

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

December 20, 2016

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 9:38 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Eric Brotman
James Bush, Jr.
Kenneth Haines
David Hamilton

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

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

Robert Burd
Margaret Bury
Melody Countess
Anne Gawthrop

Michael Golden
Ira Greenstein
Angie Jenkins
Andrew Palmer (via phone)

Harvey Raitzyk
Ken Reott
David Rongione
Janet Sirkis

Assistant Attorneys General present included: Kathy Brady, Carla Goldman Katzenberg, Jill Leiner and Kathleen Wherthey

Other attendees included: Phillip Anthony, Susanne Brogan, John Kenney, Megan Myers, Howard Pleines, Ben Robb and Kathy Sirkis.

Appeal of
Alison Kelly

Before the start of this appeal, Mr. James Harkins, recused himself, as he personally knows Ms. Kelly and he left the room.

Alison Kelly appeared before the Board of Trustees, requesting that the Board overturn the Administrative Committee's recommendation to adopt the Executive Director's recommendation for a Summary Decision and allow her to join the Optional Retirement Program.

Ms. Kelly argued that her situation was unique in that she was hired as a contractual employee, with benefits, with the Anne Arundel Community College ("AACC") on November 3, 2014, at which time she joined the Teachers' Pension System ("TPS"), with the expectation that she would reach 10 years of service and become vested. However, after seven months AACC did not renew her contract and her employment ended on June 30, 2015, at which time Ms. Kelly withdrew her contributions from the System.

Ms. Kelly further argued that in January, 2016 AACC rehired her in the same Instructional Specialist position that she previously held, at which time she chose to enroll in the Optional Retirement Program ("ORP") under the belief that she was eligible to do so. Ms. Kelly argued that she enrolled in the ORP and received account balance statements. Ms. Kelly reported that it was not until June, 2016, when she received a notice from AACC, that she became aware that she was not eligible to participate in the ORP and immediately appealed the decision to the Agency. Ms. Kelly reported that at no time, prior to the June, 2016 notice, did the Human Resource

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Office at AACC inform her that she was not eligible to enroll in the ORP. In fact, AACC accepted her completed application for enrollment in the ORP and she received account statements.

Ms. Kathleen Wherthey, Assistant Attorney General, argued on behalf of the Agency. Ms. Wherthey stated that Ms. Kelly became an “eligible employee” with the option to join the ORP on November 3, 2014, but did not make the one-time irrevocable election within one year afterward, by November 3, 2015. Instead, she joined the TPS and, as Md. Code Ann., State Personnel & Pensions Art. (“SPP”), § 30-302 and 30-303 require, she no longer has the option to join the ORP.

Ms. Wherthey further argued that for the System to enforce the statutory one-year election limitation for the ORP inconsistently could affect qualification of the System’s plans under federal tax laws and would be contrary to IRS Revenue Ruling 2006-43; Treasury Regulation § 1.401(k)-1(a)(3)(v), and IRC § 414(h)(2). Therefore, Ms. Kelly is not eligible to participate in the ORP.

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

Consent Agenda

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

- November 17, 2016 Open Meeting Board Minutes
- November 17, 2016 Corporate Governance Committee Meeting Summary
- December 6, 2016 Administrative Committee Meeting Summary, including:
 - Criteria of the Executive Director’s Evaluation
 - Business Plan Status Report

Report from the Ad Hoc Committee on Actuarial Valuations and Economic Assumptions

F. Patrick Hughes, Chairman of the Ad Hoc Committee on Actuarial Valuations and Economic Assumptions provided a committee update to the Board. Mr. Hughes reported that the Committee has met twice to consider the System’s assumed rate of return and if it should be adjusted. At the Committee’s November 21, 2016 meeting, Andrew Palmer, Chief Investment Officer, led the Committee’s discussion of inflation and real return assumptions, which the Committee considered:

- Inflation impacts the assumptions for both the liabilities and the assets and that the System uses the Social Security long term rate of 2.7%;
- Social Security lowered their long term assumption to 2.6%, which was not based on econometric models of forces influencing inflation, but by forecasting the future by looking at past history
- Recent changes to inflation expectations:
 - OPEC’s credible discussion on a production cap,
 - The European Central Bank’s additional stimulus delays,
 - The Bank of Japan’s move to targeting yield curve and,
 - The expectations of a big fiscal stimulus from President-Elect Trump.

