

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

February 21, 2023

The Board of Trustees for the Maryland State Retirement and Pension System convened, via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 1:45 p.m.

The Trustees present included:

Dereck Davis, Chair, Presiding	Sheila Hill
Brooke Lierman, Vice-Chair (in person)	Michael Howard
Linda Allen	Richard Norman
Thomas Brandt	Douglas Prouty
Jamaal Craddock (in person)	Robert Sandlass (in person)
James Daly (in person)	Michael Stafford, Jr. (in person)
Helene Grady (in person)	Matthew Wyskiel
Kenneth Haines	

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary (in person)

Andy Palmer (in person)	Chandra Puranam	Kathy Sirkis
Angie Jenkins (in person)	Dave Rongione	Ken Reott
Anne Gawthrop (in person)	Dominique Cherry (in person)	Kim O’Keeffe
Ben Robb	Harris Kaplan	Michael Golden
Bob Diehl	Janet Sirkis (in person)	Toni Voglino (in person)

Assistant Attorneys General present via Teams included: Rachel Cohen, Emily Spiering, Alex Harisiadis and Tea Carnell

Other attendees included: Jonathan Martin, Laura Atas and Megan Schutz (Treasurer’s Office); Ben Seigel (in person from Comptroller’s Office); Alton Wallace, Danielle Gaines, Joe Ebisa, Maguette Diop and Phillip Anthony

Call Meeting to Order	Treasurer Davis, Chair of the Board of Trustees, having established that there was a quorum present, called the meeting to order.
Consent Agenda	On a motion made by Mr. Haines and seconded by Ms. Hill, the Board approved the consent agenda, which included: <ul style="list-style-type: none">• January 17, 2023 Open Meeting Board Minutes• February 7, 2023 Administrative Committee Meeting Summary
2023 Legislation	The Board was provided with a 2023 legislation update. On a motion made by Mr. Haines, Chair of the Administrative Committee and seconded by the Committee, the Board approved staff’s recommendations regarding the legislation, as presented.
Discussion regarding Board Meeting Dates and Times	Mr. Noven reported that this topic was being brought to the Board to see if there were any concerns regarding the current Board meeting dates and/or times. Having heard no objection or concerns from the Board regarding the current meeting schedule, the meeting dates and times will remain as is.
Appointment of Committee Members	The Board was provided with a proposed list of committee assignments, which would be in affect through July 31, 2023. The proposal included the addition of Secretary Grady to the Administrative, Investment, and Corporate Governance and Securities Litigation Committees, Comptroller Lierman to the Investment and

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

February 21, 2023

Corporate Governance and Securities Litigation Committees; Trustee Sandlass to the Corporate Governance and Securities Litigation Committee; and Trustee Daly as Vice-Chair to the Investment Committee.

On a motion made by Comptroller Lierman and seconded by Mr. Prouty, the Board approved the committee assignments, as proposed.

Certification of the
Retired Employees'
System
Representative

Mr. Noven certified to the Board that there is one eligible candidate, Sheila Hill, who met the requirements to be included on the ballot for the 2023 Retired Employees' System Trustee Election.

Mr. Noven indicated that when a single candidate qualifies to be placed on the ballot, that candidate shall be considered nominated to serve as Trustee for his or her system and, upon the Board's certification, the candidate shall serve as trustee for the appropriate term. Ms. Hill would serve a new four-year term beginning August 1, 2023 through July 31, 2027.

On a motion made by Mr. Brandt and seconded by Mr. Norman, the Board certified that Ms. Hill is deemed nominated to serve as a trustee for four years, beginning August 1, 2023.

Certification of the
Retired Teachers'
System
Representative

Mr. Noven certified to the Board that there is one eligible candidate, Ayana English-Brown, who met the requirements to be included on the ballot for the 2023 Retired Teachers' System Trustee Election.

Mr. Noven indicated that when a single candidate qualifies to be placed on the ballot, that candidate shall be considered nominated to serve as Trustee for his or her system and, upon the Board's certification, the candidate shall serve as trustee for the appropriate term. Ms. English-Brown would serve a four-year term beginning August 1, 2023 through July 31, 2027.

On a motion made by Mr. Prouty and seconded by Mr. Haines, the Board certified that Ms. English-Brown is deemed nominated to serve as a trustee for four years, beginning August 1, 2023.

