

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

September 15, 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 9:33 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Blitzstein
David Brinkley (via phone)
James Bush, Jr.
Robert Hagans
Kenneth Haines

James Harkins
Linda Herman (via phone)
Sheila Hill
F. Patrick Hughes
Theresa Lochte (via phone)
Richard Norman
Harold Zirkin (via phone)
Thurman Zollicoffer

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

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

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen and Sharon Street

Other attendees included: Phillip Anthony, Nathan Bowen, Susanne Brogan, John Kenney, Dana Tagalicod, Robin Clark, Jennifer O'Dell, Hazel Bradford, Brad Armstrong and Brian Murphy

Consent Agenda

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

- › August 18, 2015 Open Meeting Board Minutes
- › August 18, 2015 Corporate Governance Committee Meeting Report
- › September 1, 2015 Administrative Committee Meeting Report
- › September 1, 2015 Joint Administrative/Audit Committees on Financial Report Meeting Report
- › September 1, 2015 Audit Committee Meeting Report
- › September 11, 2015 Investment Committee Meeting Report

Administrative
Appeal of
Susan Benson

Thomas S. Hood, Esq. appeared on behalf of his client, Susan Benson, before the Board of Trustees, requesting that the Board reject the recommended Summary Decision of the Executive Director which denies Ms. Benson's request that the Board of Trustees overturn the decision to offset her accidental disability retirement benefit due to her related workers' compensation award.

Mr. Hood argued that Ms. Benson was employed as a Bus Attendant with the Board of Education for Baltimore County and therefore, is not subject to an offset of her accidental disability retirement benefit according to State Personnel and Pensions Art. (SPP), § 29-118(a)(2)(i)2, which states that the offset provision does not apply to "a retiree of the Employees' Pension System or the Employees' Retirement System who receives a disability retirement benefit as a former employee of a county board of education or the Board of School Commissioners of Baltimore City, or a designated beneficiary of that retiree."

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

September 15, 2015

Mr. Hood stated that Ms. Benson's lump sum award from the Worker's Compensation Commission was prorated on a 23.6 year life expectancy of Ms. Benson, at a monthly rate of \$89.96.

Mr. Hood requested that, if the Board decided to continue with the offset of Ms. Benson's accidental retirement benefit, the Board take into consideration the life expectancy formula the Worker's Compensation Commission used when awarding her the lump sum payment and only reduce Ms. Benson's monthly retirement benefit by the prorated monthly rate of \$89.96 a month.

Ms. Sharon Street, Assistant Attorney General, argued on behalf of the Agency. Ms. Street stated that Ms. Benson was employed as a Bus Attendant and was a member of the Teachers' Pension System (TPS). Ms. Street argued that the exception in SPP § 29-118(b)(a)(2)(i)2, only applies to "a retiree of the Employees' Pension System...." Ms. Street argued that as a member of the TPS, Ms. Benson's disability retirement benefit is subject to the statutory offset due to her related workers' compensation award. Ms. Street noted that Baltimore County Public Schools does not participate in the Employees' Pension System, and that if Ms. Benson was not enrolled in the TPS, she would not be eligible for any benefit from the System.

Mr. Hood responded that in light of Ms. Street's arguments, he withdrew his argument that Ms. Benson should not be subject to any offset, but requested that the Board consider lowering the monthly offset amount in light of the financial hardship to Ms. Benson.

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

Gabriel Roeder Smith
& Company (GRS) –
FY15 Preliminary
Valuation Results

Brian Murphy and Brad Armstrong from the System's actuarial firm of 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, 2015 for the Board's consideration.

Mr. Blitzstein commented that every year funding objectives are shared with the Board; however, it would be helpful to the Board to know whether we are meeting those objectives and if not, how we can meet those objectives.

Mr. Blitzstein also asked if GRS is comfortable with a 25-year amortization funding policy, when others feel that a 15-20 year funding policy is more reasonable.

Brian Murphy responded that a 15-20 year period is preferable, because at that point the payment on the unfunded liability begins to exceed the nominal interest. The present closed 25-year period will decline to the 15-20 year range in a few years, and Mr. Murphy indicated that he is comfortable with it. He would have no objection to moving to the 15-20 year period, but feels the 25-year period is acceptable.

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

September 15, 2015

Regarding economic assumptions, Treasurer Kopp asked what recent changes have other systems made.

Mr. Murphy responded that they could provide that information to the Board next month.

Comptroller Franchot expressed interest in the contribution rates being reduced by 30 basis points, (7.55% to 7.25%) over next 2 years and is interested in what this would do to projected contribution rates.

Mr. Armstrong confirmed that the Board would like the results of a phase-in of the 30 basis points (15 basis points each year), so that the 2015 results would be calculated based on both 7.55% and 7.40%.

Treasurer Kopp responded that the Board would like the results of the contribution rates using the 7.55%, 7.40% and 7.25% rates.

Mr. Blitzstein read from a June 23, 2015 memorandum from GRS regarding the 7.10% and 7.25% projections, in which comments were made that the System can improve benefit security for all participants, by decreasing the investment return assumption, which will typically increase actuarial liabilities, decreasing the computed funded ratio, and increasing actuarially determined contributions, all of which sound like negatives. At that same time, if the asset allocation is not changed, the decrease will increase the probability that the investment return assumption can be met. If the required additional contributions are made, it will ultimately increase the retirement system's asset pool. Decreasing the return assumption may also allow the investment professionals to reconsider the asset allocation with a view toward reducing investment return and contribution rate volatility. Because we did not assume any change in the price inflation assumption, a decrease in the investment return assumption corresponds to a decrease in the real return assumption.

GRS will return to present the final valuation results at the October 20, 2015 meeting of the Board of Trustees in order for the FY17 contribution rates to be certified as required by December 1, 2015.

