August 20, 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 10:05 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding

Peter Franchot, Vice Chairman David Blitzstein

James Bush, Jr. John Douglass

T. Eloise Foster

Robert Hagans

Kenneth Haines (via telephone)

James Harkins Linda Herman F. Patrick Hughes Major Morris Krome

Harold Zirkin (via telephone)

Thurman Zollicoffer

Theresa Lochte

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

Anne Budowski

Robert Burd Margaret Bury Melody Countess

Patricia Fitzhugh

Anne Gawthrop Ira Greenstein Angie Jenkins Van Lewis A. Melissa Moye
Kenneth Reott
Janet Sirkis
Toni Voglino

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

Also attended by: Nathan Bowen, John Kenney, Rick Norman, Dana Tagalicod and William Wells.

Introduction of New

Trustees

Treasurer Kopp introduced James Bush, Jr., recently elected Trustee representing active members of the Employees' System and Linda Herman, recently appointed Trustee filling the trustee position established by the General Assembly to represent the interests of Maryland Counties.

Consent Agenda

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

- July 16, 2013 Open Meeting Board Minutes
- August 6, 2013 Administrative Committee Report

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 indicated that in addition to staff's recommendation that he and Angie Jenkins be required to take the Open Meetings Act training as designees to the Board of Trustees, that he is also recommending that Michael Golden, be required to take the training, as well.

Mr. Harkins indicated that he would be interested in taking the training on the Open Meetings Act as well.

Treasurer Kopp asked that access to the on-line training should be available to all Trustees.

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On a motion made by Major Krome and seconded by Mr. Harkins, the Board voted to approve staff's recommendations and direct Dean Kenderdine, Angie Jenkins and Michael Golden as designee's of the Board of Trustees to take the Open Meetings Act training.

#### Committee Assignments

As mandated by Board Operations Policy and the State Personnel and Pensions Article § 21-115(a)(2), (b)&(d) the Board reviewed and approved the proposed committee assignments for FY2014 as submitted by the Treasurer Kopp. On a motion made by Major Krome and seconded by Mr. Bush, the Board approved the following committee assignments:

#### Administrative Committee

James Harkins, Chairman
Major Morris Krome, Vice-Chairman
John Douglass
Secretary T. Eloise Foster (or designee)
Kenneth Haines
Treasurer Nancy K. Kopp (or designee)
Theresa Lochte

#### Investment Committee {SPP §21-115(a)(2), (b)&(d)}

Harold Zirkin, Chairman
F. Patrick Hughes, Vice-Chairman
David Blitzstein
James Bush, Jr.
Secretary T. Eloise Foster
Comptroller Peter Franchot
Robert Hagans, Jr.
Linda Herman
Treasurer Nancy K. Kopp
Major Morris Krome
Theresa Lochte
Thurman Zollicoffer

Public Advisors: Larry E. Jennings, Jr. Wayne Shaner Brian Topping

#### Audit Committee

F. Patrick Hughes, Chairman John Douglass, Vice-Chairman James Bush, Jr. Robert Hagans, Jr. Kenneth Haines Major Morris Krome

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Corporate Governance

David Blitzstein, Chairman
Thurman Zollicoffer, Vice-Chairman
Secretary T. Eloise Foster
James Harkins
Linda Herman
Treasurer Nancy K. Kopp
Theresa Lochte
Harold Zirkin

Securities Litigation

Thurman Zollicoffer, Chairman Harold Zirkin, Vice-Chairman F. Patrick Hughes

Mr. Hughes suggested that Trustee Herman be assigned to the Audit Committee, due to the assignments and issues that arise at the Committee meetings related to local governments' participation in the System.

As a result of Mr. Hughes' suggestion, Trustee Linda Herman was assigned to the Audit Committee.

CIO Report

Dr. A. Melissa Moye reported that the total market value of the fund, as of July 31, 2013, is \$41.1 Billion, up from \$40.25 Billion in June, 2013.

Dr. Moye reported that the fund return was 2.33% and that the policy benchmark is 2.37%.

At the request of Mr. Douglass, Dr. Moye provided the Board with a Total Fund Summary from June 30, 2013, which compared the System's fund return against the S&P 500 return. A discussion of the System's level of indexed assets followed.

Executive Director's Report

On behalf of Agency staff, Mr. Kenderdine welcomed Trustees James Bush and Linda Herman to the Board.

Mr. Kenderdine informed the Board that from time to time the Office of Administrative Hearings (OAH) issues Proposed Default Orders in cases in which claimants fail to appear at the scheduled hearing. COMAR 22.06.07.07E, requires that as Secretary to the Board, I notify the Board of the action taken in those cases.

Mr. Kenderdine reported on the appeal of Brent Carithers and the actions taken by Mr. Kenderdine in regards to this appeal.

 Mr. Carithers filed an appeal as a result of the Medical Board denying his request to receive accidental disability benefits.

