

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

March 20, 2012

The Board of Trustees for the Maryland State Retirement and Pension System met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, beginning at 9:02 a.m.

The Trustees present included:

Peter Franchot, Vice-Chairman	James Harkins
David Blitzstein (via telephone)	Sheila Hill
John Douglass	Major Morris Krome
T. Eloise Foster (via telephone)	Theresa Lochte
Robert Hagans, Jr.	Harold Zirkin
Kenneth Haines	Thurman Zollicoffer, Jr.

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

Anne Budowski	Anne Gawthrop	Janet Sirkis
Robert Burd	Michael Golden	Patrice Sowah
Margaret Bury	Ira Greenstein	Toni Voglino
Melody Countess	Dennis Krysiak	Victoria Willard
Patricia Fitzhugh	Kenneth Reott	

Assistant Attorneys General present included: Deborah Bacharach and Kathy Brady.

Also attended by: John Kenney.

- Consent Agenda 1. On a motion made by Mr. Harkins and seconded by Mr. Zirkin, the Board approved the consent agenda which included the:
- February 21, 2012 Open Meeting Board Minutes
  - March 6, 2012 Administrative Committee Report
  - February 21, 2012 Corporate Governance Committee Report
  - February 21, 2012 Audit Committee Report
  - Disability Reports from the Medical Board

- 2012  
Legislative Position  
Recommendations 2. Ms. Anne Gawthrop provided an overview of 2012 pension related legislation.

On a motion made by Mr. Harkins and seconded by Major Krome, the Board approved the 2012 legislative positions; summarized as follows:

HB774/SB711 MD General & Limited Power of Attorney Act	Support
HB1332 Independent Investment Advisory Firms	Oppose
SB1093 Calvert County - County Commissioners - Pensions	No Position

Ms. Gawthrop reported that HB371\SB367 Transfer of Service Credit was voted unfavorable by Appropriations on March 21<sup>st</sup>.

- COMAR Regulation  
Disability Retirement  
22.06.01 Amendments 3. Ms. Anne Budowski provided the Board with an overview of proposed amendments. The Board discussed the regulations.

After careful consideration and on a motion made by Major Krome, and seconded by Mr. Harkins, the Board approved add amendments COMAR Regulation Disability Retirement 22.06.01, as recommended by the Administrative Committee.

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CIO Report 4. Mr. Robert Burd presented an investment performance update as of February 29, 2012. He reported that February was a good month, led by continued strength in the public equity markets. The total fund returned 2.82% for the month, beating the policy benchmark by 16 basis points. Fiscal year to date as of February 29, 2012, the total fund was up 1.50%, lagging the policy benchmark by 12 basis points. Mr. Burd also reported that for the month of February 2012, all asset classes posted a positive return, and all but one outperformed its benchmark.

Executive Director's Report 5. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine provided the Board with an April 2012 letter from Bonnie Curry Brose, President, Maryland Retired School Personnel Association. This letter intended for the recruitment of members is to be sent to all retirees of the Teachers' Pension and Teachers' Retirement Systems between January 2010 through February 2012.

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Mr. Kenderdine reported that in March the Office of Legislative Audits issued their audit report of the State Retirement Agency. After several months, and two separate teams of audits, the report cited only one audit finding which was related to MPAS access. The report was very favorable audit for which Mr. Kenderdine recognized the Board's governance of the System and staff's management of the Agency.

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Mr. Kenderdine reported on two staff related issues. The passing of Collen Bower's husband. Collen serves as the Director of Administration & Operations for the Investment Division. Dennis Krysiak, Director, Budget & Contracts, has accepted a new position at the Maryland Port Administration effective March 21, 2012.

**CLOSED SESSION**

The Board met in a Closed Session (9:31 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to approve the closed session minutes, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to receive information and discuss the Securities Litigation Committee Report, pursuant to State Government Article § 10-508(a)(7) and (8), receive advice of counsel; and to discuss pending or potential litigation;
3. to discuss the Executive Director's evaluation, State Government Article §10-508(a)(1), personnel matters.