Gabriel Roeder Smith
& Company (GRS) –
Report on the
Investment Return
Assumption

In response to the Board's earlier request, Mr. Murphy and Mr. Armstrong presented the projected results under Alternate Investment Return assumptions of 7.10% and 7.25%.

GRS' conclusion was based on the Systems' current funding policy including a 25-year closed period amortization (23 years remaining as of June 30, 2015). Lowering the investment return assumption is not expected to change by when the System will be fully funded; rather, just the estimated level of contributions required and the asset pool that will be on hand when the System is fully funded. Under a closed amortization, the System will reach 100% at the end of the set amortization period.

Treasurer Kopp requested that GRS clarify the pages or add a footnote indicating what contributions are included.

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

September 15, 2015

Future of Disability
Appeals

Treasurer Kopp reported that, at the request of Theresa Lochte, Chairman of the Ad Hoc Committee on Disability Appeals, this matter was being deferred to the October 20, 2015 meeting of the Board of Trustees.

FY2017 Budget
Proposal

Mr. Kenderdine introduced the Agency's Budget Request for Fiscal Year (FY) 2017.

Mr. Kenderdine reported that the Department of Budget and Management (DBM) has given the Agency a FY17 budget target of \$28.2 million which reflects level funding plus additional funds to provide cost-of-living adjustments and turnover adjustments for Agency personnel. However, the proposed budget being submitted to the Board is not within the Department of Budget and Management's target amount.

Mr. Kenderdine reported that in order to meet the needs of the System's members and beneficiaries the Agency is also submitting for Board consideration, eight "Over the Target" requests:

- ▶ additional contractors for MPAS operation and maintenance
- ▶ additional position for system programming
- ▶ additional funds for custodial banking services contract
- ▶ additional funds for Information Technology Audit contractor services
- ▶ additional Member Services and Data Control positions
- ▶ Office Services conversion of one contractual position
- ▶ two additional positions for Information Technology Security
- ▶ funds to offset increases in employee healthcare cost.

Ms. Herman asked if the budget includes the Agency's entire expense, such as legal fees, manager fees, and all other investment related costs.

Mr. Kenderdine responded that legal expenses such as tax counsel, are included, however, investment related expenses are considered "off-budget" by the State and not included. Mr. Kenderdine stated that he would provide a document inclusive of all System expenses to the Board.

Mr. Blitzstein recalled several years ago there being a discussion of the Agency becoming independent and autonomous and the possibility of avoiding the State budget process. Mr. Blitzstein indicated that the over-the-target requests are under 6.5 basis points with a total budget at 8 basis points. Mr. Blitzstein commented that in his opinion the needs of the System are being underresourced.

Treasurer Kopp commented that we would need a sponsor for the legislation to become an agency with independent budget authority.

Treasurer Kopp requested that, at the next Board meeting, staff present a briefing on the State budget process.

Mr. Harkins recommended that after the quarterly finance reports, (which include the manager, investment and administrative fees) are presented to the Administrative Committee that the reports be presented to the Board as

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

September 15, 2015

an information item.

Mr. Kenderdine responded that those reports are placed on the Board portal, but that he would also distribute them to the Board separately.

On a motion made by Mr. Harkins and seconded by Ms. Hill, the Board of Trustees approved the FY17 Budget Proposal.

CIO Report

Mr. Andrew Palmer reported that the total market value of the fund, as of August 31, 2015, was \$44.5 Billion. Mr. Palmer reported that the fund return for one month was negative 2.53% and the policy benchmark for one month was negative 2.71%, and that this was mainly due to the Public Market Equity portfolio.

Mr. Palmer reported that other plans are reporting negative 4% for the same time period.

Executive Director's
Report

Mr. Kenderdine provided the Board with a copy of the correspondence that the Maryland Retired School Personnel Association plans to mail to recent school retirees. Mr. Kenderdine informed the Board that there was nothing inappropriate about the mailing and that it was consistent with all previous mailings.

Mr. Kenderdine reported that Agency was close to completing the benchmarking procurement with the company CEM having been the successful bidder.

Mr. Kenderdine reported that the Agency conducted an offsite run of payroll. There were some minor issues with staff not being able to initially view certain information on the MPAS screens, but those issues were resolved and the payroll was completed successfully.

Ms. Bury reported that 190,000 Personal Statement of Benefits were mailed out.

Mr. Kenderdine indicated that at the Investment Committee meeting on September 11, 2015, it was reported that Public Advisor Stefan Strein has accepted a position as Chief Investment Officer for the Cleveland Clinic. Mr. Kenderdine reported that Mr. Strein wishes to continue his term as Public Advisor to the Investment Committee and that the Committee is supportive of his continued service.

Comptroller Franchot asked if the Agency would have to pay travel costs.

Mr. Kenderdine reported that since the Investment Committee meets four times a year and given the fact that Mr. Strein is half way through his term and has made significant contributions as Public Advisor, it does not seem unreasonable for the Agency to pay for travel costs for Mr. Strein, in accordance with the State travel policy. In addition, there are sufficient

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

September 15, 2015

funds in the Agency budget to afford this cost.

Board Requested
Legislation

Ms. Anne Gawthrop, along with Brian Murphy and Brad Armstrong from GRS, presented the Board requested legislation pertaining to:

Participating Governmental Units – Amortization Schedule

The current participating governmental unit (PGU) pool in the EPS has an amortization policy that separately amortizes portions of the unfunded liability over 25-year closed periods. There is a large negative amortization base that will be fully amortized by fiscal year 2022. As a result, the pooled employer contribution rate for the PGU pool is projected to experience a large increase from 2.08% in fiscal year 2021 to 7.07% in fiscal year 2022. In anticipation of this large increase, the actuary for the SRPS, GRS, is recommending that the funding policy be changed for the PGU pool such that the pooled unfunded liability is amortized over a period that is 25 years or less. This policy would mirror the amortization period in effect for the State systems. This change would increase the contribution rate over the next five years above what is being projected under the current policy. However, all projected contribution rates under the policy GRS is recommending are lower than the pooled contribution rate of 6.20%, which is in effect for fiscal 2015. Ultimately, though, the projected rate under the recommended policy is considerably lower (4.06%) than the projected rate under the current policy (7.07%) for fiscal year 2022.

