

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

June 18, 2013

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, Baltimore, Maryland beginning at 10:08 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Sheila Hill
Peter Franchot, Vice Chairman (via telephone)	F. Patrick Hughes
David Blitzstein	Major Morris Krome
T. Eloise Foster	Theresa Lochte
Robert Hagans (via telephone)	Harold Zirkin
Kenneth Haines	Thurman Zollicoffer
James Harkins	

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

Anne Budowski	Anne Gawthrop	A. Melissa Moye
Robert Burd	Michael Golden	Kenneth Reott
Margaret Bury	Ira Greenstein	Ben Robb
Melody Countess	Angie Jenkins	Janet Sirkis
Patricia Fitzhugh	Van Lewis	Toni Voglino

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Goldman Katzenberg, Jill Leiner, Melissa Warren and Josaphine Yuzuik.

Also attended by: John Kenney, Phillip Anthony, Nathan Bowen, Len Lazarick, Brian Murphy, Rick Norman, Claire Shaughnessy and Dana Tagalicod.

Consent Agenda

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

- May 21, 2013 Open Meeting Board Minutes
- June 4, 2013 Administrative Committee Report
 - Trustee Election Schedule – State Police Retirement System
 - Participation in the Employer Pick-Up Program:
 - Town of Centreville
 - Town of Edmonston
 - Kent County Soil Conservation District
 - Somerset Economic Development Commission
 - Procedures Covering Special Death Benefits
 - Medical Board Physician Recommendations

**Appeal of Jacqueline
M. Adams**

Mr. James Harkins, Chairman of the Administrative Committee, reported that at its June 4, 2013 meeting, the Administrative Committee heard the appeal of Jacqueline M. Adams.

Mr. Harkins informed the Board that Ms. Adams is requesting to receive benefits under the Alternate Contributory Pension Selection instead of the Reformed Contributory Pension Benefit and that after full consideration the Administrative Committee adopted the Executive Director's summary decision as the Proposed Summary Decision in this matter, and recommends its adoption to the Board.

Treasurer Kopp, Chairman of the Board of Trustees, invited Ms. Adams and her counsel, Mr. Todd Pounds, Esq., as well as, Josaphine Yuzuik,

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Assistant Attorney General, to address the Board.

Mr. Todd K. Pounds, presented Ms. Adams' appeal, requesting that the Board of Trustees reject the Summary Decision of the Executive Director regarding the applicable statute governing her benefits.

Mr. Pounds argued that legislation enacted during the 2011 session provides that the Reformed Contributory Pension Benefit shall apply to any individual who becomes a member of the Teachers' Pension System on or after July 1, 2011, pursuant to SPP § 23-225, which does not apply to Ms. Adams as her employment began on June 26, 2011. Mr. Pounds, in support of his argument, referred to the appointment offer letter, addressed to Ms. Adams, from Cedar Lane Farm, dated June 20, 2011, and signed by Ms. Adams on June 26, 2011. Based upon the appointment offer letter and acceptance, Mr. Pounds requests that Ms. Adams be allowed to receive benefits under the Alternate Contributory Pension Selection.

Ms. Josaphine Yuzuik, Assistant Attorney General, argued on behalf of the Agency. Ms. Yuzuik argued that Ms. Adams' acceptance of an offer of employment does not determine membership in the Teachers' Pension System (TPS), as governed by statute. Membership credit in the TPS is only awarded for periods of actual employment and during which member contributions and employer contributions are made. Ms. Yuzuik further argued that, on the membership application, Ms. Adams' employer indicated that she began present continuous service with the Kent County Public Library on August 15, 2011. Therefore, Ms. Adams is not eligible to participate in the Alternate Contributory Pension Selection as a matter of law.

The Board considered this matter in closed session.

FY 14 Business Plan
Initiatives

Mr. R. Dean Kenderdine presented the FY14 Business Plan Initiatives. *See Attachment A.* On a motion made by Mr. Harkins and seconded by Ms. Hill, the Board approved the FY14 Business Plan.

Designation for Open
Meetings Act
Training

Mr. Kenderdine provided the Board with a memorandum which indicated that during the 2013 session, the Maryland General Assembly passed HB 139, Open Meetings Act – Training for Public Bodies. The law takes effect October 1, 2013.

Mr. Kenderdine requested that the Board of Trustees defer voting on this agenda item until the August 20, 2013 Board of Trustees meeting, in order to comply with the requirements that within ninety days after designation, a designated individual must complete a training class on the requirements of the open meetings law.

The Board unanimously agreed to defer voting on this matter until its August 20, 2013 meeting.