The Trustees present included:

Peter Franchot, Vice-Chairman  
David Blitzstein (via telephone)  
John Douglass  
T. Eloise Foster (via telephone)  
Robert Hagans, Jr.  
Kenneth Haines

James Harkins  
Sheila Hill  
Major Morris Krome  
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Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary  
Anne Budowski Anne Gawthrop Janet Sirkis  
Margaret Bury Michael Golden Patrice Sowah  
Melody Countess Dennis Krysiak Toni Voglino  
Patricia Fitzhugh Kenneth Reott

Assistant Attorney General present included: Deborah Bacharach.

**REGULAR SESSION – APPEALS AND HEARINGS**

Melanie L. Bowling 6. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Melanie L. Bowling 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. Melanie L. Bowling and her attorney Mr. Michael Davey, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla 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.

Joyce A. Jennings 7. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Joyce A. Jennings 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.

Ms. Joyce A. Jennings appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla 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.

John G. Thomas 8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. John G. Thomas 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. John G. Thomas appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, attorney for the Agency, briefly addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

Kitty Brew 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Kitty Brew 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.

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Ms. Kitty Brew was notified about the hearing however, she was not present before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill Leiner, attorney for the Agency, briefly addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

**CLOSED SESSION – APPEALS AND HEARINGS**

The Board met in a Closed Session (11:15 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to discuss the disability appeals pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Peter Franchot, Vice-Chairman  
Robert Hagans, Jr.  
Kenneth Haines  
James Harkins

Sheila Hill  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary  
Margaret Bury Janet Sirkis  
Anne Gawthrop Patrice Sowah

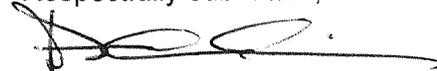
Assistant Attorney General present included: Deborah Bacharach.

**REGULAR SESSION**

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

- Melanie L. Bowling 10. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Melanie L. Bowling's request for disability benefits.
- Joyce A. Jennings 11. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Joyce A. Jennings' request for accidental disability benefits.
- John G. Thomas 12. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** John G. Thomas' request for accidental disability benefits.
- Kitty Brew 13. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Kitty Brew's request for disability benefits.
- Adjournment 14. There being no further business before the Board, the meeting adjourned at 11:40 a.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

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**ADMINISTRATIVE COMMITTEE REPORT  
OF THE MARCH 6, 2012 MEETING**

- Minutes
- A. On a motion made by Ms. Hill and seconded by Major Krome, the Administrative Committee approved the minutes of the February 7, 2012 open session meeting.
- 2012 Legislative Bill Review
- B. **THIS MATTER WAS DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA.**
- Ms. Anne Gawthrop updated the Committee on 2012 pension related legislation. *See Attachment A.*
- On a motion made by Ms. Brogan and seconded by Ms. Hill, the Administrative Committee approved the position recommendations for recommendation to the Board; summarized as follows:
- |  |         |
|--|---------|
| HB774/SB711 MD General and Limited Power of Attorney Act | Support |
| HB1332 Independent Investment Advisory Firms             | Oppose  |
- COMAR Regulation Disability Retirement Revision
- C. **THIS MATTER WAS DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA.**
- Ms. Anne Budowski and Ms. Rachel Cohen presented a revision to the COMAR Regulation 22.06.01 Disability Retirement.
- The Committee discussed the revisions at length.
- On a motion made by Major Krome and seconded by Ms. Hill, the Administrative Committee approved the proposed revisions to COMAR Regulation 22.06.01 Disability Retirement for recommendation to the Board.
- State Police Re-enrollment Issue
- D. Mr. Kenneth Reott advised the Committee that the Agency recently identified twelve (12) retirees of the State Police Retirement System who were erroneously re-enrolled in either the Employees' or Law Enforcement Officers' Pension Systems as a result of re-employment with a participating employer.
- Mr. Reott and Ms. Margaret Bury have previously briefed Major Krome about this matter.
- Mr. Reott advised that in order to resolve this matter, the staff will contact these individuals and inform them that they are not eligible for membership in the System based upon their re-employment, and contact the employers to direct them to immediately stop reporting retirement payroll data to the Agency. Staff will then work with the individuals and employers to refund the balance of accumulated contributions, with interest, through the refund date. Additionally, procedures covering the monthly Retiree to Member Audit will be updated to document that retirees from the State Police who are employed by a participating employer after July 1, 2009 are not eligible

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**ADMINISTRATIVE COMMITTEE REPORT  
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for re-enrollment in the System.