GRS has also indicated that changing to a single 25-year closed amortization period is projected to result in a slightly higher funded ratio until fiscal year 2023 and a slightly lower funded ratio thereafter, until both the current amortization policy and the recommended policy converge at 100% at the end of the amortization period. The impact to the funding level under the recommended policy is due to slightly higher projected employer contribution rates through fiscal year 2022 and then significantly lower projected employer contribution rates for the remaining amortization period.

Mr. Kenderdine indicated that he will be reaching out to the PGUs through a series of regional meetings to explain in detail the effect of this legislation on future employer costs.

Ms. Herman asked if Bolton Partners didn't raise this issue in their October 2014 letter to the Board, and if so, why wasn't this part of the valuation for FY2014?

Mr. Murphy responded that this was previously raised by GRS in prior municipal valuations and at Bolton Partners included it in their findings to the Board as well.

Mr. Murphy responded that any changes would require legislation and would need to be brought up when legislation can be done. Mr. Murphy

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

September 15, 2015

further responded that GRS had addressed the State's funding policy first, leading to the amortization change two years ago and are now moving to the PGUs.

Ms. Herman requested that GRS provide a copy of what they previously issued to the Board regarding this issue.

In addition to the above proposal, Ms. Gawthrop presented the following proposals to the Board of Trustees for inclusion in its 2016 legislative proposals to the Joint Committee on Pensions:

Code Simplification – Technical Changes

The State Retirement Agency (Agency) has identified seven areas of the State Personnel and Pensions Article believed to be either obsolete or in need of simplification or clarification.

Co-mingling of Assets – Local Fire and Police System

Presently, § 21-123(e) provides that the board may commingle the assets of the several systems, provided the board keep separate records that detail the percentage of participation in each system, the percentage of income, gains, and losses applicable to each system, and the total contributions and disbursements applicable to each system. The Local Fire and Police System (LFP) is listed among the several systems whose assets may be commingled provided separate documents are maintained. This system was closed to new members in 2004 and legislation passed during the 2005 session transferred the assets and liabilities from the LFP to the Employees' Pension System for participants of withdrawn employers of the LFP. As of June 30, 2008, no participating employers remained in the LFP; all had been moved to the Law Enforcement Officers' Pension System (LEOPS). The June 30, 2009 actuarial valuation for the State Retirement and Pension System (SRPS) indicates that no assets or liabilities remained with the LFP.

Staff recommends removing the obsolete language in § 21-123(e) that states assets from the LFP may be comingled with other SRPS assets provided separate records are maintained.

There is no cost associated with this proposal.

Optional Allowances – Designated Beneficiaries

A retiree of one of the several systems (with the exception of the Legislative Pension Plan) has the choice at the time of retirement to elect to receive either the basic allowance with no survivor benefit or an optional method of distribution that results in a reduced benefit while the retiree is living in order to provide for a survivor benefit to a designated beneficiary at the retiree's death. Among the six optional allowances available to retirees, four are dual-life annuities and two

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

September 15, 2015

are single-life annuities. Section 21-402 of the State Personnel and Pensions Article specifically provides that if a retiree selects a dual-life annuity, the retiree may only designate one individual as the retiree's beneficiary. Conversely, any eligible retiree selecting a single-life annuity (Option 1 and Option 4) may designate multiple beneficiaries to share the survivor benefit equally.

Staff recently noticed that the language currently in the State Personnel and Pensions Article governing Option 1 states that only a retiree of the Judges' Retirement System (JRS) may designate more than one beneficiary if this option is selected. Because all eligible retirees, regardless of their system, may select multiple beneficiaries under Option 1 and Option 4, staff believes that only referencing retirees of the JRS, may create confusion for all other retirees selecting these options. To address this potential confusion, staff recommends removing the language in the State Personnel and Pensions Article that specifically allows only JRS retirees to select multiple beneficiaries under Option 1.

There is no cost associated with this proposal.

References to the Reformed Contributory Pension Selection

When the Reformed Contributory Pension Benefit (RCPB) was created under Title 23, Subtitle 2, Part IV of the State Personnel and Pensions Article in 2011, reference to this new tier of the EPS was inadvertently omitted from various sections of this article. Staff has found three provisions addressing eligibility service in Title 23 (§§ 23-302, 23-303, and 23-304) that should have been amended in 2011 to include reference to the RCPB. Staff is recommending these sections be amended to now include the RCPB.

There is no cost associated with this proposal.

Teachers' Retirement and Pension System – Reemployment of Retirees Clarification

Chapter 189 of 2015 repealed provisions in the Teachers' Retirement and Pension System (TRS and TPS) provisions of the State Personnel and Pensions Article that allowed the superintendent of each school system to exempt up to 15 retired teachers (depending on the total number of teachers in the county) from the reemployment earnings limitation, if the teachers were hired to either:

- (1) teach any subject or provide educational services at an eligible school, as described above; or
- (2) provide educational services or teach in an area of critical shortage, special education, or a class for students with limited English proficiency in any school in the county

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

September 15, 2015

Chapter 189 broadened this exemption by stating that local school superintendents may hire up to five TRS or TPS retirees to work in any position at any public school and be exempt from the reemployment earnings limitation. Discussions during the bill hearings for Chapter 189 suggest that the legislature intended to allow each superintendent the option to hire a total of five retirees combined between the TRS and TPS. This is consistent with the intent of the legislature with regard to the provisions repealed by Chapter 189 that authorized each local school system to hire a total of up to 15 additional TRS and TPS retirees, combined. However, as drafted Chapter 189 has raised questions by local school systems as to whether each school superintendent may hire up to 10 retirees, total (five from TRS and five from TPS).

