

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

September 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 10:08 a.m.

The Trustees present included:

| | |
|-------------------------------|--------------------------------|
| Nancy K. Kopp, Chairman | James Harkins (via telephone) |
| Peter Franchot, Vice-Chairman | Sheila Hill |
| David Blitzstein | F. Patrick Hughes |
| John Douglass | Theresa Lochte (via telephone) |
| T. Eloise Foster | Harold Zirkin |
| Kenneth Haines | Thurman Zollicoffer, Jr. |

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

| | | |
|-------------------|-----------------|---------------|
| Anne Budowski | Michael Golden | Kenneth Reott |
| Melody Countess | Ira Greenstein | Janet Sirkis |
| Patricia Fitzhugh | Van Lewis | Toni Voglino |
| Anne Gawthrop | A. Melissa Moye | |

Assistant Attorneys General present included: Deborah Bacharach, Josaphine Yuzuik, and Melissa Warren.

Also attended by: Phillip Anthony, John Kenney, Michael Rubenstein, Dana Tagalicod and, Rick Norman, and Randy Mickens (MSTA).

Consent Agenda

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

- August 21, 2012 Open Meeting Board Minutes
- September 4, 2012 Administrative Committee Report
- August 21, 2012 Audit Committee Report
- August 21, 2012 Corporate Governance Report
- September 14, 2012 Investment Committee Report
- Disability Reports from the Medical Board

**FY14 Budget
Proposal**

At the request of Mr. James Harkins, Mr. Dean Kenderdine reviewed the Agency's Budget Request for FY2014.

Mr. Kenderdine noted the Agency Profile, of the presentation document should read "SRA is a reimbursable and special funded agency". He also noted the Agency is withdrawing the request for additional office space as he has decided to no longer pursue the opportunity for space outside of the Agency's current offices.

The revised request for FY14 is \$26,849,000 for the operational budget. The DBM target for the Agency is \$26.5 million; the statutory cap for FY14 is \$34.6 million.

The increase in the operational budget request reflect increases in:

- General payroll increases
- Overtime
- Medical Support Services
- Medical Board Per Diem
- Legal Consulting
- Outside Services Programming

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Mr. Kenderdine reported that Treasurer Kopp, Mr. Harkins, and Dr. Moyer gave a presentation at the MACO conference on August 17, 2012. Their presentations reviewed the Retirement System's governance, the 2011 reforms to the System, and the System's investment program. Mr. Kenderdine also noted that as a result of the legislature's action to shift the normal cost for the Teachers' plans to local boards of education, MACO is expected to propose legislation that would add two MACO representatives to the System's Board of Trustees for a total of 16 members.

**FY 2012 Valuation
Preliminary Results**

Brian Murphy and Amy Williams, from the System's actuary Gabriel Roeder Smith and Company (GRS), presented the preliminary results of the State Retirement and Pension System's Actuarial Valuation for the period ending June 30, 2012 for the Board's consideration.

GRS will return to present the final valuation results not later than the November 20, 2012 meeting of the Board of Trustees in order for the FY14 contribution rates to be certified as required by December 1, 2012.

CLOSED SESSION

On a motion made by Chairman Nancy K. Kopp and duly seconded, the Board voted to meet in a Closed Session (12:00 p.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 a securities litigation update and approve certain recommendations, pursuant to State Government Article § 10-508(a)(7), to consult with counsel to obtain legal advice;
3. to discuss a tax issue, pursuant to State Government Article § 10-508(a)(7), receiving advice of counsel;
4. to discuss the CIO's evaluation, pursuant to State Government Article § 10-508(a)(1)(i), handling a personnel matter.

The Trustees present included:

| | |
|-------------------------------|--------------------------------|
| Nancy K. Kopp, Chairman | James Harkins (via telephone) |
| Peter Franchot, Vice-Chairman | Sheila Hill |
| David Blitzstein | F. Patrick Hughes |
| John Douglass | Theresa Lochte (via telephone) |
| T. Eloise Foster | 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 |
| Melody Countess | Michael Golden | Toni Voglino |
| Patricia Fitzhugh | Kenneth Reott | |

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Assistant Attorneys General present included: Deborah Bacharach, Carla Katzenberg, John Kuchno, Jill Leiner, and Melissa Warren.