Pension Reform and  
Implementation  
Update

E. Mr. Ira Greenstein provided the Committee with a status update on the system automation of pension reform changes and its implementation.

- ▶ Nearly all Phase 2 "retired member" changes are now running in production. The last set of changes to the check register stream should be going in this week and the job for handling data revisions should be into production on April 2<sup>nd</sup>.
- ▶ The PMO and HP continue to make progress with testing and correcting software code changes.
- ▶ Most of the software changes for Phase 3 "year-end" have been initially delivered by HP to the Agency. These include the interest workbook, portions of the personal statement of benefits, cost of living adjustments, and actuarial jobs.
- ▶ HP continues to develop software for the remaining set of individual improvements to programs impacted by the pension reforms, with the delivery of the first group of software changes to the Agency scheduled for next week.
- ▶ The project leadership team will take full stock of the Phase 3 testing progress on March 15<sup>th</sup>.
- ▶ The Agency is still optimistic in meeting all completion targets, and the project continues to track well within the not-to-exceed contract dollars.

Finance Reports

F. Ms. Melody Countess presented the FY2012 Non-Budgeted Investment Manager and Service Related Fees Report.

Ms. Melody Countess and Mr. Dennis Krysiak presented the Administrative Expenses Report and MBE Performance Report quarter ending December 31, 2011. MBE Performance was 33.19%

The Administrative Committee accepted the reports of the Administrative Expenses and Management Fees and the MBE report for the quarter ending December 31, 2011.

Member Service  
Update

G. Ms. Anne Budowski updated the Committee on the performance of the Member Services Unit.

The abandonment percentage for January 2012 was 2.83% and the average speed of answer was 48 seconds.

Ms. Budowski concluded her report by summarizing customer service survey remarks. Satisfaction ratings for the month of January were 98.9%.

Executive Director's  
Evaluation

H. **THIS MATTER WAS DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA.**

Held in closed session.

2012-03-20 10:00 AM

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***CORPORATE GOVERNANCE COMMITTEE REPORT  
OF THE FEBRUARY 21, 2012 MEETING***

20120221 10:00 AM

**Informational Items for the Board**

- The Committee unanimously accepted the minutes from the August 15, 2011 meeting.
- Proposed Meeting Schedule for 2012
  - Ms. Willard provided the proposed 2012 meeting schedule for the Corporate Governance Committee. The Committee unanimously agreed to the proposed meeting schedule.
- CII Spring Meeting
  - Ms. Willard reminded the Committee that the Council of Institutional Investors will hold its 2012 Spring Meeting beginning on Sunday, April 1 to Tuesday, April 3, 2012. Several Committee members expressed interest in attending.
- Other Business
  - Mr. Blitzstein informed the Committee members about a letter CalPERS and other institutional investors had sent to the US Securities and Exchange Commission regarding suggestions for additional financial market reforms.
  - Mr. Blitzstein asked the Committee whether the Corporate Governance Committee or the Investment Committee has jurisdiction over decisions regarding ESG issues. Discussion followed regarding the System's membership in UNPRI.
  - The Committee members discussed the importance of considering proxy voting positions in the context of any securities litigation in which the System is participating.