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Board Officers On a motion made by Major Krome and seconded by Mr. Haines, the Board elected the following officers:

- Nancy K. Kopp as Chairman
- Peter Franchot as Vice-Chairman
- R. Dean Kenderdine as Secretary

Actuarial Assumptions and Capital Market Expected Returns Brian Murphy from Gabriel Roeder Smith & Company (GRS), the System's actuary, Claire Shaughnessy from Hewitt Ennis Knupp (HEK), R. Dean Kenderdine, Executive Director and A. Melissa Moye, Chief Investment Officer, lead a discussion regarding the annual actuarial assumptions and expected rate of returns.

Mr. Murphy and Ms. Shaughnessy presented to the Board documents related to Projected Returns and Probabilities by Level of Inflation as determined by economic consultants with long term horizons, as well as, selected pages from the Asset Allocation Review prepared by HEK, and which was initially presented to the Investment Committee at its May 10, 2013 meeting.

The Board took into consideration the material provided by GRS and HEK in reviewing the current economic assumptions, that, along with demographic assumptions, provide the basis for the annual actuarial valuation of the System.

After discussion, on a motion made by Major Krome and seconded by Mr. Haines, the Board voted, 11 to 1, to adopt the assumed rate of return of 7.55%, and the assumed rate for inflation of 2.8%. These economic assumptions will be phased in over four years beginning with the System's FY 2013 valuation. Voting in favor of the motion were the following Trustees: Treasurer Kopp, Comptroller Franchot, Mr. Blitzstein, Secretary Foster, Mr. Hagans, Mr. Haines, Mr. Harkins, Ms. Hill, Major Krome, Ms. Lochte and Mr. Zirkin. Opposing the motion was Mr. Zollicoffer. Mr. Hughes abstained.

Earnings Limitation Recovery Reports On a motion made by Ms. Hill and duly seconded, the Board approved the Earnings Limitation Recovery Report and authorized the Agency to reduce the FY14 benefits of the affected retirees.

Disability Offset Report On a motion made by Ms. Hill and seconded by Mr. Hughes, the Board approved the Disability Offset Report and authorized the Agency to reduce the FY14 benefits of the affected retirees.

2013 Attendance & Training Report Mr. Kenderdine presented the required six-month Attendance Report and Training Report for January 1 through June 30, 2013 for review. The Attendance Report will be updated to reflect June attendance and then filed with the Governor's Appointments Office and the Department of Legislative Services by June 30, 2013 as required.

CIO Report Dr. A. Melissa Moye reported that there was a slightly negative return for the month of May, 2013 and that the current total fund market value was

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\$41.0 Billion.

Dr. Moye reported that the fund was performing over the policy benchmark at 181 basis points for the fiscal-year-to-date.

Dr. Moye reported that seven of the eight asset classes have exceeded the policy benchmark.

Executive
Director's
Report

Mr. Kenderdine reminded the Board that the Board Performance Evaluation Survey deadline was approaching.

CLOSED SESSION

On a motion made by Ms. Hill and duly seconded, the Board voted to meet in a Closed Session (12:25 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. approving the closed session minutes, pursuant to State Government Article § 10-503(a)(1)(i), the exercise of an administrative function;
2. approving the Medical Board reports, pursuant to State Government Article § 10-508(a)(13), comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
3. discussing the administrative appeal of Jacqueline M. Adams, pursuant to State Government Article § 10-508(a)(1)(iii), a quasi-judicial function;
4. discussing the offset of retirement benefits of two participants under State Personnel and Pensions Article § 21-113, pursuant to State Government Article § 10-508(a)(13), comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
5. discussing a claim for a special line of duty death benefit, under State Personnel and Pensions Article § 29-203(b), pursuant to State Government Article § 10-508(a)(13), comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
David Blitzstein
T. Eloise Foster
Robert Hagans (via telephone)
Kenneth Haines
James Harkins

Sheila Hill
F. Patrick Hughes
Major Morris Krome
Theresa Lochte
Harold Zirkin
Thurman Zollicoffer

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

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Anne Budowski
Margaret Bury
Anne Gawthrop

Michael Golden
Angie Jenkins
Kenneth Reott

Janet Sirkis
Toni Voglino

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Goldman Katzenberg, Jill Leiner, Wendy Scott and Melissa Warren.

Also attended by: John Kenney.

OPEN SESSION

The Board returned to open session at 1:15 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

LaKennya Jones

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. LaKennya Jones 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. Jones appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

Laverne N. Sykes

The Board considered the recommendation of the Medical Board in connection with the claim of Ms. Laverne N. Sykes 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. Sykes appeared before the Board to oppose the Agency's position and the Medical Board's recommendation. Ms. Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's recommendation and deny Ms. Sykes both accidental and ordinary disability benefits. Following discussion, the Board deferred further consideration to Closed Session.