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- As inflation goes higher and remains higher:
 - The reactions to bonds would be down;
 - The return of cash would move up,
 - Where the inflation stops would affect the result,
 - Regarding liabilities, up to a 3% assumed inflation rate would be favorable in terms of the effect on the System's liabilities.
- Inflation is the largest part of the difference between the System's long term return assumption and those used by other consultants/systems.
- Real Return assumptions are not statistically based but by aggregating forecasts of components of return.
 - Social Security lowered its long term real return assumption for government bonds by 20 bps to 2.5%,
 - The main driver of the difference between the System's and other consultants' real return assumptions is the length of time of the forecast. The longer the forecast period, the higher the real return assumption.

The Committee, after receiving the report, discussed the effect of improved investment performance and better negotiated fees on funding, as well as the election results and future events at the federal level.

It was the majority opinion of the Committee that the Board did not need to make a decision at the present time, as no decision, on the assumed rate of return, would be implemented until the FY2017 valuation. The Committee agreed to revisit this matter at the appropriate time, consistent with the timing of the next actuarial valuation. The Committee will reconvene in March.

Comptroller Franchot commented that he was disappointed in hearing the report from the Committee. Comptroller Franchot commented that he strongly opposes the Committee's decision, especially since for the last two years the State has had a Governor who is willing to listen to the needs of the System.

Status Report on
Benefits
Administration

Margaret Bury presented to the Board of Trustees a performance report as of November 2016, which gave a detailed overview of the Benefits Administration unit.

Ms. Bury reported on the recruitment and retention issues in the division. Ms. Bury reported that the division has six positions vacant in the Data Control Unit and continues to face backlogs in processing paperwork.

Ms. Bury further reported that the System has 26,366 non-vested accounts, which total approximately \$38.4 million of unclaimed money. Ms. Bury indicated that the names of those former members are published on the Agency's website, with instructions on how to claim those funds.

Ms. Herman commented that Montgomery County is working with the IRS to allow them to issue an automatic refund under a certain dollar amount.

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Ms. Bury responded that the issue is that the address on file with the Agency are usually no longer valid.

Mr. Brotman asked if there were forfeiture provisions that would allow the unclaimed money to be returned to the System.

Ms. Bury responded that there are no such provisions.

Ms. Herman asked if the Agency uses programs like LexusNexus to locate members.

Ms. Bury responded that yes, staff uses LexusNexus, but only to look up current retirees, who have not updated their addresses to receive their retirement payment.

The Board requests that the Administrative Committee review this matter to determine a better process for closing non-vested accounts.

Ms. Bury also reported that the unit is backlogged in processing member beneficiary forms as staff has found errors made by the outside vendor and has had to review the database to ensure records were keyed accurately and were properly updated to the member's account.

Mr. Brotman expressed concern with the approximate 12% error rate from the date entry vendor, that corrective action be taken with the vendor and that the Agency pursue a long-term solution through members themselves having access and the ability to adjust their beneficiary information.

Ms. Bury responded that automation of entering beneficiary information, among other information, is a future project under MPAS.

Treasurer Kopp asked when the contract with the current vendor expires.

Ira Greenstein reported that it is a one-year contract and expires either in February or March.

Resolution

On behalf of the Board of Trustees, Treasurer Kopp presented Margaret A. Bury with a Board resolution in recognition of her 40 years of diligent and faithful service to the citizens of Maryland as an employee, of which the last 29 years were as Benefits Administrator, with the Maryland State Retirement Agency.

Ms. Bury thanked the Board and acknowledged her staff for their hard work to the System, its members and beneficiaries.

**Chief Investment
Officer's Report**

Andrew Palmer provided the Board with a summary of the fund as of November, 2016, which indicated that the total fund value was \$45.5 billion. Mr. Palmer reported that the fund return was negative 0.58% for the month and the implementation benchmark was negative 0.74% for the month.

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Mr. Palmer further reported that with the new administration, changes to the trajectory of returns are expected.

Executive Director's
Report

Mr. Kenderdine acknowledged the presence of Howard Pleines who was the former Director of Legislative Affairs.