**Recommended Action Items for the Board**

**Item #1: Corporate Governance Services Procurement**

- Staff informed the Committee that the members of the evaluation committee formed to review responses to the Agency's RFI for corporate governance services unanimously agreed that the System should select ISS to provide the services requested pursuant to the RFI. The corporate governance services include corporate governance research, proxy voting and consulting services, and Iran/Sudan research and engagement services. The evaluation committee recommended the selection of ISS for the following reasons:

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***CORPORATE GOVERNANCE COMMITTEE REPORT  
OF THE FEBRUARY 21, 2012 MEETING***

1. ISS demonstrates the clear capability to provide the services requested in each case.
  2. ISS is offering all the services requested at the lowest price.
  3. ISS' service includes weekly, monthly and quarterly newsletters that highlight recent or pending corporate governance actions, as well as access to their analysts and governance specialists.
  4. ISS conducts conference calls and webinars on issues of interest to their clients throughout the year.
- Staff noted that the fee proposal is slightly less than the current fee paid for the services.
  - After discussion, the Committee unanimously agreed to recommend that the Agency select ISS to provide corporate governance services to the System, subject to satisfactory negotiation of a contract with ISS.

**ACTION:** To approve the Committee's recommendation to select ISS to provide corporate governance services to the System, subject to satisfactory negotiation of a contract with ISS.

**Item #2: Iran-Sudan Divestment Update and Review**

- The Committee received from Staff recommended changes to the Iran-Sudan Restricted Company list. Staff recommended adding 5 names and deleting 17 names from the current List. The Committee discussed the companies that were to be added or removed from the Restricted List.
- After discussion, the Committee unanimously agreed to accept the Staff's recommendation to add 5 companies and remove 17 companies from the Iran-Sudan Restricted Company List. The approved lists are included with this reports as Attachment 1 and 2

**ACTION:** To approve the Committee's recommendations to add 5 companies and remove 17 companies from the Iran-Sudan Restricted Company List as shown in Attachments 1 and 2.

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***AUDIT COMMITTEE REPORT  
OF THE FEBRUARY 21, 2012 MEETING***

November 15, 2011  
Meeting Minutes

A. On a motion made by Mr. Harkins and seconded by Major Krome, the Audit Committee **approved** the minutes of its November 15, 2011 meeting.

Participating  
Employer Audits

B. Mr. Thomas Rey, Partner for CliftonLarsonAllen (CLA), presented the Committee with two reports on the results of the participating employer audits conducted by his firm:

- A report summarizing the results of CLA's audits of 52 participating employers performed during CY 2011, which is the third year of the three-year audit cycle.
- A report summarizing the results of CLA's audits of all 148 participating employers, which were performed over the past three years.

The Committee noted that this is the first time all participating employers have been audited. Mr. Rey indicated that no findings were significant enough to require the Committee to take action, and that improved compliance is expected during the next cycle of audits.

The Committee requested that letters be sent to the top elected and appointed officials for each participating employer to appraise them of prior audit findings, before the start of the next audit cycle. For future audits, a letter and accompanying audit findings will be sent to the appropriate elected and appointed officials for each employer once the audit has been completed.

Completed Audit –  
Death Match  
Procedures  
Follow-up

C. Ms. Toni Voglino presented the Committee with information on the Internal Audit Division's follow-up audit to the Death Match Procedures Audit. The Agency's death match procedures, which include the National Death Match, the Maryland Death Match, the Over-95 Audit, and the Overseas Audit, are designed to identify individuals that are deceased and no longer entitled to a benefit.

The audit noted that some issues identified in the initial audit have been corrected, and some were partially corrected. Also, processes did not always agree with written procedures.

The Committee was advised that the Agency discontinued its requirement for notarized signatures on documents to prove a retiree or beneficiary identified as possibly deceased during the death match process is still alive.

The audit recommended that the requirement for notarized signatures be reinstated for the individuals identified as possibly deceased. Agency management suggested that a new "proof of life" form, which requires the signatures of two witnesses and a photocopy of government-issued identification, be used instead. On a motion made by Mr. Harkins and seconded by Mr. Haines, the Committee **approved** management's approach.

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***AUDIT COMMITTEE REPORT  
OF THE FEBRUARY 21, 2012 MEETING***

Audits in Progress    D.    The Committee was advised that the following internal audits are currently in progress:

- ▶    EFT Processing
- ▶    Service Retirement Processing
- ▶    Transfer of Files Containing Sensitive Personal Data (Follow-up)

The Committee will be provided with reports for these audits, upon their completion.

Other Business        E.    The next Audit Committee meeting is scheduled for June 12, 2012 at 9:00 a.m., by phone.