REGULAR SESSION

The Board returned to open session at 12:40 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

Dudley L. Bradley

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Dudley L. Bradley for ACCIDENTAL DISABILITY (LEOPS) 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. Michael Davey, Esq., Mr. Bradley's attorney, 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.

Dana R. Bostick

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Dana R. Bostick 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. Dana R. Bostick did not appear 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 N. A. Rose

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. John N. A. Rose for SPECIAL 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. James Nichols, Esq., Mr. Rose's attorney appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill 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.

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William L. Frazier

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. William L. Frazier 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. David J. Hare, Esq., Mr. Frazier's attorney, and Mr. Frazier did not appear before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill 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.

CLOSED SESSION – APPEALS AND HEARINGS

On a motion made by Ms. Hill and seconded by Mr. Zirkin, the Board voted to meet in a Closed Session (1:45 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

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

The Trustees present included:

| | | |
|------------------|-------------------------------|--------------------------------|
| David Blitzstein | James Harkins (via telephone) | Theresa Lochte (via telephone) |
| John Douglass | Sheila Hill | Harold Zirkin |
| Kenneth Haines | F. Patrick Hughes | Thurman Zollicoffer, Jr. |

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary
Anne Budowski Kenneth Reott Janet Sirkis

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:

Dudley L. Bradley

The Board voted to ADOPT the Administrative Law Judge's Proposed Decision and DENY Dudley L. Bradley's request for accidental disability benefits (LEOPS).

Dana R. Bostick

The Board voted to ADOPT the Administrative Law Judge's Proposed Decision and DENY Dana R. Bostick's request for accidental disability benefits.

John N. A. Rose

The Board voted to ADOPT the Administrative Law Judge's Proposed Decision and DENY John N. A. Rose's request for special disability benefits.

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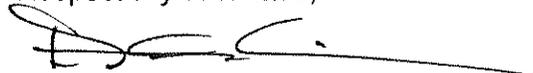
William L. Frazier

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

Adjournment

There being no further business before the Board, the meeting adjourned at 2:00 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

**BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
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*ADMINISTRATIVE COMMITTEE REPORT
OF THE SEPTEMBER 4, 2012 MEETING*

FY14 Budget
Proposal

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

Mr. Dean Kenderdine introduced the Agency's Budget Request for FY2014.

Mr. Kenderdine noted the Agency Profile, of the presentation document should read "SRA is a reimbursable and special funded agency". He also noted the Agency is withdrawing the request for additional office space as he has decided to no longer pursue the opportunity for space outside of the Agency's current offices.

The revised request for FY14 is \$26,849,000 for the operational budget. The DBM target for the Agency is \$26.5 million; the statutory cap for FY14 is \$34.6 million.

The increase in the operational budget request reflect increases in:

- › General payroll increases
- › Overtime
- › Medical Support Services
- › Medical Board Per Diem
- › Legal Consulting
- › Outside Services Programming
- › Other Contractual Services
- › Supplies
- › Printing

Mr. Kenderdine noted that as in prior years, the baseline request does not reflect unfunded initiatives that include the following.

- › MPAS-2 Project for "data scrubbing". In that staff and its consultant, Towson University Center for Applied IT have yet to finalize an estimated cost for this project, the current rough estimate of \$2million is recommended to the Committee.
- › Replacement of the Agency's Interactive voice Response (IVR) System, and Provide IVR Functionality at the Agency's Disaster Recover (DR) Site. \$200,000
- › Staff Infrastructure – Information Systems Security Program. \$80,692
- › Replace the Agency's Storage Area Network. \$150,000

On a motion made by Mr. Douglass and seconded by Mr. Haines, the Administrative Committee **approved** the FY14 Budget Proposal for **recommendation to the Board**. David Romans abstained.

COMAR
Regulations

Ms. Anne Gawthrop presented to the Committee three COMAR Regulation changes.