Staff is recommending the board seek clarification from the joint committee as to their intent with regard to Chapter 189 of 2015. If the joint committee believes that the intent is for local school systems to hire a total of five retirees, staff recommends amending these provisions to reflect this meaning.

**Correctional Officers' Retirement System – Clifton T. Perkins
Maximum Security Guards**

Chapter 596 of 1982 transferred the maximum security attendants at Clifton T. Perkins Hospital Center from the Employees' Retirement and Pension Systems (ERS and EPS) to the Correctional Officers' Retirement System (CORS), allowing these individuals to retire with 20 years of service. However, the bill as it was drafted in 1982 inadvertently eliminated many of the benefits these individuals had earned, including vesting after accruing five years of service in the ERS or EPS. To address the issue of vesting, Chapter 474 of 1983 added language similar to the vesting language in the ERS for the security attendants, stating that these individuals would be entitled to retire from the CORS at age 60 if they had accrued at least 5 years of service. This bill also added additional vesting language stating all other members of the CORS would be eligible to retire at age 55 if they had accrued at least five years of service in the CORS.

Other than stating that Chapter 474 intended to restore many of the benefits the security attendants had enjoyed in the ERS and EPS, the legislative history for this section of law is silent as to why age 60 was set for all future security attendants and not just limited to those transferring in 1982 from the ERS and EPS. Any new security attendants joining the CORS after 1982 would not have accrued any previous benefit in the ERS or EPS, yet due to the overly broad language included in Chapter 474, these individuals would be required to work an additional five years to age 60, beyond the normal service retirement age for all other members of the CORS, at age 55.

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

September 15, 2015

This discrepancy in normal retirement age (age 60 versus age 55) remains in effect in the CORS today. Staff believes based on the legislative history of this provision that the legislature in 1983 only intended to make those attendants transferring from the ERS and EPS to the CORS whole with regard to the benefits they had accrued prior to transferring to the CORS and did not intend to bind future generations of security attendants to this higher normal retirement age.

Accordingly, staff recommends changing the normal retirement age for maximum security attendants at Clifton T. Perkins Hospital Center to age 55 to bring this small group of individuals in line with all other members of the CORS.

Staff anticipates that any cost to the SRPS would be minimal.

Ordinary Disability Retiree Earnings Limit

Most retirees receiving an ordinary disability retirement allowance are subject to an earnings limitation if they are reemployed while they are under normal retirement age and employed by a participating employer at an annual compensation that is \$5,000 more than the difference between retiree's retirement allowance at the time of retirement and the retiree's average final compensation. If a retiree's annual compensation exceeds this earnings limit, the board is required to reduce the retiree's pension \$1 for every \$2 if the retiree is reemployed within the first 10 years following retirement and then \$1 for every \$5 if the retiree is reemployed after being retired more than 10 years. This offset is applied irrespective of what the retiree's average final compensation was at the time of retirement. For example, a retiree who was awarded an ordinary disability at age 30, had an AFC of \$24,000 and a basic allowance of \$16,000, only could earn up to \$13,000, annually, before exceeding his earnings limitation ($\$24,000 + \$5,000 - \$16,000$). If this same retiree was reemployed by a participating employer at an annual salary of \$30,000, the retiree would exceed the earnings limitation by \$17,000 ($\$30,000 - \$13,000$) and would be subject to an \$8,500 offset to the retiree's ordinary disability benefit (50% of \$17,000).

Staff is recommending that the earnings limitation provision for ordinary disability benefits be amended to provide for an exemption from the limitation and corresponding offset if the retiree's AFC at the time of retirement is less than \$25,000. This exemption would be consistent with the exemption in place for retiree's receiving a service retirement allowance from the employees', teachers' or correctional officers' systems. Staff reports that in the past five years, less than 10 retirees per year would have been exempt from the earnings limitation if the exemption had been \$25,000 or less.

Accordingly, the staff anticipates that any cost to the SRPS would be minimal.

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

September 15, 2015

Ex-Officio Trustees – Designee Appointment

Presently, § 21-104(a) states that the Treasurer, serving as an ex-officio trustee, may appoint a deputy treasurer as the Treasurer's designee to the board. However, § 21-403 is silent with regard to whether the Comptroller and Secretary of Budget and Management, also both serving as ex-officio trustees, may appoint deputies as their designees. The board may wish to consider amending § 21-104 to explicitly grant the Comptroller and Secretary similar authority as provided to the Treasurer, to appoint deputies as their designees.

Furthermore, staff recommends amending the definition of "fiduciary" under § 21-201(b)(2) to include members of all committees of the board, not simply the Investment Committee. Expanding the definition of fiduciary to include the other committees of the board would clarify that fiduciary standards and liability for a breach of fiduciary duty would also be conferred on non-trustee members of the committees.

There is no cost associated with this proposal.

Automatic Enrollment Penalties

Agency staff continues to deal with employers that fail to provide required enrollment data on a timely basis. For every new employee, an employer is supposed to provide the Agency with an enrollment application, a designation of beneficiary form, and a copy of a birth certificate or other proof of birth date. The data in those forms are used to develop annual Personal Statements of Benefits mailed out to every member and for the annual actuarial valuation that determines State and PGU contribution rates. When the Agency receives payroll records for an employee for whom it does not have an enrollment form, the employee is entered into the system's database as an Automatic Enrollment (AE). Artificial data are then entered for each AE. Until the Agency receives authentic data, the artificial data are used for benefit statements and for the actuarial valuation, resulting in imprecise calculations. Staff reports there are currently approximately 400 AEs in its database.