Lorie E. Bowen

The Board considered the recommendation of the Medical Board in connection with the claim of Ms. Lorie E. Bowen 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. Bowen appeared before the Board to oppose the Agency's position and the Medical Board's recommendation. Ms. Bowen indicated, at the hearing, that she was withdrawing her appeal for accidental disability, but was still pursuing her appeal for ordinary disability benefits. Ms. Carla

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Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's recommendation and deny Ms. Bowen ordinary disability benefits. Following discussion, the Board deferred further consideration to Closed Session.

Carole A. Copeland

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Carole A. Copeland 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. Copeland appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

Gracie Thompson-
Claxton

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Gracie Thompson-Claxton for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Neither Ms. Thompson-Claxton nor her Attorney, Richard Link, Esq. appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

CLOSED SESSION – APPEALS AND HEARINGS

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Board voted to meet in a Closed Session (2:25 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

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

The Trustees present included:

T. Eloise Foster, Presiding
Robert Hagans (via telephone)
Kenneth Haines
Sheila Hill
F. Patrick Hughes

Major Morris Krome
Theresa Lochte
Harold Zirkin
Thurman Zollicoffer

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Margaret Bury

Angie Jenkins

Janet Sirkis

Assistant Attorney General present included: Deborah Bacharach and Rachel Cohen.

OPEN SESSION

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

LaKennya Jones

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

Laverne N. Sykes

The Board voted to **ACCEPT** the Medical Board's recommendation and **DENY** Laverne N. Sykes's request for disability benefits.

Lorie E. Bowen

The Board voted to **REMAND** the case back to the Medical Board to obtain and review Ms. Bowen's employment records in order to review and reconsider Ms. Bowen's request for ordinary disability benefits

Carole A. Copeland

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision, with one amendment, specifically, on page 25, the date of the accident is March 4, 2008, instead of July 6, 2004 and **DENY** Carole A. Copeland's request for accidental disability benefits.

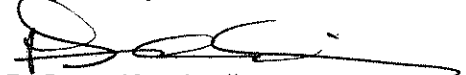
**Gracie Thompson-
Claxton**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Gracie Thompson-Claxton's request for accidental disability benefits.

Adjournment

There being no further business before the Board, the meeting adjourned at 3:05 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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***ADMINISTRATIVE COMMITTEE MEETING REPORT
JUNE 4, 2013***

- Election Schedule -
State Police
Retirement System
Representative
- The Administrative Committee approved the attached State Police Retirement System Representative's Board of Trustees election schedule for recommendation to the Board.
- Participating
Governmental Units
- Participation in the
Employer Pick-Up
Program
- The Town of Centreville, Town of Edmonston, Kent County Soil Conservation District and the Somerset Economic Development Commission are requesting to participate in the Employer Pick-Up Program. A Resolution from each PGU is attached.
- The Administrative Committee approved, for recommendation to the Board, the aforementioned PGUs' request to participate in the Employer Pick-Up Program.
- Procedures
Covering Special
Death Benefits
- Ms. Margaret Bury presented the Committee with the attached proposed procedures that the Agency developed to process Special Death Benefit claims and established guidelines for the Medical Board in its review of the claims.
- The Administrative Committee voted and approved, for recommendation to the Board, the procedures covering Special Death Benefits.
- Medical Board
Physician
Recommendations
- The Administrative Committee was provided a Curriculum Vitae of Dr. William I. Smulyan and Dr. Archana Goel Leon-Guerrero, which are attached.
- Ms. Margaret Bury recommended approval of Dr. Smulyan and Dr. Leon-Guerrero to serve on the System's Medical Board. Ms. Bury informed the Committee Dr. Smulyan is Board certified in Orthopedic Surgery and that Dr. Leon-Guerrero is Board certified in Psychiatry and Neurology, with experience in recognizing and treating Post-Traumatic Stress Disorder patients.
- The Administrative Committee approved, for recommendation to the Board, the addition of Dr. William I. Smulyan and Dr. Archana Goel Leon-Guerrero to the Medical Board.
- Finance Reports
- Ms. Patricia Wild presented the FY2013 Non-Budgeted Investment Manager and Service Related Fees Report. Ms. Wild indicated that within the Equity asset class, the fees paid were lower by 8.1 basis points, the core Fixed Income asset class has a decrease of .9 basis points and that fees incurred for investment related service providers increased slightly due to built-in contractual fee increases.
- Mr. Van Lewis presented the Administrative Expenses Report for the quarter ending March 31, 2013. Mr. Lewis reported that given the actual year-to-date expenditures, the Agency is on target to stay within the FY13 Appropriation.
- Mr. Van Lewis presented the MBE Performance Report for the quarter ending March 31, 2013. Mr. Lewis reported that MBE Performance was

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**ADMINISTRATIVE COMMITTEE MEETING REPORT
JUNE 4, 2013**

53.38%.