1. Payment of Allowance (22.01.06)

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OF THE SEPTEMBER 4, 2012 MEETING***

2. Enrollment in the State System (22.01.12)
3. Disability Retirement (22.06.01)

On a motion made by Ms. Brogan and seconded by Mr. Haines, the Committee **approved** the proposed three COMAR changes to be **recommended to the Board for final action** pending there being no public comment on the disability regulations (22.06.01) by September 10, 2012. See Attachment A of this report.

Finance Reports

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

Ms. Melody Countess presented the Administrative Expenses and Management Fees Report and the MBE Performance Report for the fiscal year-to-date period ending June 30, 2012. MBE Performance was 30.17%.

The Administrative Committee accepted the reports of the Administrative Expenses and Management Fees and the MBE report for the fiscal year-to-date period ending June 30, 2012.

Member Service
Update

Mr. Kenneth Reott updated the Committee on the performance of the Member Services Unit.

Mr. Reott reported that July was a heavy month however, the Agency met its FY12 goal for the call abandonment rate not to exceed 6.0%, the abandonment rate for July was 4.30%. The average speed of answering calls in July was 70 seconds.

Mr. Reott stating that member satisfaction survey results ratings for the month of July were 96.9 % satisfactory or above.

Mr. Reott concluded his report stating that the Member Services unit currently has 1 vacancy.

Adjournment

There being no further business before the Committee, the meeting adjourned at 12:10 p.m.

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*ADMINISTRATIVE COMMITTEE REPORT
OF THE SEPTEMBER 4, 2012 MEETING*

ATTACHMENT A

**Maryland State Retirement and Pension System
120 East Baltimore Street
Baltimore, MD 21202**

TO: Board of Trustees

FROM: R. Dean Kenderdine
Executive Director

DATE: September 13, 2012

SUBJECT: Adoption of COMAR Regulations

Under the September 20, 2012 Consent Agenda, the Board will consider and act upon the Administrative Committee's recommendation to approve the final adoption of three proposed regulations. To review:

- In December 2011, the Board approved submitting proposed regulations to COMAR 22.01.06 and 22.01.12 (Payment of Allowance and Enrollment in the State System, respectively) to the Joint Committee on Administrative, Executive and Legislative Review (AELR).
- In March 2012, the Board approved submitting proposed regulations to COMAR 22.06.01 (Disability Retirement) to the AELR Committee.

No issues have been raised by the AELR Committee on any of these proposed regulations. No public comments on the disability regulations were received.

The proposed regulations are available on the Board portal along with all of the meeting documents for the September 20, 2012 meeting. A summary of each is as follows:

1. Payment of Allowance (22.01.06) Revision – Final Adoption

These regulations permit payment by check when a retiree's net monthly allowance is less than \$250, instead of the current level of \$100 or less. Additionally, the purpose of these regulations is to update the language related to when advice slips are issued.

2. Enrollment in the State System (22.01.12) Revision – Final Adoption

These regulations clarify that a member of one of the several systems is to be enrolled in the proper system immediately upon being hired. Additionally, the purpose of these regulations is to clarify the correct enrollment paperwork that a participating employer is required to submit on behalf of a new member.

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3. Disability Retirement (22.06.01) Revision – Final Adoption

The purpose of these regulations is to update the current disability retirement regulations since these regulations have not been reviewed or amended for many years. The process for filing for a disability retirement has not changed substantially over the years; however, from time to time the process has been modified to meet administrative or legislative requirements. These proposed disability retirement regulations detail the step-by-step process for a member to file for a disability retirement (i.e., the member's initial application, the disability unit's administrative review for eligibility, the medical board's review of the claim and recommendations to the Board of Trustees, the Board of Trustee's approval, and the member's appeal rights if the claim is denied). These proposed regulations are aimed at removing obsolete language or references, clarifying current administrative procedures, and refining the timeliness associated with responding to requires for additional information from the agency.

**BOARD OF TRUSTEES
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***AUDIT COMMITTEE REPORT
OF THE AUGUST 21, 2012 MEETING***

**FY 2012 Internal
Audit Time Report**

The Committee was provided with the FY 2012 Audit Time Report. Ms. Voglino informed the Committee that the report illustrates every available work hour by all Internal Audit staff and how the hours were allocated between the general categories of leave hours, administrative hours, and audit hours. Internal Audit's goal is to limit administrative time to 20% of total hours, or less, which was met in FY12 with administrative time being just under 18%. Mr. Haines asked that data from the preceding fiscal year be shown in future reports for comparative purposes.