Recommendation of
the Administrative
Committee
regarding
Amendments to the
Board Operations
Policy

The Board was provided with a red-lined document outlining proposed amendments to the current Board Operations Policy concerning Minutes and Recordings.

On a motion made by Mr. Haines, Chair of the Administrative Committee and seconded by the Committee, the Board approved the proposed amendments to the Board Operations Policy, as presented

Recommendation of
the Corporate
Governance and
Securities Litigation
Committee
regarding the Iran-
Sudan Divestment

The Board was provided with a memorandum, a recommended Iran and Sudan restricted list and an Iran and Sudan Divestment Impact Analysis of all companies on the January 1, 2023 MSCI ESG Iran-Sudan Focus List, performed by Meketa.

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

February 21, 2023

<u>Iran and Sudan Restricted List</u>		
<u>February 21, 2023</u>		
<u>ISSUER NAME</u>	<u>Country</u>	<u>Iran or Sudan</u>
Bharat Heavy Electricals Limited	India	Sudan
China National Petroleum Corporation (PetroChina Co)	China	Both
China Petrochemical Corporation	China	Both
CNOOC Curtis Funding NO.1 PTY LTD	Australia	Iran
CNPC (HK) Overseas Capital Ltd.	Virgin Islands	Both
CNPC General Capital Limited	Virgin Islands	Both
CNPC Global Capital Limited	China	Both
EI Sewedy Cables Co	Egypt	Sudan
Gaz Capital S.A.	Luxembourg	Iran
Gazprom Capital OOO	Russia	Iran
Gazprom PAO	Russia	Iran
Gaz Finance PLC	Great Britain	Iran
Gazprom Gazoraspredeleniye Sever AO	Russia	Iran
Harbin Power Equipment Co., Ltd	China	Sudan
Kontrolmatik Teknoloji Enerji ve Muhendislik AS	Turkey	Sudan
Managem S.A.	Morocco	Sudan
Oil and Natural Gas Corporation Limited	India	Sudan
Oil India International PTE. LTD.	Singapore	Sudan
Oil India Ltd.	India	Sudan
ONGC Videsh Limited	India	Sudan
Petroliam Nasional Berhad (Petronas)	Malaysia	Sudan
Petronas Capital Limited	Malaysia	Sudan
Siemens Aktiengesellschaft	Germany	Sudan
Siemens Energy AG	Germany	Sudan
Siemens Financieringsmaatschappij N.V.	Netherlands	Sudan
Sinopec Group Overseas Development (2012) Limited	Virgin Islands	Both
Sinopec Group Overseas Development (2013) Limited	Virgin Islands	Both
Sinopec Group Overseas Development (2014) Limited	Virgin Islands	Both
Sinopec Group Overseas Development (2015) Limited	Virgin Islands	Both
Sinopec Group Overseas Development (2016) Limited	Virgin Islands	Both
Sinopec Group Overseas Development (2017) Limited	Virgin Islands	Both
Sinopec Group Overseas Development (2018) Limited	Virgin Islands	Both
Total		32

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

February 21, 2023

The memorandum provided staff's recommendation to delete the following four companies from the Iran and Sudan Restricted List.

- SCHNEIDER ELECTRIC SE
- Orca Gold Inc
- KUWAIT FINANCE HOUSE K.S.C.P.
- Energy House Holding Company, K.S.C.P.

On a motion made by Mr. Prouty, Chair of the Corporate Governance and Securities Litigation Committee and seconded by the Committee, the Board approved the Iran and Sudan Restricted List, with the deletion of the four companies, as presented.

Recommendation of
the Corporate
Governance and
Securities Litigation
Committee
regarding Proxy
Voting Guidelines

The Board was provided with a red-lined document outlining proposed amendments to the System's Proxy Voting Guidelines.

On a motion made by Mr. Prouty, Chair of the Corporate Governance and Securities Litigation Committee and seconded by the Committee, the Board approved the proposed amendments to the System's Proxy Voting Guidelines, as presented.

Recommendation of
the Corporate
Governance and
Securities Litigation
Committee
regarding Proposed
Amendments to the
Securities Litigation
Policy

The Board was provided with a red-lined document outlining proposed amendments to the current Securities Litigation Policy.