Chapter 392 of 2008 authorized the board to adopt regulations that allow it to impose an administrative fee on any employer that does not provide enrollment paperwork for new employees in a timely fashion. COMAR 22.01.12.03 provides that the Agency shall impose a penalty of \$100 per employee per year on a participating employer for any employee who has not been properly enrolled in the SRPS. While Chapter 392 and COMAR 22.01.12.03 have helped reduce the number of AE accounts the Agency maintains, there remain employers who continue to not enroll their employees properly and also disregard the \$100 per employee penalty. Staff is recommending legislation that would authorize the board to notify the Comptroller of any delinquent penalties and allow the Comptroller to

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

September 15, 2015

set-off any money due or coming due to that participating employer.

Comptroller Franchot responded that he does not support this bill in light of the resources needed to enforce it and the level of recovery to be received.

Mr. Kenderdine offered to withdraw this bill from the legislative proposal packet.

On a motion made by Mr. Harkins and seconded by Mr. Zollicoffer, the Board of Trustees approved the proposed Board Requested Legislation, except for the Automatic Enrollment Penalties proposal.

On a motion made by Mr. Zollicoffer and seconded by Mr. Blitzstein, the Board voted to meet in a Closed Session (1:00 p.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; and
3. discussing the administrative appeal of Susan Benson, pursuant to General Provisions Art., § 3-103(a)(1)(iii), a quasi-judicial function.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Blitzstein
David Brinkley (via phone)
James Bush, Jr.
Robert Hagans
Kenneth Haines

James Harkins
Linda Herman (via phone)
Sheila Hill
F. Patrick Hughes
Theresa Lochte (via phone)
Richard Norman
Harold Zirkin (via phone)
Thurman Zollicoffer

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

Anne Budowski
Margaret Bury
Melody Countess

Anne Gawthrop
Angie Jenkins

Ken Reott
Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

Other attendees included: Susanne Brogan and John Kenney.

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

September 15, 2015

Closed Session Minutes	On a motion made by Mr. Hagans and seconded by Mr. Zollicoffer, the Board approved the closed the August 18, 2015 closed session minutes.
Medical Board Reports	On a motion made Mr. Hughes and duly seconded, the Board adopted the medical board reports from August 20, August 26, September 3 and September 9, 2015.
Administrative Appeal of Susan Benson	On a motion made by Ms. Hill and seconded by Mr. Bush, the Board of Trustees voted to reduce the offset amount of Ms. Benson's accidental retirement benefit from \$500.00 to \$100.00 per month.

On a motion made by Mr. Zollicoffer and duly seconded, the Board returned to open session at 1:12 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Blitzstein
David Brinkley (via phone)
James Bush, Jr.
Robert Hagans
Kenneth Haines

James Harkins
Linda Herman (via phone)
Sheila Hill
F. Patrick Hughes
Theresa Lochte (via phone)
Richard Norman
Harold Zirkin (via phone)
Thurman Zollicoffer

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

Anne Budowski
Margaret Bury
Melody Countess

Anne Gawthrop
Angie Jenkins

Ken Reott
Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

Other attendees included: Susanne Brogan and John Kenney.

OPEN SESSION – APPEALS AND HEARINGS

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Kenneth Haines
James Harkins
Sheila Hill

F. Patrick Hughes
Theresa Lochte
Richard Norman
Thurman Zollicoffer

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

Margaret Bury

Angie Jenkins

Janet Sirkis

Assistant Attorneys General present included: Jill Leiner and Sharon Street.

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

September 15, 2015

On a motion made by Mr. Hughes and seconded by Mr. Haines, the Board returned to open session at 1:53 p.m

OPEN SESSION

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

Michele Rosales

The Board voted to **AFFIRM** the Medical Board's recommendation and **DENY** Michele Rosales' request for disability benefits.

Gordon G. Fisher

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

Adjournment

There being no further business before the Board, on a motion made by Mr. Norman and seconded by Ms. Lochte, the meeting adjourned at 1:54 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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

**CORPORATE GOVERNANCE COMMITTEE MEETING REPORT
August 18, 2015**

Iran-Sudan
Divestment Update
and Review

The Committee considered staff's recommendation to add Petronas Global Sukuk and remove Hyundai Heavy Industries and PT Pertamina from the Iran-Sudan Restricted List effective October 15, 2015. Ms. Voglino detailed that Petronas Global Sukuk is a wholly-owned subsidiary of a company currently on the Iran-Sudan Restricted List and per statute, any wholly-owned subsidiary is subject to divestment. The companies Hyundai Heavy Industries and PT Pertamina no longer meet the requirements of the statute for divestment due to inactive oil-related operations.

Ms. Voglino provided information to the Committee on the nuclear agreement with Iran and how this agreement may affect the System's divestment action with companies doing business in Iran. The conditions that must be met for the divestment statute to no longer be applied were detailed to the Committee and that possible legislation would be necessary depending on the timing and outcome of the agreement with Iran. Mr. Blitzstein requested legal advice outlining the agreement with Iran, the conditions per statute and how they would affect the System's divestment action.

On a motion by Mr. Zollicoffer and seconded by Mr. Zirkin, the Committee unanimously agreed to approve Staff's recommendation to add Petronas Global Sukuk and remove Hyundai Heavy Industries and PT Pertamina from the Iran-Sudan Restricted List effective October 15, 2015.

Delegation of Proxy
Voting Authority

Ms. Voglino provided the Committee with information related to proxy voting and the process performed when staff, the System or a Trustee is contacted by another shareholder soliciting their vote and that vote is different from the recommendation by the System's proxy advisor. The Committee decided to discuss the topic in further detail during the next Committee meeting and requested that staff provide information on workload and the possible policy and procedure options.

Council of Institutional
Investors

The Committee discussed the CII Fall Conference and was provided an agenda.

Other Discussion

Mr. Blitzstein discussed the Delaware legislation regarding fee-shifting and asked if staff could determine the effect of this legislation related to the System's proxy policy. Ms. Brady indicated that staff would formulate any revisions in policy if necessary.

Mr. Blitzstein explained the need for a broader discussion regarding corporate governance, the Board's beliefs, and fiduciary duties as it relates to long-term investing. Mr. Kenderdine suggested that the discussions begin with a smaller group such as the Corporate Governance Committee and proceed to the Investment Committee or the Board of Trustees.