Ms. Voglino confirmed for the Committee that the audit hours reported for Participating Employer Audits included only those hours spent by Internal Audit staff, and not the time spent by its contractual auditor, CliftonLarsonAllen. Internal Audit provides the contractual auditor with the reports that they require to perform the audits, sends audit announcement and results letters to employers, monitors the contractor's work, researches issues and provides guidance, confirms and reviews all audit findings and recommendations, and reviews the contractor's working papers for quality assurance purposes.

As a follow-up to a prior Audit Committee recommendation, Ms. Voglino informed the Committee that Internal Audit mailed letters to the top officials for all 148 participating employers audited during the past three-year cycle, to inform them of audit results. Going forward, letters are sent to top officials once an audit has been completed. Additionally, for the current cycle of audits, any audit findings that were also reported in the previous audit of the employer are clearly noted and identified. A report compiling the results of all employer audits performed during the year will be presented to the Committee upon completion. Ms. Lochte asked that new Committee members be provided with a copy of last year's summary report as a reference.

FY 2013 Audit Plan

The Committee was provided with the FY 2013 Audit Plan, for consideration. The Audit Plan includes both full scope and follow-up audits. Ms. Voglino noted that Internal Audit successfully completed all audits contained in its FY 2012 Audit Plan, so no audits would need to be carried over to FY 2013.

Note: Subsequent to the Committee meeting, the FY2013 Audit Plan was electronically voted on and approved by all seven members of the Committee. The vote will be ratified at the next Committee meeting.

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

Placement Agents
Report

The Committee was provided a Placement Agent List for new investments that occurred in FY 2012. Mr. Hughes provided the Committee with background information on how the placement agent issue came about. The Placement Agent List provides Internal Audit and the Committee with a means for identifying potential conflicts of interest. Mr. Hughes recommended that the Placement Agent List be shared with the full Board for their review, as well.

(NOTE: See ATTACHMENT A for the Placement Agent List)

Ms. Voglino informed the Committee that she researched each placement agent on the list, and found that all were registered with either the SEC (for investment managers), or FINRA (for broker dealers).

Audit Committee and
Internal Audit Division
Evaluations

Ms. Voglino informed the Committee members that she will soon be sending them two evaluation questionnaires to complete, as required by the Audit Committee Charter. The first is for a self-evaluation of the Audit Committee. The second is for an evaluation of the Internal Audit Division. Ms. Voglino explained the topics the evaluations would cover, and that the results will be compiled by an independent third party.

Completed Audits

The Committee discussed the following completed audits:

- 1099R Processing – The audit determined that the internal control environment was sufficient, but identified an error in 1099 reporting that was caused by an error in programming logic. The error caused duplicate reporting in certain situations. The Agency will correct the programming logic and re-issue 1099's to affected individuals.
- Transfer of Files Containing Sensitive Personal Data (Follow-up) – The audit noted that there have been substantial improvements to mitigate the risks associated with Agency employees' ability to transfer files containing sensitive personal data. However, some additional areas for improvement related to the Agency's email encryption program, the data leak protection software, the web-based email program, and documentation of authorized access were identified and discussed by the Committee.
- Annual PGU Billing Process – The audit determined that amounts billed to participating government units for their employer retirement contributions were generally correct, and controls over the process were satisfactory. However, the audit identified a few instances where employers were overbilled due to a programming error that applied an incorrect contribution rate to certain individuals since 2008. The programming error has since been corrected, and the Agency will be issuing credits to the employers for overbilled amounts.

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*AUDIT COMMITTEE REPORT
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- Audits in Progress The Committee was advised that the following audits are currently in progress:
- Bank Reconciliation Process; and
 - Earnings Limitation Compliance (Follow-up).
- The Committee will be provided with reports for these audits, upon completion.
- Other Business The next Audit Committee meeting is scheduled for November 20, 2012, following the Board of Trustees meeting.
- Adjournment There being no further business before the Committee, on a motion by Ms. Lochte, and seconded by Mr. Harkins, the meeting was adjourned at 12:40 p.m.