Mr. Kenderdine reported that the Agency's Senate budget hearing is scheduled for January 31, 2017 at 1:00 p.m. and the House budget hearing is scheduled for February 3, 2017 at 1:00 p.m.

Mr. Kenderdine reported that on December 15, 2016 the Agency held its annual holiday celebration, at which time service awards were distributed. Mr. Kenderdine recognized Anne Gawthrop and Robert Burd, for their 15 years of service, Harvey Raitzyk for his 35 years of service and Marge Bury for her 40 years of service.

Mr. Kenderdine called the Trustees' attention to the Board attendance and Trustee training reports, reminding the Trustees that the attendance report does not reflect today's meeting and asked that the Trustees notify Angie Jenkins of any corrections that may need to be made.

Mr. Kenderdine and Ms. Gawthrop provided an update to the Board on the Joint Committee on Pensions (JCP) meeting.

Ms. Gawthrop reported that the JCP unanimously agreed to sponsor the following legislation:

- › References to the Reformed Contributory Pension Benefit
- › Purchase of Employment as a Legislative Employee
- › Independent Medical Evaluations – Small Procurement Cap
- › Membership Elections – Prohibitions in the ORP and the Several Systems
- › Optional Retirement Program – Annuity Contracts
- › Procurement Exemption for Global Custody Services

Ms. Gawthrop further reported that the JCP unanimously agreed to hold the following legislation, until the start of the upcoming legislative session:

- Reduction of Accidental Disability Benefits by the Amount of Related Workers' Compensation Benefits.

The JCP indicated they would be seeking additional information from DLS on this issue.

- Board of Trustees Budget Authority – Investment Division

When presenting this legislative request, DLS recommended that if legislation is sponsored, it should include limitations and controls on the expansion of the Board's budget authority for Investment

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Division personnel, and should include reporting requirements regarding the use of any additional authority granted by the legislation.

- Modification of Employer Surcharge – Non-Contributory Pension Benefit and Contributory Pension Benefit.

The JCP indicated that they would be seeking additional information from DLS on this issue.

In addition, Ms. Gawthrop reported that the JCP unanimously agreed to sponsor legislation regarding changes to the current statutory provisions governing active death benefits across the several systems. Specifically, this legislation will address issues in the following areas:

1. Providing a consistent age for all plans in the System when death benefits will terminate for surviving minor children;
2. Providing for the selection of the general death benefit as an option when it would provide a greater benefit than a special death benefit allowance;
3. Dividing a special death benefit allowance to eligible surviving children when a surviving child becomes ineligible due to age;
4. Creating consistency among the several systems for eligibility of dependent parents for survivor allowances; and
5. Reviewing the application of the age cutoff to a surviving disabled child.

On a motion made by Mr. Brotman and duly seconded, the Board voted to meet in a Closed Session, beginning at 10:55 a.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. reviewing the closed session Board 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;
3. discussing the administrative appeal of Alison Kelly, pursuant to General Provisions Art., § 3-103(a)(1)(iii), a quasi-judicial function;
4. discussing office security protocol, pursuant to General Provisions Art., § 3-305(b)(10), to discuss public security, if the public body determines that public discussion would constitute a risk to the public or to public security, including (i) the deployment of fire and police services and staff; and (ii) the development and implementation of emergency plans; and

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5. discussing the System's redemption of an investment in a hedge fund pursuant to General Provisions Art., § 3-305(b)(5), to consider the investment of public funds, § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-335 preventing the disclosure of trade secrets and confidential commercial or financial information, to consult with counsel to obtain legal advice, pursuant to General Provisions Art., § 3-305(b)(7) and to consult with staff, consultants or other individuals about pending or potential litigation, pursuant to General Provisions Art., § 3-305(b)(8).

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Eric Brotman
James Bush, Jr.
Kenneth Haines
David Hamilton

Linda Herman (via phone)
Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte
Richard Norman

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

Robert Burd
Margaret Bury
Melody Countess
Anne Gawthrop

Michael Golden
Ira Greenstein
Angie Jenkins
Andrew Palmer (via phone)

Harvey Raitzyk
Ken Reott
David Rongione
Janet Sirkis

Assistant Attorneys General present included: Kathy Brady and Kathleen Wherthey (except during closed session agenda items #3, administrative appeal of Alison Kelly, and #4 office security protocol).