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

**ADMINISTRATIVE COMMITTEE MEETING REPORT
SEPTEMBER 1, 2015**

Administrative
Appeal of Susan
Benson

THIS MATTER WILL BE DISCUSSED IN OPEN SESSION AND VOTED ON OUTSIDE THE CONSENT AGENDA.

Ms. Susan Benson filed a Petition for Hearing requesting that the Board of Trustees overturn the decision to offset her accidental disability retirement benefit due to her related workers' compensation award.

The Chairman of the Administrative Committee will present, in Closed Session, the Committee's recommendation for the Board's approval.

2016 Board
Requested
Legislation

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

Ms. Anne Gawthrop presented to the Committee an overview of the 2016 Board requested legislation proposals for the Administrative Committee's consideration to present to the Board of Trustees for inclusion in its 2016 legislative proposals to the Joint Committee on Pensions.

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Administrative Committee approved all 2016 legislative proposals, except the Maryland Environmental Service Employees – Membership in the EPS proposal, for recommendation to the Board of Trustees.

FY17 Budget
Proposal

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

Mr. Dean Kenderdine introduced the Agency's Budget Request for Fiscal Year (FY) 2017.

Mr. Kenderdine reported that the Agency's FY16 operational budget totaled \$27.9 million with 96% of the budget attributable to payroll, contractual obligations, fixed charges and communications, as is typical. The Department of Budget and Management (DBM) has given the Agency a FY17 budget target of \$28.2 million which reflects level funding plus additional funds to provide cost-of-living adjustments and turnover adjustments for Agency personnel. The proposed budget being submitted to the Board is not within the Department of Budget and Management's target amount.

Mr. Kenderdine also reported that in order to meet the needs of the System's members and beneficiaries the Agency is also submitting for Board consideration, the following eight "Over the Target" requests:

- › additional contractors for MPAS operation and maintenance
- › additional position for system programming
- › additional funds for custodial banking services contract
- › for Information Technology Audit contractor
- › additional Member Services and Data Control positions
- › Office Services conversion of one contractual position
- › two additional positions for Information Security

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT
SEPTEMBER 1, 2015***

- funds to offset increases in employee healthcare cost.

Ms. Brogan asked if the 11 positions previously requested were included in the 2016 budget.

Mr. Kenderdine responded yes, the positions were included in that budget.

Ms. Bury also responded that the positions were received for the Benefits Processing division to address the backlog of retirement applications and that the positions being requested in the FY2017 budget had been requested in FY2016 but were denied.

On a motion made by Ms. Hill and seconded by Ms. Lothe, the Administrative Committee approved, for recommendation to the Board of Trustees, the FY17 Budget Proposal. Marc Nicole abstained.

Finance Reports

The Administrative Committee was provided with the management fees, administrative expenses and MBE performance reports for quarter ending June 30, 2015.

Since the Administrative Committee was provided the opportunity to review the reports prior to the meeting, at the request of Ms. Lochte, the Committee agreed that verbal presentation of the reports was not necessary, but allowed the Committee to ask any questions, if necessary.

Ms. Brogan asked, in light of the legislative changes, would this be the last MBE report that shows the non-profit awards.

Van Lewis responded that this would be the last report showing that information.

**Member Services
Update**

The Administrative Committee was provided with the Member Services update for July, 2015.

Since the Administrative Committee was provided the opportunity to review the member services update prior to the meeting, at the request of Ms. Lochte, the Committee agreed that verbal presentation of the report was not necessary, but allowed the Committee to ask any questions, if necessary.

No questions were asked.

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

***JOINT ADMINISTRATIVE AND AUDIT COMMITTEES ON FINANCIAL
REPORTING MEETING REPORT
SEPTEMBER 1, 2015***

Future Financial
Reporting of the
System

The Administrative and Audit Committees met jointly to discuss the future financial reporting of the System.

In closed session, the Committees were provided with two confidential memorandums regarding financial reporting for the System, one by SB&Company, the System's auditor and the other by Rachel Cohen, Assistant Attorney General.

After discussions in closed session, the Joint Committee, on a motion made by Ms. Herman and seconded by Mr. Bush, voted to have:

1. the Executive Director reach out to the eleven participating and three withdrawn counties, as well as the Maryland Association of Counties (MACo) and the Maryland Municipal League (MML) to conduct one-on-one meetings;
2. the Executive Director issue a clarifying letter to the PGUs, as articulated by MACo and MML in their letter to the Executive Director;
3. the Executive Director communicate the alternative allocation of Net Pension Liability under the 1, 5 and 7 pool options; and
4. staff report back to the Board, at a future meeting, to discuss the Net Pension Liability under the 1, 5 and 7 pool options.

