

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

May 16, 2017

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 1:55 p.m.

The Trustees present included:

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

David Hamilton
Linda Herman
Sheila Hill
Charles Johnson
Theresa Lochte
Richard Norman

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

Melody Countess
Anne Gawthrop
Michael Golden
Ira Greenstein
Angie Jenkins

Van Lewis
Michelle Lowery
Kimberly O’Keeffee
Andrew Palmer
Chandra Puranam

Harvey Raitzyk
Ken Reott
David Rongione
Janet Sirkis
Toni Voglino

Assistant Attorneys General attending included: Rachel Cohen, Jody Shaw, and Kathleen Wherthey

Other attendees included: Susanne Brogan, John Kenney, Phillip Anthony, Nathan Bowen, Ed Welsh, Michael Murdzak and Anthony Garcia

Consent Agenda

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

- April 18, 2017 Open Meeting Board Minutes

Recommendation of the Investment Committee regarding the Appointment of a Public Advisor

The Investment Committee reported that it conducted interviews of three qualified candidates for the position of Public Advisor to the Investment Committee. The committee recommended, to the Board of Trustees, the appointment of Stephen Kitsoulis, as Public Advisor.

On a motion by Ms. Herman and seconded by Ms. Hill, the Board voted and approved the recommendation of the Investment Committee to appoint Stephen Kitsoulis to the position of Public Advisor to the Investment Committee.

Recommendation of the Investment Committee regarding Asset Allocation and Changes to the Investment Policy Manual

The Investment Committee advised that, at its meeting on May 16, 2017, it agreed to defer voting on the recommendations regarding Asset Allocation and related amendments to the Investment Policy Manual. The Committee will meet on June 20, 2017 to further consider both matters. The Trustees were asked to forward any questions or concerns to the Chairman of the Investment Committee.

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Recommendation
of the Corporate
Governance
Committee
regarding changes
to the Investment
Policy Manual and
Proxy Voting Policy

Toni Voglino presented a memorandum from Sheila Hill, Chairman of the Corporate Governance Committee, which provided a detailed description of the proposed changes to the System's proxy voting guidelines and provided several examples of past proxy proposals that were relevant to the proposed changes.

Ms. Voglino indicated that the System's current policy indicates that Directors should be compensated only in cash or stock, with a significant portion of the compensation in stock, and with an appropriate vesting or holding period. Shareholder approval should be required for all equity-based compensation plans that include any director or executive office of the company.

Ms. Voglino, indicated that the Committee was recommending the following additions to the System's proxy policy:

- ❖ Vote case-by-case on management proposals seeking ratification of non-employee director compensation plans, based on, but not limited to, the following factors:
 - The relative magnitude and limits of non-employee director compensation compared to peer companies of similar industry and tenure of the company, taking into consideration of any mitigating circumstances;
 - The presence of problematic pay practices relating to non-employee director compensation;
 - Director stock ownership guidelines and holding requirements;
 - Equity award vesting schedules;
 - The mix of cash and equity-based compensation;
 - The company's three-year equity grant practices relative to its industry peers;
 - The presence of any egregious plan features;
 - The availability of retirement benefits or perquisites; and
 - The quality of disclosure surrounding non-employee director compensation.

Anthony Garcia from Institutional Shareholder Services, Inc. ("ISS") the System's proxy advisor, was present and reported that ISS recommended the change to the System's proxy policy as it is becoming more common for stand-alone director compensation packages to be put to a shareholder vote and the System's policy is not sufficient to adequately evaluate the stand-alone proxy proposals on director compensation. Mr. Garcia indicated that the recommended changes to the policy would provide framework for ISS to evaluate the proposals on director compensation.

Ms. Herman asked how ISS was compensated for their services.

Ms. Voglino responded that the System is billed a flat fee for services rendered by ISS.

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Mr. Hamilton commented that the information provided to the Board was very detailed and complemented Ms. Voglino on the presentation.

On a motion made by Mr. Johnson and seconded by Mr. Bush, the Board voted and approved the recommendation of the Corporate Governance Committee regarding changes to the Investment Policy Manual and the proxy voting policy.

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

Treasurer Kopp reported that the Ad Hoc Committee agreed to reconvene after the Board of Trustees meeting in which the Board discusses and votes on the Asset Allocation.

Executive
Director's Report

Mr. Kenderdine reported that the Office of Legislative Auditors (OLA) is starting their triennial review of the System and that the entry interview was scheduled for Thursday, May 18, 2017.

Mr. Kenderdine reported that as part of the MPAS-II project, the data-scrubbing phase, letters are being mailed out to the members whose service records are being adjusted. The first set of letters were mailed out to those who are gaining service credit. The second set of letters are going to teachers whose accounts are being corrected from a 12-month service credit to a 10-month service credit.

Mr. Kenderdine reported that SB & Company, the System's financial auditor would be starting their annual financial audit in June.

Rachel Cohen, Principal Counsel, reported that Carla Goldman Katzenberg has announced that she plans to retire at the end of this year. Ms. Cohen also reported that Jody Shaw was promoted to Deputy Counsel for Investments and that Alexander Harisiadis has been hired to fill the Assistant Attorney General position previously held by Mr. Shaw.

On a motion made by Ms. Lochte and seconded by Mr. Brotman, the Board voted to meet in a Closed Session, beginning at 2:12 p.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; and

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3. receiving a report from the Executive Director regarding the offset of retirement benefits of participants under State Personnel and Pensions Art., § 21-113, 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.

CLOSED SESSION

The Trustees present included:

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

David Hamilton
Linda Herman
Sheila Hill
Charles Johnson
Theresa Lochte
Richard Norman

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Melody Countess Van Lewis Harvey Raitzyk
Anne Gawthrop Michelle Lowery Ken Reott
Angie Jenkins Kimberly O'Keefee Janet Sirkis

Assistant Attorneys General attending included: Rachel Cohen, Jody Shaw, and Kathleen Wherthey

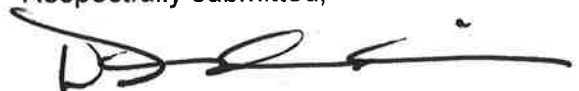
Other attendees included: Susanne Brogan and John Kenney

On a motion made by Mr. Bush and seconded by Mr. Brotman, the Board returned to open session at 2:14 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

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

Closed Session Minutes	The Board reviewed and approved the April 18, 2017 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from April 19, April 27, May 3 and May 11, 2017.
Adjournment	There being no further business before the Board, on a motion made by Mr. Brotman and seconded by Mr. Bush, the meeting adjourned at 2:15 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board