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

ATTACHMENT A

**Placement Agent List
FY 2012 Managers**

| Asset Class / Manager | Date of Funding | Amount (US\$) | Placement Agent used by fund (yes/no) | If yes, name of placement agent | Was MD's investment used to pay placement agent? |
|--|------------------------|----------------------|--|--|---|
| Private Equity | | | | | |
| Orchid Asia V | Jul-11 | 25,000,000 | Yes | Palma Capital, Atlantic Pacific Capital/Direct | No |
| Summer Street Capital III | Jul-11 | 50,000,000 | Yes | Champlain Advisors/Direct | No |
| RLH Investors III | Jul-11 | 37,892,617 | Yes | Probitas Partners | No |
| Longitude Capital Partners II | Aug-11 | 40,000,000 | Yes | Probitas Fund Group/Direct | No |
| Frontier Fund III | Oct-11 | 48,000,000 | Yes | Lazard Frères & Co. LLC/Direct | No |
| Vista Equity Partners IV | Oct-11 | 50,000,000 | Yes | Emerald Point Capital/Direct | No |
| BC European Capital IX | Dec-11 | 53,536,000 | No | No | No |
| ABS Capital Partners VII | Jan-12 | 30,000,000 | Yes | Shannon Advisors | No |
| Partners Group Secondary 2011 | Feb-12 | 100,000,000 | No | No | No |
| HgCapital Mercury | Mar-12 | 50,774,400 | No | No | No |
| Equistone Partners Europe Fund IV | Mar-12 | 99,757,523 | Yes | Lazard Frères & Co. LLC/Direct | No |
| Partners Group Emerging Markets 2011 | May-12 | 50,000,000 | No | No | No |
| Credit | | | | | |
| Anchorage Capital Partners LP | Nov-11 | 150,000,000 | No | N/A | N/A |
| Oaktree European Principal Fund III | Nov-11 | 50,000,000 | No | N/A | N/A |
| King Street Capital | Dec-11 | 150,000,000 | No | N/A | N/A |
| Brigade Leveraged Capital Structures Fund | Mar-12 | 125,000,000 | No | N/A | N/A |
| Real Estate | | | | | |
| FCP Fund II | Apr-12 | 40,000,000 | No | N/A | N/A |
| UBS Trumbull Fund | Jun-12 | 300,000,000 | No | N/A | N/A |
| CBRE Strategic Partners US Value 6 | Jun-12 | 75,000,000 | No | N/A | N/A |
| Real Return | | | | | |
| EIF US Power Fund IV | Oct-11 | 75,000,000 | Yes | Atlantic-Pacific Capital | No |
| RMS Growth III | Mar-12 | 50,000,000 | No | N/A | N/A |
| NGP Natural Resources X | May-12 | 100,000,000 | No | N/A | N/A |
| Arbalet | Jun-12 | 44,000,000 | No | N/A | N/A |
| BlackRock Commodity Index | Oct-11 | ~325,000,000 | No | N/A | N/A |
| Public Equity | | | | | |
| State Street Global Advisors Russell 3000 | Jul-11 | ~1,600,000,000 | No | N/A | N/A |
| State Street Global Advisors MSCI ACWI | May-12 | ~200,000,000 | No | N/A | N/A |
| State Street Global Advisors MSCI Emg Mkts | Jun-12 | ~600,000,000 | No | N/A | N/A |

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MARYLAND STATE RETIREMENT AND PENSION SYSTEM
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*CORPORATE GOVERNANCE COMMITTEE REPORT
OF THE AUGUST 21, 2012 MEETING*

Informational Items for the Board

- CII Fall Meeting
 - Staff informed the Committee that the Council of Institutional Investors would hold its 2012 Fall Meeting in Seattle, Washington on October 3-5, 2012.
- Other Business
 - The Committee discussed a variety of service enhancements to enhance the System's international proxy voting. Staff said that they would ask ISS what related services they provide.
 - Mr. Blitzstein shared reports related to the UN-PRI Standards with the Committee.