On a motion made by Mr. Prouty, Chair of the Corporate Governance and Securities Litigation Committee and seconded by the Committee, the Board approved the proposed amendments to the Securities Litigation Policy, as presented.

Recommendation of
the Investment
Committee
regarding
Investment Division
Salary Scale
Adjustments

The Board was provided with a report from CBIZ Talent & Compensation Solutions, regarding its annual recommendation to adjust the salary range scale for certain Investment Division employees. CBIZ's recommendation for the salary scale adjustment is 5.3%. This adjustment does not apply to Investment Division positions that do not involve discretion over investment-related decisions, as these employees receive salary adjustments available to all other State employees in the State Personnel Management System.

On a motion made by Mr. Stafford, Chair of the Investment Committee and seconded by the Committee, the Board approved the Committees' recommendation to adjust the salary range structure for the three employee categories (Professional, Management, and Leadership) in the Investment Division by 5.3%, as presented.

Recommendation of
the Investment
Committee
regarding
Amendments to the
Investment Policy
Manual

The Board was provided with a red-lined document outlining proposed amendments to the current Investment Policy Manual.

On a motion made by Mr. Stafford, Chair of the Investment Committee and seconded by the Committee, the Board approved the proposed amendments to the Investment Policy Manual, as presented.

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

February 21, 2023

Recommendation of
the Investment
Committee
regarding Asset
Allocation

The Board was provided with an asset allocation analysis report provided by Meketa Investment Group. On the recommendation of Meketa and staff, the investment committee approved and recommended to the full board a policy change to reduce the exposure to emerging markets reflecting the lower long-term return expectations and higher geopolitical risks of investing in China. Specifically, the recommendation changed target allocations as follows:

- Reduce emerging market equity from 10% to 6%
- Increase U.S. equity from 15% to 17%
- Increase Developed ex U.S. equity to 11% from 9%
- Reduce Inflation Protected Bonds from 5% to 4%
- Increase Credit to 9% from 8%

Further, the committee supported the recommended 12-month timeline (6/30/22 through 6/30/23) for implementation with an anticipation of moving 1% of the equity changes per quarter and the bond change in the second quarter of 2023 but provided staff with flexibility on timing, potentially extending the implementation timeline to 24 months.

On a motion made by Mr. Stafford, Chair of the Investment Committee and seconded by the Committee, the Board approved the recommendations proposed by Meketa Investment Group, as presented.

Governance
Concerns

Trustee Daly provided the Board with a written and verbal outline regarding the relevant sections of the BOT charter stating that the BOT (not the legislature) has the authority to establish investment policy. He explained the reasons why it is a bad governance practice for legislators to make investment policy laws and asked how best to request the legislature to refrain from passing future investment policy laws.

Comptroller Lierman responded that the Board is fortunate to have a General Assembly that supports the Board. She indicated that 95% of the legislation that is passed is Board-related. She also reminded the Board that it is created by the General Assembly and that the Maryland General Assembly deserves credit for contributing more than the actuarially determined contributions to the System with “sweeper” money every year.

After further discussion, Chairman Davis asked if the Board would agree to table this topic for a later time to give thought to the language or message the Board wants to deliver and articulate the reasons why, as well.

On a motion made by Mr. Haines and seconded by Mr. Daly, the Board agreed to defer this topic until the March BoT meeting.

CIO Report

Mr. Palmer provided the Board with two fund tear sheets, a final tear sheet for [December, 2022](#), which showed the total fund value was \$62.9 billion, a decrease of -1.31% for the month and -1.21% FYTD; the other tear sheet reported preliminary numbers for [January, 2023](#), reporting the total fund value of \$64.8 billion, an increase of 3.12% for the month and 1.87% FYTD.

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

February 21, 2023

Mr. Stafford questioned the numbers reported in the December 2022 tear sheet and asked if the report was correct in the reflection of private equity returns and the depiction of assets relative to liabilities.

Mr. Palmer responded that the private equity returns were one quarter lagged, reflecting September 30 fund performance updated for cash flows through December 31 and that the December fund performance would not be revised when December private equity valuations were received. Mr. Palmer responded that the graph depicted market value of assets and June 30, 2022 liabilities and the difference in the two widening over the last year because of the market set back.

