

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

August 18, 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, 16th Floor Board Room, Baltimore, Maryland beginning at 9:31 a.m.

The Trustees present included:

James Harkins, Presiding	Linda Herman (via phone)
David Blitzstein	Sheila Hill (via phone)
David Brinkley (via phone)	F. Patrick Hughes (via phone)
Susanne Brogan - Designee for Nancy K. Kopp	Theresa Lochte (via phone)
James Bush, Jr.	Richard Norman (via phone)
Robert Hagans (via phone)	Harold Zirkin (via phone)
Kenneth Haines (via phone)	Thurman Zollicoffer

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

Anne Budowski	Anne Gawthrop	Michelle Lowery
Margaret Bury	Michael Golden	Andrew Palmer
Melody Countess	Angie Jenkins	Ken Reott
Brian Feilinger	Van Lewis	Janet Sirkis

Assistant Attorneys General present included: Kathy Brady and Sharon Street

Consent Agenda

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

- › July 21, 2015 Open Meeting Board Minutes
- › August 11, 2015 Administrative Committee Meeting report

**Gabriel Roeder Smith
& Company (GRS)
Contract Renewal**

Mr. R. Dean Kenderdine reported that the contract for actuarial services provided by Gabriel Roeder Smith & Company (GRS), which began on July 1, 2009, will have its first of three, one-year extension options expire on December 31, 2015. Regrettably, the Agency has failed to get Board of Public Works approve of this extension and is seeking a retroactive approval at the Board's August 26, 2015 meeting.

Mr. Kenderdine reported that the second one-year GRS contract extension is being brought forward by the Administrative Committee with a recommendation that the Board of Trustees approve this extension at a cost of \$330,500, extending the contract until December 31, 2016.

Mr. Kenderdine reported that based on the extent of the firm's capabilities and performance over the course of the initial term of contract, as well as the firm's current work assignments, it is staff's recommendation that the Board of Trustees exercise the System's the second extension option.

On a motion made by Mr. Hagans and seconded by Ms. Lochte, the Board of Trustees approved the Administrative Committee's recommendation to exercise the System's second of three one-year extension options at a cost of \$330,500, extending the contract until December 31, 2016.

Mr. Hagans requested that the minutes reflect that the cost to extend the contract is within budget.

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Mr. Kenderdine responded in the affirmative.

Mr. Blitzstein commented that the cost to extend the contract is very competitive compared to other trust funds in his experience and thinks that the System is getting a good deal.

CIO Report

Mr. Andrew Palmer reported that the total market value of the fund, as of July 31, 2015, was \$45.9 Billion. Mr. Palmer reported that the fund return for one month was 0.37% and the policy benchmark for one month was 0.12%.

Mr. Bush asked Mr. Palmer to share his general outlook for the fund and the markets.

Mr. Palmer responded that he is guarded over the next couple months, especially looking at China's economy.

Mr. Blitzstein asked what Mr. Palmer's opinion was about the currency hedging program.

Mr. Palmer responded that he feels the way the program is being implemented is good, and added that the System is not linked to as many currencies as in the past and that looking at the program he doesn't think there is a lot of risk there. Mr. Palmer plans to monitor that going forward.

Executive Director's
Report

Mr. Kenderdine acknowledged that Andrew Palmer was a speaker at the National Association of State Retirement Administrators (NASRA) annual conference and that he did a terrific job.

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Mr. Kenderdine reported that there was a serious water leak in the building, which occurred on the 17th floor and affected the South-Central side of the building, including several floors within the Agency. Mr. Kenderdine reported that normal business operations were affected in several units, including member services and office services.

Mr. Kenderdine asked Ms. Countess if there was a timeline for the repairs to be completed.

Ms. Countess responded that there is no definite timeline yet, but an estimate would be at least a month.

Mr. Zirkin asked about insurance protection for the flood.

Mr. Kenderdine responded that the Agency is fully covered.

Mr. Kenderdine also acknowledged the building management giving them praise for their quick and effective response after the water leak. They quickly had a restoration crew on site removing the damage.