Recommended Action Items for the Board

- Iran-Sudan Divestment Update and Review
 - Staff provided the semi-annual Iran/Sudan Divest/Hold analysis to the Committee. This report provides updated analysis of all companies on the ISS Iran/Sudan focus list and recommendations regarding these companies.

After reviewing the report and having a discussion, the Committee unanimously agreed to accept Staff's recommendations as follows, and **recommend them to the Board:**

1. Ratify the addition of four companies to the Restricted List approved in February;
2. Add the three companies to the Restricted List effective October 1, 2012 that ISS added to its Focus List(Attachment 1); and
3. Remove the twenty-seven companies from the Restricted List effective October 1, 2012 that ISS removed from its Focus List (Attachment 2).

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

Attachment 1

COMPANIES TO BE ADDED TO THE RESTRICTED LIST

| ISSUER NAME | (1) | (2) | (3) | (4) | (5) | (6) |
|---|----------|---|------------------------------------|--|---|-------------------------------|
| | Country | % MSCI All Country World Index ex US | % MSCI Emerging Mkt Index | Barclays Capital Global Bond Index | \$ Owned in Eligible Accounts @7/1/12? | % MSRPS Assets @7/1/12? |
| Aref Energy Holding Company KSCC | Kuwait | 0% | 0% | 0% | 0 | 0.00% |
| China Communications Construction Company Limited | China | 0% | 0% | 0% | 1,509,031 | 0.00% |
| Shanghai Zhenhua Heavy Industry Co., Ltd. | China | 0% | 0% | 0% | 0 | 0.00% |
| Total # | 3 | 0.000% | 0.000% | 0.000% | \$1,509,031 | 0.00% |

Notes:

- (1) Identified by ISS as doing business in either Iran or Sudan
- (2) Percent weight in MSCI All Country World Index exUS (Benchmark for international equity) at 7/1/2012
- (3) Percent weight in MSCI All Country World Index (Benchmark for global equity) at 7/1/2012
- (4) Percent weight in MSCI Emerging Market Index (Benchmark for emerging markets managers equity) at 7/1/2012
- (5) Dollar value of holdings in Eligible Accounts at 7/1/2012
- (6) Percent of total MSRPS assets at 7/1/2012

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

Attachment 2

COMPANIES TO BE REMOVED FROM THE RESTRICTED LIST

| ISSUER NAME | Country | ISS: Sudan or Iran? |
|--|----------------|------------------------------------|
| Chennai Petroleum Corporation Limited | India | Sudan |
| China Oilfield Services Limited | China | Iran |
| China Petroleum & Chemical Corporation | China | Both |
| Daqing Huake Company Limited | China | Both |
| Jinan Diesel Engine Co Ltd | China | Both |
| Korea Electric Power Company | Korea | Sudan |
| Korea Plant Service & Engineering Co Ltd | Korea | Sudan |
| Lanka IOC PLC | India | Sudan |
| Malaysia Marine and Heavy Engineering Holdings Bhd | Malaysia | Iran |
| Mangalore Refinery & Petrochemicals Ltd | India | Sudan |
| MISC Berhad | Malaysia | Both |
| Mosenergo OAO energetiki i elektrifikatsii | Russia | Iran |
| Muhibbah Engineering Bhd | Malaysia | Sudan |
| PetroChina Company Limited | China | Both |
| Petronas Chemicals Group Bhd | Malaysia | Both |
| Petronas Dagangan Bhd | Malaysia | Both |
| Petronas Gas Berhad | Malaysia | Both |
| Petrovietnam Fertilizer And Chemicals Corp | Vietnam | Iran |
| Petrovietnam Investment Consultancy And Engineering Joint Stock Co | Vietnam | Iran |
| Petrovietnam Transportation Corporation | Vietnam | Iran |
| Rosier SA | Belgium | Iran |
| Scomi Engineering Berhad | Malaysia | Sudan |
| Scomi Group Berhad | Malaysia | Sudan |
| Snam Rete Gas S.p.A. | Italy | Iran |
| Societe Metallurgique d'Imiter | Morocco | Sudan |
| Sudan Telecommunication Co Ltd | Sudan | Sudan |
| SunPower Corporation | USA | Iran |

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

***INVESTMENT COMMITTEE REPORT
OF THE SEPTEMBER 14, 2012 MEETING***

Report from CIO

The Committee received a performance update from the CIO and staff as of June 30, 2012. The year-end performance report from State Street was reviewed, with the fiscal year-to-date total return as of June 30, 2012 was .36%, exceeding the policy benchmark of .28% by 8 basis points. Staff also presented performance by asset class and information on total plan risk.