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- Mr. Carithers was properly notified of his hearing before OAH.
- He informed the OAH that he would not be attending the "disability hearing" due to health issues, and that he had no legal representation. There was no mention of, or request for, a postponement.
- An OAH hearing was convened as scheduled, at which time neither Mr. Carithers nor anyone authorized to represent Mr. Carithers appeared.
- As a result of Mr. Carithers' failure to appear, the Administrative Law Judge (ALJ) issued a Proposed Default Order.
- On June 10, 2013 Mr. Kenderdine received a letter from Mr.
  Carithers, in which he described problems he had incurred with
  State of Maryland agencies and employees since filing disability
  retirement paperwork. The letter failed to state why Mr. Carithers
  did not appear at the scheduled hearing, nor did he request a new
  hearing date.
- On June 18, 2013 Mr. Carithers was advised of his right to submit a written motion to vacate the proposed default order, stating the reasons for the failure to attend or participate in the hearing, within 30 days after the date of the Proposed Default Order.
- On June 27, 2013, the ALJ issued a Proposed Default Order.
- Mr. Carithers had until July 29, 2013 to file a motion to vacate the proposed order.
- Mr. Carithers made no motion to vacate the proposed default order and so on August 12, 2013, as Secretary to the Board of Trustees, Mr. Kenderdine issued a Final Default Order, that all further proceedings in this case are terminated and the case is dismissed and that the decision to deny Mr. Carithers accidental disability retirement benefits is affirmed.

Mr. Kenderdine informed the Board that the New Trustee Orientation is scheduled for Wednesday, September 4, 4013 from 9:00 a.m. until 3:30 p.m. and all Trustees are invited to attend.

Treasurer Kopp requested that the Notice, along with the agenda, regarding the orientation, be provided to the Trustees.

Mr. Kenderdine announced to the Trustees on the Investment Committee that the Chief Investment Officer Evaluation material would be forthcoming.

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#### **CLOSED SESSION**

On a motion made by Ms. Lochte and duly seconded, the Board voted to meet in a Closed Session (10:53 a.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), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
- 3. discussing the 2013 Performance Self-Evaluation of the Board of Trustees, pursuant to State Government Article § 10-503(a)(1)(i), the exercise of an administrative function
- 4. consulting with staff and counsel regarding an investment-related class action case, pursuant to State Government Article § 10-508(a)(8), to consult with counsel regarding pending or potential litigation.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding

Peter Franchot, Vice Chairman

David Blitzstein

James Bush, Jr.

John Douglass

T. Eloise Foster

Robert Hagans

Kenneth Haines (via telephone)

James Harkins

Linda Herman

F. Patrick Hughes

Major Morris Krome

Theresa Lochte

Harold Zirkin (via telephone)

Thurman Zollicoffer

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

Margaret Bury

Angie Jenkins

Janet Sirkis

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

Also attended by: John Kenney and William Wells.

#### OPEN SESSION

Adjournment

There being no further business before the Board, the meeting adjourned

at 11:50 a.m.

Respectfully submitted,

R. Dean Kenderdine Secretary to the Board

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

### ADMINISTRATIVE COMMITTEE MEETING REPORT AUGUST 6, 2013

#### Designation for Open Meetings Act Training

The Administrative Committee approved the staff's recommendation that R. Dean Kenderdine and Angie Jenkins be designated to receive the Open Meetings Act training, required by law, for the Administrative Committee.

#### Member Services Update

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

Ms. Budowski reported that for the 2013 Fiscal Year end, the Agency continues to operate within the standards for average call wait time and call abandonment. For the month of June, 2013, the unit met its performance goals for the call abandonment rate, but was slightly over the average speed of answer averaging 1:37.

Ms. Budowski reported that despite carrying two vacancies, the unit continued to provide counseling services via 100 pre-retirement seminars and 92 regional counseling sessions. The call center received 114,073 total calls and answered 107,309 over the fiscal year.

#### Summary of the Agency's IT Master Plan for FY15

Mr. Ira Greenstein, presented a summary of the Agency's FY2015 Information Technology Master Plan (ITMP) for planning period FY2015 through FY2020.

Mr. Greenstein reported that the plan is statutorily required. The Agency provides advance planning information to the State regarding the Agency's technology strategy, current and upcoming IT-related projects, current and projected procurements and the Agency's IT budget. The Agency's ITMP is due on August 12, 2013 to the Department of Information Technology (DoIT) and it is then distributed to the Department of Budget and Management in addition to the Legislature.

#### Board of Trustees Performance Self-Assessment

### THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN CLOSED SESSION.

The Administrative Committee was provided with a General Report of Findings produced by Mr. William Wells, University of Baltimore's Schaefer Center for Public Policy, concerning the Board's self-evaluation of its performance over the past two years. This self-evaluation is required to be performed at least every two years per the Board's governance policies. Mr. Wells was unable to participate in the meeting. Mr. Kenderdine reviewed the report findings.