Mr. Kenderdine also commented that fortunately none of the Agency's computer servers or systems was damaged.

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Mr. Kenderdine reminded the Trustees that Chairman Kopp has decided it is in the best interest going forward to have the oversight of future MSRPS financial reporting under the new GASB Statement No. 67 assigned to a joint committee made up of the Administrative and Audit Committees. This joint committee will meet on September 1, 2015.

Mr. Kenderdine reported that the Board of Trustees meetings over the next couple months will be full agendas, with various actuarial items. Gabriel Roeder Smith & Company will be presenting to the Board, on various issues, in September, October and November.

CLOSED SESSION

On a motion made by Mr. Zollicoffer and seconded by Mr. Hughes, the Board voted to meet in a Closed Session (9:50 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. reviewing the closed session minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
2. reviewing the Medical Board reports, 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 personal information.

The Trustees present included:

James Harkins, Presiding	Linda Herman (via phone)
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David Brinkley (via phone)	F. Patrick Hughes (via phone)
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Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Anne Budowski	Anne Gawthrop	Michelle Lowery
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Brian Feilinger	Van Lewis	Janet Sirkis

Assistant Attorneys General present included: Kathy Brady and Sharon Street

Closed Session
Minutes

On a motion made by Mr. Bush and seconded by Ms. Lochte, the Board approved the closed the July 21, 2015 closed session minutes.

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Medical Board
Reports

On a motion made Mr. Hughes and seconded by Mr. Zollicoffer, the Board adopted the medical board reports from July 23, July 29, August 6 and August 12, 2015.

OPEN SESSION

On a motion made by Mr. Bush and seconded by Mr. Hughes, the Board returned to open session at 9:51 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

The Trustees present included:

James Harkins, Presiding	Linda Herman (via phone)
David Blitzstein	Sheila Hill (via phone)
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Assistant Attorneys General present included: Kathy Brady and Sharon Street

Adjournment

There being no further business before the Board, on a motion made by Mr. Zollicoffer and seconded by Mr. Blitzstein, the meeting adjourned at 9:51 a.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT
AUGUST 11, 2015***

Gabriel Roeder
Smith & Company
(GRS) Contract
Renewal

**THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE THE
CONSENT AGENDA.**

Mr. Kenderdine informed the Administrative Committee that the contract for actuarial services provided by Gabriel Roeder Smith & Company (GRS), which began on July 1, 2009, will have its first of three, one-year renewal options expire on December 31, 2015. Mr. Kenderdine reported that it is staff's recommendation that the Administrative Committee recommend to the Board of Trustees that it exercise the System's second of three one-year extension options at the cost of \$330,500, based on the extent of the firm's capabilities and performance over the course of the initial term of contract, as well as, the firm's current work assignments.

Mr. Kenderdine reported that the Board of Trustees, on August 19, 2014, approved the Administrative Committee's recommendation to exercise the System's first of three one-year extension options, with the same terms and conditions, extending the contract until December 31, 2015. Mr. Kenderdine reported that, unfortunately, Agency staff did not follow-up with the request for approval of the first option renewal with the Board of Public Works in 2014.

Therefore, the Board of Trustees would be seeking, from the Board of Public Works at its meeting on August 26, 2015, a retroactive contract approval to exercise the first option renewal, as well as, an approval to exercise the second one-year option renewal, effective January 1, 2015 through December 31, 2016.

On a motion made by Ms. Brogan and seconded by Mr. Norman, the Administrative Committee approved for recommendation to the Board of Trustees that it exercise the System's second one-year extension option of the contract with GRS.

Member Services
Update

Ken Reott reported that for the month of June and the fiscal year ending 2015, the Member Services unit was unable to meet its goals with an average call wait time of 163 second and 179 seconds, respectively and a call abandonment rate of 10.14% and 10.29%, respectively.

Mr. Reott explained that the unit's numbers were better in the first half of the year, but had been negatively impacted in the second half of the year by two staff vacancies and the reassignment of two other staff members to the Benefits Processing Unit to help with processing estimates and retirements related to the State's Voluntary Separation Program.