Mr. Noven explained that on an actuarial basis, the assets values are smoothed so that, in fact, the funded status improved last year because the smoothing process was still incorporating the large gain in 2021.

Executive Director's
Report

Mr. Noven provided the Board with a copy of the proposed membership recruitment correspondence that AFSCME plans to distribute to recent retirees. Mr. Noven reported that the material was reviewed by Trustee Hill and is being brought to the full Board, as required by statute, as an informational item.

Mr. Noven reminded the Board that the evaluation of the Executive Director was due to the Department of Budget and Management by March 10, 2023. Mr. Noven reported that he would be sending his self-evaluation to the Board.

On a motion made by Mr. Daly and seconded by Comptroller Lierman, the Board voted to meet in a Closed Session, beginning at 2:49 p.m., via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland, for the purposes of:

- a) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;
- b) reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure 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 psychological information;
- c) considering the approval of proposed salary adjustments for certain employees of the Investment Division, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; and
- d) considering the approval of proposed salary adjustments for the Chief Investment Officer of the Investment Division, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment,

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

February 21, 2023

employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction.

CLOSED SESSION

The Trustees present included:

Dereck Davis, Chair, Presiding	Sheila Hill
Brooke Lierman, Vice-Chair (in person)	Michael Howard
Linda Allen	Richard Norman
Thomas Brandt	Douglas Prouty
Jamaal Craddock (in person)	Robert Sandlass (in person)
James Daly (in person)	Michael Stafford, Jr. (in person)
Helene Grady (in person)	Matthew Wyskiel
Kenneth Haines	

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary (in person)
Angie Jenkins (in person) Janet Sirkis (in person)

Assistant Attorneys General present via Teams included: Rachel Cohen

On a motion made by Mr. Daly and seconded by Mr. Stafford, the Board returned to open session at 2:54 p.m., via a hybrid video/audio conference call at 120 E. Baltimore Street, 16th Floor, Baltimore, Maryland

OPEN SESSION

The Trustees present included:

Dereck Davis, Chair, Presiding	Sheila Hill
Brooke Lierman, Vice-Chair (in person)	Michael Howard
Linda Allen	Richard Norman
Thomas Brandt	Douglas Prouty
Jamaal Craddock (in person)	Robert Sandlass (in person)
James Daly (in person)	Michael Stafford, Jr. (in person)
Helene Grady (in person)	Matthew Wyskiel
Kenneth Haines	

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary (in person)

Andy Palmer (in person)	Chandra Puranam	Kathy Sirkis
Angie Jenkins (in person)	Dave Rongione	Ken Reott
Anne Gawthrop (in person)	Dominique Cherry (in person)	Kim O’Keeffe
Ben Robb	Harris Kaplan	Michael Golden
Bob Diehl	Janet Sirkis (in person)	Toni Voglino (in person)

Assistant Attorneys General present via Teams included: Rachel Cohen, Emily Spiering, Alex Harisiadis and Tea Carnell

Other attendees included: Jonathan Martin, Laura Atas and Megan Schutz (Treasurer’s Office); Ben Seigel (in person from Comptroller’s Office); Alton Wallace, Danielle Gaines, Joe Ebisa, Maguette Diop and Phillip Anthony

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

February 21, 2023

During closed session, the Board of Trustees discussed and acted on the following matters:	
Closed Session Minutes	The Board reviewed and approved the January 17, 2023 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from January 18, January 26, February 1, February 9 and February 15, 2023.
Recommendation of the Investment Committee regarding Compensation for Certain Employees of the Investment Division	The Board reviewed and approved the recommendations of the Investment Committee regarding the compensation for certain employees of the Investment Division, as presented.
Recommendation of the Investment Committee regarding Compensation for the Chief Investment Officer	The Board reviewed and approved the recommendations of the Investment Committee regarding the compensation of the Chief Investment Officer, as presented.

Adjournment There being no further business before the Board, on a motion made by Mr. Prouty and seconded by Mr. Stafford, the meeting adjourned at 2:55 p.m.