Other attendees included: Susanne Brogan and John Kenney.

On a motion made by Mr. Hughes and seconded by Ms. Lochte, the Board returned to open session at 11:28 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Board of Trustees discussed and took action on the following matters:

Closed Session
Minutes

The Board reviewed and approved the November 17, 2016 closed session minutes.

Medical Board
Reports

The Board reviewed and adopted the medical board reports from November 16, November 30, December 8 and December 14, 2016.

Administrative
Appeal of Alison
Kelly

The Board considered and adopted the proposed summary decision of the Administrative Committee and the Executive Director as the Board's final Summary Decision.

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OPEN SESSION – APPEALS AND HEARINGS

The Trustees present included:

Peter Franchot, Vice Chairman, Presiding
Eric Brotman
James Bush, Jr.
Kenneth Haines

Linda Herman (via phone)
Sheila Hill
F. Patrick Hughes
Charles Johnson
Richard Norman

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

Assistant Attorneys General present included: Carla Goldman Katzenberg, Jill Leiner and Kathleen Wherthey.

Sahid Sanusi

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Sahid Sanusi 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.

Mr. Sanusi appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, 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.

Ellen H. Stein

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Ellen H. Stein 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.

Paul D. Bekman, Esq. appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, 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.

Brian K. Patten

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Brian K. Patten 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.

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Timothy Talbot, Esq. and Mr. Brian Patten appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. 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.

Teressa Roberts

The Board considered the recommendation of the Medical Board in connection with the claim of Ms. Teressa Roberts 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.

Ms. Roberts appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should affirm the Administrative Law Judge's recommendations.

Following discussion, the Board deferred further consideration to Closed Session.

Fred J. Allen

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Fred J. Allen 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. Allen nor anyone authorized to represent Mr. Allen appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. 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.

On a motion made by Mr. Hughes and seconded by Mr. Brotman, the Board voted to meet in a Closed Session (12:49 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

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

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CLOSED SESSION – APPEALS AND HEARINGS

The Trustees present included:

Peter Franchot, Vice Chairman, Presiding
Eric Brotman
James Bush, Jr.
Kenneth Haines

Linda Herman (via phone)
Sheila Hill
F. Patrick Hughes
Charles Johnson
Richard Norman

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

Assistant Attorneys General present included: Kathleen Wherthey.

On a motion made by Mr. Haines and seconded by Mr. Norman, the Board returned to open session at 12:56 p.m.

Other attendees included: John Kenney

OPEN SESSION

During closed session, the Board of Trustees discussed and took action on the following disability appeals:

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

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

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

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

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

Adjournment There being no further business before the Board, on a motion made by Mr. Haines and seconded by Mr. Norman, the meeting adjourned at 12:56 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
November 17, 2016**

**Review and Update
of the Investment
Policy Manual**

The Committee reviewed staff's memorandum and the related excerpt from the Investment Policy Manual outlining the recommended changes to the System's Investment Policy Manual. Ms. Voglino discussed the recommendation and explained that the process outlined in the proposed policy would allow for a consistent process to evaluate solicitations from other institutional investors or organizations when seeking support of particular corporate governance topics.

On a motion by Mr. Brinkley, and seconded by Mr. Brotman, the Committee voted, all in favor, to approve staff's recommended changes to the System's Investment Policy Manual as outlined in the memorandum.

The Investment Policy Manual changes approved by the Corporate Governance Committee will be presented at the Board of Trustees meeting on February 21, 2017 for approval.

**Ratification of
Vote for Principals for
Responsible
Investment**

As further detailed in Ms. Voglino's November 10, 2016 memorandum to the Committee, the Corporate Governance Committee executed an electronic vote via email for the 2016 PRI (Principals for Responsible Investment) Asset Owner Signatory Ballot. A majority of the Committee approved the recommendations of Ms. Hill and an electronic vote was sent for the following items on the PRI 2016 Asset Owner Signatory Ballot:

- 1) A vote for Eva Halvarsson for the 2016 Board elections
- 2) A vote for Hiromichi Mizuno for the 2016 Board elections
- 3) A vote for the 2016 Annual Report and Accounts
- 4) An abstention for the 2016 Signatory General Meeting Minutes
- 5) A vote for the proposed changes to the Articles of Association

The Committee unanimously ratified the votes cast for the PRI 2016 Asset Owner Signatory Ballot.