All asset classes except for public equity contributed positively to returns during the fiscal year.

Public Equity – The Public Equity Program has 29 accounts managed by 24 managers excluding the Terra Maria Program. The Public Equity allocation represents the Global Public Equity opportunity set as represented by the MSCI ACWI.

Target Allocation: 36.0%

Current Allocation: 42.4%

Return as of 6/30/12: 1 year: -6.8%

Benchmark Return: 1 year: -5.9%

The Currency Management Program has increased the returns of the International and Global Equity programs for fiscal year 2012; reduced the volatility of the International and Global Equity programs FYTD and since inception; and increased the since inception Sharpe Ratio of the International and Global Equity programs.

Fixed Income: Target Allocation: 10.0%

Current Allocation: 19.2%

Return as of 6/30/12: 1 Year: 8.3%

Benchmark Return: 1 Year: 7.3% (80% Barclays Aggregate / 20% Barclays Global Bond Aggregate Hedged)

Absolute Return: Target Allocation: 7.0%

Current Allocation: 6.8%

Return as of 6/30/12: 1 Year: 3.7%

Benchmark Return: 1 Year: -4.4% (HFRI FoF)

The System has 6.5% of plan assets in hedge funds versus a cap of 15% of the total plan.

Real Return: Target Allocation: 15.0%

Current Allocation: 10.0%

Return as of 6/30/12: 1 Year: 4.6%

Benchmark Return: 1 Year: 2.8%

Credit/Debt Strategies: Target Allocation: 10.0%

Current Allocation: 7.8%

Return as of 6/30/12: 1 Year: 3.1%

Benchmark Return: 1 Year: 8.5%

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

***INVESTMENT COMMITTEE REPORT
OF THE SEPTEMBER 14, 2012 MEETING***

Real Estate: Long-term Target Allocation: 10.0%
Current Allocation: 6.4%
Return as of 6/30/12: 1 Year: 8.7%
Benchmark Return: 1 Year: 9.9%
Public Real Estate: Net Asset Value: \$847.1 million
Private Real Estate Program
Net Asset Value: \$1.5 billion

Private Equity: Target Allocation: 10.0%
Current Allocation: 5.7%
Return as of 6/30/12: 1 Year: 7.5%
Benchmark Return: 1 Year: 7.3% (State Street Private Equity Index)
Through 6/30/12:

- Total Amount Committed to PE Since Inception: \$4.4 billion
- Total Amount Drawn Since Inception: \$2.4 billion
- Total Unfunded Commitments: \$2.0 billion

Invested in 99 Different Funds with 67 General Partner Relationships
Geographically Diversified: 65% U.S. / 35% Non-U.S.

Dr. Moye and Michael Cheung presented a summary of the tools used by Staff to monitor risk at a Total Plan level. This included tables on Absolute Risk (as measured by standard deviation of returns), Relative Risk (as measured by standard deviation of excess returns over the policy benchmark), plan liquidity, leverage, and counterparty risk. It was noted in the discussion that the bulk of risk expectations are contributed by the public equity asset class.

HEK Reports: Market
Overview and Current
Research Summary

Hewitt Ennis Knupp presented an updated Market Overview and a summary of two research reports entitled "Public Funds Can Compete" and "Go Big or Go Home."

Presentation

Alan Levenson from T. Rowe Price presented a current economic overview to the Committee.

Investment Reports

The Committee received the following investment reports:

- State Street Performance Report – June
- State Street Performance Report - July
- PE Q1 12 Performance Report
- RE Q1 12 Performance Report
- Quarterly TUCS Results
- Securities Lending Report
- Division's FY12 Travel Plan – Update
- OPEB-PHBT Update
- Quarterly ORP Performance
- Investment Policy Manual Update Memo

Meeting adjourned.