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

**AUDIT COMMITTEE MEETING REPORT
September 1, 2015**

External Peer Review Report	<p>The Committee received the results of a recent external peer review of the Internal Audit Division. Mr. Rongione told the Committee that the peer review evaluated Internal Audit's compliance with both Generally Accepted Government Auditing Standards (GAGAS) and standards issued by the Institute of Internal Auditors (IIA). He noted that only one instance of noncompliance was identified. That issue was related to the need for Internal Audit to report the results of their quality assurance self-assessment activities to the Audit Committee on an annual basis. This, and other issues identified in the peer review report, were all related to IIA standards, but not GAGAS. Although Internal Audit is required to follow only GAGAS, it will address the issues raised in the report,</p> <p>Mr. Hughes told the Committee that he was pleased with the meeting he had with the peer review team. He was also pleased with Internal Audit's ability to leverage its work, given their limited resources.</p>
Internal Quality Assurance Results	<p>The Committee received a memo summarizing Internal Audit's internal quality assurance work over the past year. Mr. Hughes told the Committee that the internal quality assurance work performed by the Internal Audit Division is really an audit of audits. Mr. Rongione discussed the memo, and added that Internal Audit is providing this report to the Committee in response to its recent peer review report. The peer review report recommended that Internal Audit report its internal quality assurance results to the Audit Committee on an annual basis.</p>
Contractual Audits Update	<p>Mr. Rongione told the Committee that the contract for audits of participating employers is forthcoming. The audits should begin shortly.</p> <p>An RFP for an audit of the process for Credit/Debt strategy investments is underway. Technical proposals have been reviewed. Financial proposals are expected to be reviewed in the next few days.</p>
FY 2015 Audit Plan	<p>The Committee received the FY 2015 Audit Plan results. Mr. Rongione noted that the only item in the plan that was not completed was the Disaster Recovery Audit. Due to an upgrade to the disaster recovery system, the audit has been deferred. It is expected to be started in January, when the system's update has been completed.</p>
FY 2015 Internal Audit Division Time Report	<p>The Committee received a document that summarized the Internal Audit Division's time for FY 2015. Mr. Rongione noted that administrative hours for FY 2015 met Internal Audit's goal of no more than 20% of total available time.</p>

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

**AUDIT COMMITTEE MEETING REPORT
September 1, 2015**

FY 2015 Internal Audit Division Performance Report	The Committee was provided with the Internal Audit Division's FY 2015 performance report. Mr. Rongione noted that all performance goals were met.
Risk Assessment Results	<p>The Committee was provided with a listing of the top ten risks, as identified in Internal Audit's most recent Agency-wide risk assessment. Mr. Rongione indicated that, as a result of Internal Audit's recent peer review, a risk assessment is now performed annually, rather than every three years. In the risk assessment process, Internal Audit sends questionnaires to executive management, directors, deputies, and the Audit Committee, asking them to identify their top risks. Internal Audit compiles the results, and gains an understanding of the risks and ratings. Adjustments are made in consideration of past audit results, and then the results are sorted and ranked. Mr. Rongione noted that most of the top ten risks were the same as in the previous risk assessment.</p> <p>Mr. Hagans asked where the risk of computer hacking falls in the top ten risks. Mr. Rongione responded that it falls in the top risk of "Application, System and Network Security Testing and Monitoring". Internal Audit has requested funds in its most recent budget request to outsource information technology audits to cover this risk.</p>
FY 2016 Audit Plan	<p>The Committee was provided with the FY 2016 audit plan. Mr. Hughes asked how the audit plan related to the annual risk assessment. Mr. Rongione responded that the audit plan includes some of the top-ten risks. He noted that the audit plan also considers the impact of an audit on Agency departments. Audits need to be divided among the various Agency departments so that a single department is not constantly audited.</p> <p>For investments, a risk assessment prepared in 2011 by an outside consultant is used as a basis for prioritizing audit areas.</p> <p>On a motion made by Mr. Bush, and seconded by Mr. Hagans, the FY 2016 Audit Plan was approved.</p>
Status of Open/Closed Audit Findings	The Committee received the current listing of open and closed audit findings. Mr. Hughes noted that an audit finding remains on the "open" list until it has been addressed, and then it is closed. Mr. Rongione told the Committee that Agency management may have fully addressed some of the findings included on the "open" list, but Internal Audit has not yet verified this. Mr. Hagans asked how the current list compares to last year's list. Mr. Rongione responded that Internal Audit had just begun the list in December 2014, so there was no comparable list.

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

**AUDIT COMMITTEE MEETING REPORT
September 1, 2015**

- Completed Audits** The Committee discussed the recently-completed Security Patch Management audit. Mr. Rongione told the Committee that the audit had an overall rating of "yellow", indicating that improvement is needed. There were five audit findings, three of which were related to a patch management tool that is in the process of being upgraded. There was also a low-risk finding related to updating policies and procedures. The remaining finding deals with the need to update some operating systems. Mr. Rongione indicated that management is taking appropriate actions to address the findings.
- Mr. Hughes asked if the findings will be addressed in the near term. Mr. Greenstein told the Committee that Information Systems is addressing the issues as fast as they can. The biggest issue is that MPAS runs on a Windows operating system, which Microsoft stopped supporting as of two months ago. Information Systems has figured out a way to expedite a solution that will be completed in the next month, or two. This was a software-compatibility, rather than a funding issue. Information Systems had included the funding component in its over-the-target budget request from last year.
- Other Business** The next Audit Committee meeting will be held on November 10, 2015, one week prior to the Board of Trustees meeting.

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

***INVESTMENT COMMITTEE MEETING REPORT
SEPTEMBER 11, 2015***

Asset Allocation
Review

During its May 8, 2015 meeting, Meketa presented to the Investment Committee its 2015 Asset Allocation Policy Review and identified several potential changes in asset allocation for the Committee to consider. Staff also presented their position on the recommended changes. The Committee established a sense of the Committee on five recommendations but deferred the final vote until a new Chief Investment Officer was hired and could review and comment on the recommendations. Mr. Andrew Palmer and Meketa revisited the 2015 Asset Allocation Policy Review and proposed changes to the Rate Sensitive Asset Class as well as transitional targets for the policy benchmark.

