.

Mr. Douglass recommended, in light of the recent security breaches of the Federal Office of Personnel Management and other employers, that the Agency consider putting MPAS on a separate secured server, to avoid the risk of a potential breach.

Executive Director's  
Report

Mr. Kenderdine reported that Andrew Palmer, Chief Investment Officer, would be reporting for duty on July 22, 2015.

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Mr. Kenderdine reported that in light of the recent cyber-attacks, specifically with BlueCross/BlueShield of Maryland, for which Mr. Blitzstein serves on the Board, both he and Ira Greenstein have been in contact with BC/BS and, through them, have reached out to the FBI to determine what else the Agency can do to be proactive in the area of data protection.

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Mr. Kenderdine reported that Director's Desk, the new Board Portal, has gone "live." A training session is currently scheduled for August 11, 2015 at 3:00 p.m.

Mr. Kenderdine reported that from the training session already conducted the following questions were raised:

- Q. Committee documents were described as only being available to Committee members. The consensus was to have all Board members having access to all Committee documents irrespective of which Committee the Board members sits on.
- A. Program settings have been changed to allow every Trustee to have access to all documents.
- Q. When using the iPad App, a feature exists that allows working on a document off-line for up to five (5) days, without internet connection, as set by MSRP, the consensus was to have a period of availability longer than the five (5) days.
- A. Program settings have been changed to allow a user to work on a document off-line, without internet connection, up to 15 days.
- Q. Director's Desk has the capability to have on-line voting. Would that feature violate the Open Meetings Act?
- A. Yes, it could. Therefore, the tabs that would allow for discussions, voting and surveys have been removed.







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wrong statutory provision citing SPP § 29-109(b) rather than (c).

Ms. Beck did not appear before the Board, but verbally expressed, to staff, her agreeance to join in on the request for remand.

The Board deferred further consideration of the Agency's request for remand in connection with the claim of Ms. Marcellene Beck for ACCIDENTAL DISABILITY retirement benefits to Closed Session.

Annette Mahoney

The Board considered the recommendation of the Medical Board in connection with the claim of Ms. Annette Mahoney for 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 Ms. Mahoney nor anyone authorized to represent Ms. Mahoney, appeared to oppose the Agency's position and the Administrative Law Judge's recommendation.

Therefore, due to this appeal being heard on the record, the Board deferred further consideration to Closed Session.

Benn Simmons

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Benn V. Simmons 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. Simmons nor anyone authorized to represent Mr. Simmons, appeared to oppose the Agency's position and the Administrative Law Judge's recommendation.

Therefore, due to this appeal being heard on the record, the Board deferred further consideration to Closed Session.

**CLOSED SESSION – APPEALS AND HEARINGS**

On a motion made by Mr. Bush and seconded by Mr. Hughes, the Board voted to meet in a Closed Session (1:15 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to consider the disability appeal pursuant to General Provisions Art., § 3-103(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Peter Franchot, Vice Chairman, Presiding  
David Blitzstein  
James Bush  
John Douglass

Robert Hagans  
F. Patrick Hughes  
Theresa Lochte  
Richard Norman





# **MARYLAND STATE RETIREMENT AGENCY**

**BUSINESS PLAN  
FISCAL YEAR 2016**

**SECTION 3**

**FY2016 AND ONGOING**

**AGENCY INITIATIVES**

<b>Project Number</b>	<b>Initiatives</b>	<b>Division</b>	<b>Completion Date</b>	<b>Status</b>
<b><i>Completed Business Initiatives</i></b>				
12EX01	Business Continuity Plan Virtual Office Capacity	Executive Division	Oct-14	COMPLETED
11FI01	Office space expansion request/ lease renewal	Finance Division	Mar-15	COMPLETED
12ID01	Centralized file management system	Investment Division	Dec-14	COMPLETED
15IA01	External Peer Review	Internal Audit Division	Jun-15	COMPLETED
15ID01	Integrate upgraded remote access hardware/software into division business continuity	Investment Division	Jun-15	COMPLETED
12AD01	Audit the implemented Maryland Pension Administration System (MPAS) through expanded system testing of daily work	Administrative Division	Ongoing	COMPLETED
<b><i>New &amp; On-going Business Initiatives</i></b>				
10EX02	Business Continuity Plan	Executive Division	Dec-15	Plan complete; will undergo complete review this year.
11IS01	Revision of Revenue Control Transmittals and PGU Payroll Reporting,	Information Systems Division	Dec-15	Pilot testing with two PGUs in process; all feedback positive thus far. Second round of pilot testing planned for early Fall. Pending approval by Data Control, anticipate go-live December 2015.
11BO01	Increase functionality of secure member internet portal	Business Operations Office	Jan-16	Project scope refocused to include member reprints of 1099Rs and PSBs. New scope / requirements created, programmers are being obtained (using existing contract vehicles), anticipated go-live January 2016.

09BO02-1	MPAS-2 Project - Improve Data Integrity (Phase 1)	Business Operations Office	Jul-15	Phase 1 – Develop reporting screens; pre-cursor activities of flagging and cleansing of data fields affecting service and salary data; and modifications to existing MPAS applications to enforce phase 1 rules reducing on-going payroll data inconsistencies. 90% complete.
09BO02-2	MPAS-2 Project - Improve Data Integrity (Phase 2)	Business Operations Office	Jul-16	Phase 2 – Implement flagging and cleansing of service and salary data; and modifications to existing MPAS applications. 20% complete (requirements).
13AD01	Administrative Procedure Portal	Administrative Division	On hold	
14AD02	Analysis and Re-Engineering of Processing and Administration of Domestic Relation Orders within MPAS	Administrative Division	On hold	Initial discussions have occurred and various scans of the data have occurred to define the current processes/MPAS architecture used to administer DROs. Additionally, the desired future processes/MPAS architecture for administering DROs has been drafted. Further work on the transition from the current processes/MPAS architecture to the desired processes/MPAS architecture is on hold pending the availability of resources in the Business Operations Office and the MPAS programmers to work on this project.
14AD03	Update Division Calculation Manuals	Administrative Division	On hold	

14AD04	Review and Revision of Code of Maryland Regulations	Administrative Division	Ongoing	During FY15, three regulations were adopted in final form (after AELR review) by the Board and two regulations were adopted in proposed form (before AELR review)
16AD01	Enhancement of Personal Statement of Benefits to include more detailed benefit allowance projections	Administrative Division	Jun-16	
13AD/FI02	Educational Webinars	Administrative & Finance Divisions	Ongoing	Webinars on withdrawing from the System, and an introduction to actuarial valuations are in production.
16FI01	Procurements and Contracts Monitoring System	Finance Division	Dec-15	