Mr. Douglass provided the Administrative Committee with an additional document which showed a comparison of how the Agency's MBE report would appear once a newly passed law takes effect on July 1, 2015. This law removes non-profit organizations from the MBE calculations. Mr. Douglass indicated that the new law artificially inflates the awards of other minority business groups.

Member Services
Update

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

Ms. Budowski reported that for Fiscal Year 2013, the Agency continues to operate within the standards for average call wait time and call abandonment. However, for the month of April, 2013, the unit did not meet its performance goals. The abandonment percentage was 7.30% and the average speed of answer was 1:38.

Administrative
Appeal of Jacqueline
M. Adams

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

Ms. Jacqueline M. Adams is requesting that the Board of Trustees permit her to receive benefits under the Alternate Contributory Pension Selection ("ACPS") instead of the Reformed Contributory Pension Benefit ("RCPB").

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

FY14 Business Plan
Initiatives

THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA.

Mr. Dean Kenderdine provided an overview of the FY14 Business Plan Initiatives.

On a motion made by Mr. Haines and seconded by Mr. Douglass, the Administrative Committee approved the FY14 Business Plan Initiatives for recommendation to the Board.

Correction of Errors
– Offset of
Retirement Benefits

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

Ms. Margaret Bury provided the Administrative Committee with background information concerning an overpayment of retirement benefits to two of the Agency's participants.

The Chairman of the Administrative Committee will present to the Board of Trustees, for its approval, the Committee's recommendations concerning this matter.

Project Number	Initiatives	Division	Completion Date	Disposition
Completed Business Initiatives				
09AD05	Automation of Tracking Systems: Automation of DROP	Administrative Division	Jan-12	COMPLETED
12AD02	Implementation of major changes to the pension plan and state retiree health benefit subsidy program - HB72 Budget Reconciliation and Financing Act of 2011	Administrative Division	Sep-12	COMPLETED
13IA01	Audit Client Survey	Internal Audit Division	12-Dec	COMPLETED
13EA01	Electronic Form Conversion	External Affairs Division	Dec-12	COMPLETED
New & On-going Business Initiatives				
12AD01	Audit the implemented Maryland Pension Administration System (MPAS) through expanded system testing of daily work	Administrative Division	Dec-13	Ongoing. Staff continues to request minor data processing changes.
10EX02	Business Continuity Plan (COOP)	Executive Division	Dec-12	Plan complete; dependent upon business reforms (Project 12EX01) to allow comprehensive telecommute option.
12EX01	Business Continuity Plan Virtual Office Capacity	Executive Division	Jun-12	Assessment of recovery telephone system need complete. Preparing RFI.
11FI01	Office space expansion request/ lease renewal	Finance Division	Jul-12	Division made to address space needs with FY14 procurement of full agency needs.
11IS01	Revision of Revenue Control Transmittals and PGU Payroll Reporting, Phase 1	Information Systems Division	Jul-12	In internal testing; testing at field level to begin early FY2014
11IS03	Increase functionality of secure member internet portal	Information Systems Division	Jun-12	Initial programming complete; Requirements established by Agency for longer term functionality. Development will be on-going from this point forward.
12IV01	Centralized file management system	Investment Division	Jul-12	On hold pending resolution of space needs (Project 11FI01)
09PM02	MPAS-2 Project - Improve Data Integrity	Project Management Office	Nov-12	Project to commence July 2013
13AD01	Administrative Procedure Portal	Administrative Division	Jul-14	Ongoing
13AD/FI02	Educational Webinars	Administrative & Finance Divisions	Dec-13	Ongoing – 9 Webinars released in FY2013; 2 Webinars to be released in Early FY2014

14AD01	Implementation of Changes to Tax Reporting Processes and Associated MPAS Programs	Administrative Division	Dec-13	
14AD02	Analysis and Re-Engineering of Processing and Administration of Domestic Relation Orders within MPAS	Administrative Division	Dec-14	
14AD03	Update Division Calculation Manuals	Administrative Division	Jun-14	
14AD04	Review and Revision of Code of Maryland Regulations	Administrative Division	Jun-14	
14IA01	Risk Assessment of Agency Operations	Internal Audit Division	Jun-14	