Respectfully submitted,



Martin Noven
Secretary to the Board

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

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
MARCH 7, 2023***

The Committee Members present included:

Kenneth Haines, Chair, Presiding	Dereck Davis
Linda Allen	Marc Nicole
Thomas Brandt	Robert Sandlass
Jamaal Craddock	

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary

Melody Countess	Angie Jenkins	Ken Reott
Robert Diehl	Harris Kaplan	Ben Robb
Patricia Fitzhugh	Van Lewis	David Rongione
Anne Gawthrop	Megan Myers	Janet Sirkis
Michael Golden	Kim O’Keeffe	

Assistant Attorneys General present included: Rachel Cohen and Emily Spiering

Other attendees included: Laura Atas and Megan Schutz (Treasurer’s Office); and Kate Kemmerer

2023 Legislation	THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA IN OPEN SESSION.
	Ms. Anne Gawthrop provided the Committee an updated overview of the 2023 pension related legislation introduced to the General Assembly since the February Board of Trustees meeting.

Discussion regarding Administrative Committee Meeting Dates and Times	Mr. Noven reported that this topic was being brought to the Committee, to see if there were any concerns regarding the current meeting dates and/or times. Mr. Noven reported that per Board policy each Committee is responsible for their own meeting schedule.
	After a brief discussion, having heard no objection or concerns from the Committee regarding the current meeting schedule, the meeting dates and times will remain as scheduled. In addition, the Administrative Committee meetings will continue to be conducted virtually.

Finance Reports – Quarter Ending 12/31/22	Ms. Countess and Mr. Lewis presented to the Committee the Administrative Expense Report Dashboard, which provided an overview of the how the Agency expended or encumbered 40.94% of its FY2023 appropriation through the second quarter.
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APPROPRIATION EXPENDED/ENCUMBERED	40.94%
REGULAR SALARIES	46.52%
CONTRACTUAL PAYROLL AND TECHNICAL SUPPORT	28.69%
COMMUNICATIONS (INCLUDES POSTAGE)	16.46%
TRAVEL	8.13%
VEHICLE COSTS	57.20%
CONTRACTUAL SERVICES (including equipment leasing & building maintenance)	22.03%
SUPPLIES	74.53%
EQUIPMENT PURCHASES	50.00%
RENT AND INSURANCE	55.19%
DUES, SUBSCRIPTIONS AND LICENSES	53.75%

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

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
MARCH 7, 2023***

Mr. Lewis reported that the second quarter expense schedule projects a year-end surplus of approximately \$129k with the primary drivers of the forecasted end-of-year surplus being unexpended costs related to per diem medical consulting costs and independent medical examination costs, contractual personal costs, travel costs and costs in several contractual services categories with the largest surplus anticipated in the miscellaneous expenditures resulting from there not being a need for Board elections in the current year.

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Mr. Lewis presented the MBE Performance Report for the quarter ending December 31, 2022. The report showed that the MBE performance was 31.00%.

Mr. Lewis noted an error on the MBE summary page in which it indicates "During the second quarter, qualifying procurements increased by \$284,796"; Mr. Lewis indicated that the report should have indicated that the qualifying procurements increased by \$448,870. The report also indicated that the agency processed eight (8) purchase orders and one (1) qualifying blanket purchase order totaling \$744,557 through the second quarter.

Member
Services
Update

Mr. Reott provided a Member Services performance update as of January, 2023 to the Committee.

Mr. Reott noted an error on the report which indicated that the average call abandonment rate for FY22 was 16.50%, which was incorrect and should have reflected the correct rate of 15.17%. The report showed that the FY23 average call abandonment rate was 13.63% and an average call wait time of 301 seconds, both of which were favorable in comparison to last fiscal year.

Mr. Reott reported that the call summary section of the report reflects that the unit was offered 12,296 calls in January, with no single topic driving the increase. Mr. Reott reported that the unit continues to strive to maintain an average of 10 staff on the phones.

Mr. Reott reported that the correspondence section of the report reflects that the unit received 13,694 pieces of correspondence fiscal-year-to-date, which is a 3% decrease over last fiscal year.

Mr. Reott reported that the unit is expected to receive four new positions in the new fiscal year, one of which is a newly created receptionist position. The unit is also pursuing a summer intern position, who will fill that receptionist position until a permanent person is hired.

Mr. Reott also reported that Charelle Saunders, Director of the Member Services unit has announced that she will retire on May 1, 2023. Gwen Mulcahy, Deputy Director of the unit has been promoted to Director and Derrick Johnson, Counselor Manager has been promoted to Deputy Director.