1. **Recategorization of Asset Classes.** No changes were recommended to the consensus established during the May meeting.
2. **Asset Allocation Options.** Meketa and Mr. Palmer presented variations to the Policy B tentatively approved in May. The changes related to the rate sensitive asset class. The recommendation was to adopt Policy B3 of the modified Asset Allocation Policy Options.
3. **Target Ranges for the five Proposed Asset Categories.** No changes were recommended to the consensus established during the May meeting.
4. **Target ranges for Proposed Sub-Asset Classes.** The only changes involved the sub-asset class target ranges for the Rate Sensitive category. Consistent with the revised Policy B3 recommendation, changes to the target ranges for the rate-sensitive sub-asset classes were recommended as follows:

<i>Asset Class / Sub-Asset Class</i>	<i>Target Range / Constraint</i>
Rate Sensitive	L-T Government 30-70% Securitized/Corp 10-50% Inflation-Linked 0-40%

5. **Primary and Secondary Benchmarks.** Consistent with the revised Policy B3 recommendation changes to primary benchmark for the rate-sensitive asset class were recommended as follows:

Asset Class	Current Index	Proposed Primary Benchmark (Option BB)	Proposed Secondary Benchmark
Equity:			
Public Equity	MSCI ACWI	43% Russell 3000, 35% MSCI World (ex. U.S.), 22% MSCI EM	
Private Equity	State Street Private Equity Composite	State Street Private Equity Composite	MSCI ACWI + 200 bp
Rate Sensitive	Barclays U.S. Intermediate Index, Barclays Global Agg. 1-10 Year Hedged, Barclays U.S. TIPS, Barclays Global	50% Barclays Long-Term Government, 15% Barclays Securitized, 15% Barclays Corporate 20% Barclays U.S. TIPS	

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

**INVESTMENT COMMITTEE MEETING REPORT
SEPTEMBER 11, 2015**

	Inflation-Linked Hedged		
Credit:		67% US, 33% non-U.S.	
U.S. Credit	Barclays U.S. High Yield, Barclays Credit, S&P/LSTA Leveraged Loan	80% Barclays US High Yield, 20% S&P/LSTA Leveraged Loan	
Non-U.S. Credit	JP Morgan GBI-EM Global Diversified	50% JP Morgan GBI-EM Global Diversified, 25% JP Morgan EMBI Global Diversified, 25% JPMorgan CEMBI Broad	
Real Assets:		Dynamically weighted: RE, Commodities, NR/IS	67% RE, 20% Commodities, 13% NR/IS
Real Estate	Dynamically weighted: NCREIF ODCE (gross), FTSE EPRA/NAREIT Developed (net)	Dynamically weighted: NCREIF ODCE (gross), FTSE EPRA/NAREIT Developed (net)	85% NCREIF ODCE (gross), 15% FTSE EPRA/NAREIT Developed (net)
Commodities	Bloomberg Commodity	Bloomberg Commodity	
Natural Resources & Infrastructure	CPI-U + 500 bp (capped at 8%)	CPI-U + 500 bp (capped at 10%)	75% S&P Global Natural Resources, 25% DJ-Brookfield Infrastructure
Absolute Return	HFRI Fund of Funds Conservative	HFRI Fund of Funds Conservative + 100 bps	1-Year Treasury + 500 bp

6. Transitional Targets. Finally, Meketa presented transitional targets for the policy benchmarks to allow staff adequate time to find, evaluate, and hire investment managers to implement the new allocation. The transitional targets are detailed in a September 4, 2015 memorandum from Meketa to the Board.

On a motion made and seconded, the Committee unanimously agreed to approve the six recommendations.

Investment Division
Initiatives

Mr. Palmer provided an activity update and highlighted key initiatives that the Investment Division would be working on over the coming months.

Report from CIO

The Committee received a performance update from the CIO and staff as of June 30, 2015. The total fund performance for the quarter ending June 30, 2015 was 0.38%, exceeding the policy benchmark of 0.05%. The System's Net Asset Value is at 45.8 billion as of 06/30/15.

Performance number relative to benchmarks by asset class

Total Public Equity:

% Fund: 37.6%

3 mos.: 0.22% → 13 basis pts. under benchmark

FYTD: 3.65% → 305 basis pts. over benchmark

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

***INVESTMENT COMMITTEE MEETING REPORT
SEPTEMBER 11, 2015***

Total Fixed Income:

% Fund: 12.9%
3 mos.: -0.91% → 20 basis pts. under benchmark
FYTD: 1.96% → 3 basis pts. over benchmark

Total Credit/Debt Strategies

% Fund: 9.7%
3 mos.: 0.39% → 108 basis pts. over benchmark
FYTD: -0.81% → 224 basis pts. over benchmark

Total Real Estate:

% Fund: 7.39%
3 mos.: 2.33% → 114 basis pts. over benchmark
FYTD: 12.12% → 172 basis pts. over benchmark

Total Real Return:

% Fund: 13.17%
3 mos.: -0.42% → 90 basis pts. under benchmark
FYTD: -5.18% → 143 basis pts. over benchmark

Total Private Equity:

% Fund: 8.02%
3 mos.: 5.66% → 366 basis pts. over benchmark
FYTD: 13.17% → 555 basis pts. over benchmark

Total Absolute Return:

% Fund: 10.7%
3 mos.: -1.59% → 191 basis pts. under benchmark
FYTD: .74% → 202 basis pts. under benchmark

Total Cash Aggregate:

% Fund: 0.5%
3 mos.: 1.13% → 113 basis pts. over benchmark
FYTD: 2.10% → 208 basis pts. over benchmark

Meketa Reports

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

Investment Reports

The Committee received the following investment reports:

- State Street Performance Reports
- Private Markets Performance Reports
- Quarterly TUCS Report
- Securities Lending Report
- Division's FY15 Travel Plan – Update
- Quarterly ORP Performance Report
- OPEB-PHBT Update

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

***INVESTMENT COMMITTEE MEETING REPORT
SEPTEMBER 11, 2015***

- New Hire Manager Report
On the Board Portal
- Broker Commission Reports

Minutes	On a motion that was made and seconded, the Investment Committee unanimously approved the May 8, 2015 closed meeting minutes pursuant to General Provisions Art., Section 3-103(a)(1), the exercise of an administrative function.
Minutes	On a motion that was made and seconded, the Investment Committee unanimously approved the special Investment Committee meeting held May 21, 2015 closed meeting minutes pursuant to General Provisions Art., Section 3-103(a)(1), the exercise of an administrative function.
Fund Redemption Update	Mr. Palmer reported on the System's scheduled elimination of a position in a fund 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.
Report from CIO	There was no report from the CIO that needed to be discussed in closed session.