**Review of the
Commonsense
Corporate
Governance
Principals**

Ms. Voglino provided the Committee with the Commonsense Corporate Governance Principals document and the Committee discussed the principals that were applicable to the System and were not already addressed in the System's proxy voting policies.

The desire of the Committee was to discuss and possibly implement changes to the System's proxy voting policy related to board leadership rotation, age limits and term limits at the February Corporate Governance Committee meeting when the policy is reviewed for necessary changes.

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**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
November 17, 2016**

Discussion of the
Climate Change
Testimony to the Joint
Committee on
Pensions

Mr. Palmer detailed his testimony to the Joint Committee on Pensions related to climate change and how the System is addressing the risk. Mr. Palmer detailed some of the current practices by staff to address climate change risk and provided information on what staff would likely implement over the coming year.

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**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
DECEMBER 6, 2016**

Administrative Appeal
of Alison Kelly

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

Ms. Alison Kelly filed a Petition for Hearing requesting that the Board of Trustees overturn the Executive Director's recommendation for a Summary Decision and allow her to join the Optional Retirement Program.

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

Review of the Criteria
for the Executive
Director's Evaluation

The Committee reviewed the evaluation criteria for the Executive Director for the performance period January 16, 2016 through January 15, 2017.

Mr. Kenderdine reported that the criteria are the same as those used the previous year.

On a motion made by Ms. Lochte and duly seconded, the Administrative Committee approved the Executive Director evaluation criteria for recommendation to the Board of Trustees.

Review of the
Governance Charters

Mr. Kenderdine, along with Robert Burd and Rachel Cohen, presented the recommended changes to the Governance Charters, to the Administrative Committee.

Mr. Kenderdine reported that every three years the Board conducts a review of the Governance Charters and Policies. The Charters and Policies were first adopted by the Board in 2003. Staff is presenting recommended amendments to the Governance Charters and will be presenting recommended amendments to the Governance Policies at the February 2017 Administrative Committee meeting.

Ms. Brogan asked if staff could review the Corporate Governance Committee's Charter as it does not appear to fully reflect the policy recommendation of the committee, regarding proxy voting. Ms. Brogan also requested that on page 21, ¶ 5, that the item be revised to remove the split infinitive in the current draft.

After the presentation of the Charters was completed and after further discussion, the Administrative Committee agreed to defer committee's approval of the Governance Charters until February, 2017.

Member Services
Update

Mr. Raitzyk reported that the Member Service unit was able to meet its performance goals for October 2016. The unit's call abandonment rate was 4.38% and the average speed of answer was 0:71.

Mr. Raitzyk reported that the member services unit is fully staffed.

Ms. Hill reported that the Agency may receive calls in the near future, from Department of Public Safety and Correction employees, who have been

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affected by the state's new timekeeping/payroll system that has not accurately been reporting time and payroll data for a certain number of such employees.

Ms. Brogan asked which Agency staff needs to work with on this issue.

Mr. Kenderdine responded that Agency staff will speak with Cindy Kollner at the Department of Budget and Management to get specific information and coordinate with the Department of Public Safety and Corrections.

Finance Reports

Ms. Patricia Wild presented the FY2017 Non-Budgeted Investment Manager and Service Related Fees Report. Ms. Wild indicated that when comparing basis points, the fees paid as a percentage of assets during the first quarter of FY2017 were lower than the fees paid during FY2016, by 5 basis points. Within the Equity and Fixed Income categories, the Agency is still experiencing a significant cushion under the statutory fee cap.

Mr. DiPaula asked what is the committee's responsibility concerning investment fee management?

Mr. Kenderdine responded that the Administrative Committee has oversight responsibility for the investment fees and that the fee report is provided to the Investment Committee as well given its oversight responsibility for the investment program. Ultimately, the Board of Trustees is responsible for the total Investment program.

Mr. DiPaula asked who is responsible for managing investment fees.

Mr. Kenderdine responded that the Chief Investment Officer ("CIO") is responsible for the fee structure of all investments and for reporting those fees to the board. It has long been the practice for fee reports to go to the Administrative Committee. In the last several years, the same report has been submitted to the Investment Committee as well.

Mr. DiPaula commented that reporting and managing are two very different things, and that he is not comfortable that the responsibility for fee management is clearly established. Mr. DiPaula recommended there be a review of this policy and that it be more clearly addressed in the appropriate policy or charter.

Mr. DiPaula requested that this matter be reviewed before the February Administrative Committee meeting, as he feels there is room to enhance reporting on fees by adding information on the statutory cap and a comparison chart showing the previous year's data. The committee would benefit from comparative information presented in summary form.

Mr. DiPaula commented that reporting should be more actionable, affirm that the System is on track or is the System at risk. Each report should have key performance indicators ("KPIs").

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Mr. Robert Burd responded that more specific information, such as current fee and expenses compared to expectations, could be included in the report.

Ms. Brogan asked for clarity on fee reporting for the Investment Committee versus the Administrative Committee.

Mr. Kenderdine responded that the Administrative Committee's sole responsible is to ensure the System stays within the statutory fee cap.

Ms. Countess presented the Administrative Expenses Report for the quarter ending September 30, 2016.

Mr. Kenderdine commented that going forward the administrative expenses report will include a variance column and in advance of the report a "dashboard" highlighting key factors.

Mr. Van Lewis presented the MBE Performance Report for the quarter ending September 30, 2016. Mr. Lewis reported that MBE Performance was 23.16%, which is less than the Governor's goal of 29%.

Ms. Brogan requested that since the Agency is no longer required to report on Non-Profit (Certified) MBE awards, that it be removed from the MBE awards list and referenced in a footnote at the bottom of the report.

Business Plan Status
Report

Mr. Kenderdine, along with Ken Reott, Ira Greenstein, Chandra Puranam and David Rongione, provided the Administrative Committee with an update to the Business Plan, focusing specifically on the following topics:

- Review and Revision of Code of Maryland Regulations:
 - Disability (22.06) – amendments effective 11/24/16
 - Option and Annuity Factors – amendments effective 08/15/16
 - Investment Division-Brokerage Fees – amendments effective 12/19/16
- Development of an Automated Full Cost Purchase Calculator:
 - Phase 1 to be completed by 12/31/16
 - Completion of calculator now scheduled for June 2017
- Updating of Information provided to the System's Actuary for the Annual Valuation is on target for June, 2017 completion.
- Implementation of new Option and Annuity Factors
 - 65% complete
 - Currently working on incorporating the new annuity and option factors in the MPAS retirement finals and revisions applications and is on target to complete the implementation by 06/30/17

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**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
DECEMBER 6, 2016**

- MPAS 2 – Improve Data Integrity (Phase 2)
 - The Business Operations Office (“BOO”) successfully completed the 2nd phase of the MPAS 2-Improve Data Integrity project on 07/20/16.
- MPAS 2 – Improve Data Integrity (Phase 3)
 - BOO is on target to complete the 3rd phase of the project by August 2017.
- Analysis and Re-Engineering of Processing and Administration of Domestic Relations Orders within MPAS
 - BOO is on target to complete this initiative by December 2017 pending availability of resources.
- Automate the Average Final Compensation (AFC) Calculations.
 - BOO is on target to complete this initiative by August 2017 pending availability of resources.
- MSRA Public Website
 - RFP to be issued January 2017.
- Revision of Revenue Control Transmittals and PGU Payroll Reporting is complete.
- Disaster Recovery Plan – I.S. Desktop Walk-Through Exercise is complete and all changes determined necessary as a result of the exercise have been incorporated.
- Implement Auto-Audit Modules
 - “Time Tracking” modules have been implemented.
 - “Issue Tracking” modules are 90% complete.
 - Update to policies and procedures on the implementation of the modules is on target to be completed by June 2017.

Office Security
Protocol

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

Detective Sergeant (“D/Sgt.”) Bryan Waser from the Maryland Capitol Police (“MCP”) presented to the Administrative Committee his evaluation and analysis of the Agency’s security measures and protocol.