

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

April 17, 2014

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 9:35 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
James Harkins
Linda Herman
Major Morris Krome
Theresa Lochte
Harold Zirkin
Thurman Zollicoffer

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

Anne Budowski
Margaret Bury
Melody Countess
Brian Feilinger
Patricia Fitzhugh

Anne Gawthrop
Michael Golden
Ira Greenstein
Angie Jenkins
Larry Katsafanas

Van Lewis
A. Melissa Moye
Ben Robb
Janet Sirkis

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Josaphine Yuzuik.

Also attended by: Phillip Anthony, Nathan Bowen, Robin Clark, John Kenney, Randy Mickens, Brian Murphy, Rick Norman and Armand Yambao (via phone).

Consent Agenda

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

- March 18, 2014 Open Meeting Board Minutes
- April 1, 2014 Administrative Committee Report

**Stochastic
Projections of the
Teachers' Combined
System**

Brian Murphy from Gabriel Roeder Smith & Company (GRS), the System's Actuarial firm, presented to the Board stochastic projection results for the Teachers' Combined System. Armand Yambao from Hewitt EnnisKnupp (HEK) also participated in the presentation.

Mr. Murphy explained that the purpose of the stochastic projections is to assess the probability of funded ratios and contribution levels given a deterministic projection of liabilities and payroll and a stochastic projection of future investment returns based on capital market projections and the System's asset allocation as provided by HEK. 500 simulated future scenarios were tested. The Teachers' System's is expected to achieve 85% funding in 2026.

The Trustees requested that the actuary proceed with conducting the same stochastic projections for the entire System.

**Funding Policy
Principles**

Brian Murphy from Gabriel Roeder Smith & Company (GRS), the System's Actuarial firm, spoke to the Board of Trustees about the funding policy principles as advocated by the American Academy of Actuaries and the Society of Actuaries. Mr. Murphy distributed to the Board the March 2014 GRS Perspectives newsletter which addresses the matter.

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Appeal of
Sally Britt Long

Mr. James Harkins, Chairman of the Administrative Committee, reported that at its April 1, 2014 meeting, the Administrative Committee heard the appeal of Sally Britt Long. Mr. Harkins recused himself as Ms. Long serves as the Director of Procurement for the Maryland Environmental Service ("MES".)

Ms. Long was not present, but submitted a written rebuttal, which was provided to the Board of Trustees.

Rachel Cohen, Assistant Attorney General, argued on behalf of the Agency. Ms. Cohen stated that Ms. Long was requesting to participate in the Employees' Pension System ("EPS") as a new employee of the MES.

Ms. Cohen stated that membership in the EPS is available for an employee of the MES only if the employee was a member of the EPS on June 30, 1993, or transfers from the Employees' Retirement System on or after July 1, 1993. Since Ms. Long was a member of the Teachers' Pension System ("TPS") and not the EPS on June 30, 1993, she is not eligible to participate in the EPS as an employee of the MES.

The Board considered this matter in closed session.

2014 Legislative
Update

Ms. Anne Gawthrop reported that nine retirement bills passed during the 2014 legislative session.

Ms. Gawthrop reported that HB 612/SB 575 – State Retirement and Pension System – Code Simplification and Clarification passed with amendments which added the same five-year earnings limitation language to the Judges' System as is provided for other systems.

Ms. Gawthrop reported that both HB128/SB 188 – State Retirement and Pension System – Military Service Credit – Exception and HB 839 – Law Enforcement Officers' Pension System – Deferred Retirement Option Program – Expanded received an unfavorable report.

Ms. Gawthrop also reported that HB 1047 – Employees' Pension System – Prince George's County – Optional Membership passed with an amendment that requires the State Retirement Agency to conduct a study regarding the membership of elected and appointed officials in the EPS and report its findings and recommendations to the Joint Committee on Pensions on or before December 1, 2014.

Optional Retirement
Plan – TIAA-CREF –
Establishment of
Revenue Credit
Account

Ms. Deborah Bacharach and Larry Katsafanas, from the Investment Division, reported to the Board that in late 2013, representatives from TIAA-CREF met with Agency staff to propose two changes to their contract with the System regarding the Maryland Optional Retirement Plan (ORP): the establishment of a Revenue Credit Account and to change to an Institutional Share class.

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Ms. Bacharach reviewed the April 15 Memo to the Board on this subject and answered questions.

Ms. Bacharach reported that it is staff's recommendation that the Board take the following actions concerning the above issues:

- Approve the Amendment to the Contract regarding the switch to Institutional Share Class;
- Approve the Amendment to the Contract regarding the establishment of a Revenue Credit Account with funds from TIAA, subject to negotiation by the OAG regarding amendment to that provision;
- Authorize the distribution of the funds in the Revenue Credit Account to the participants of the ORP vested with TIAA, on a pro-rata basis; and
- Authorize any amendment to the ORP Plan Document necessitated by the establishment of the Revenue Credit Account.

Ms. Herman inquired as to how the Agency monitors the Optional Retirement Plan and asked several questions regarding the fees that TIAA-CREF charge.

Mr. Blitzstein questioned whether Agency staff was comfortable with the \$1 million amount being returned through the Revenue Credit Account.

Ms. Bacharach indicated that staff had reviewed all of these changes with Segal, the System's ORP Consultant.

The Board agreed to defer this matter to the May 9, 2014 Investment Committee meeting for further discussion.

CIO Report

Dr. A. Melissa Moye reported that the total market value of the fund, as of the end of March, was \$43.9 Billion. Dr. Moye reported that the fund return for one month was 0.27% and 10.56% fiscal year to date. Dr. Moye also reported that the policy benchmark for one month is 0.34%

Dr. Moye also reported that the May 9, 2014 Investment Committee meeting will be an all-day meeting.

Executive
Director's
Report

Mr. Kenderdine reminded the Board that the filing deadline for the Ethics (Financial Disclosure) reports is April 30, 2014.

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Mr. Kenderdine reported that on April 2, 2014, the Board of Public Works approved the lease agreement for space at 120 E. Baltimore Street and the lease took effect on April 15, 2014. He also discussed the plan for the anticipated renovations, new construction, painting, and carpeting and how it will be performed on weekends and will minimize disruption of operations. Mr. Kenderdine reported that construction should be finished by late fall.

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Mr. Kenderdine reported that the Actuarial RFP has been issued.
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Mr. Kenderdine reminded the Board that the May Education Session is scheduled for Thursday, May 22, 2014 at the Miller Senate Office Building in Annapolis and that information regarding parking will be forthcoming.
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Mr. Kenderdine reported that the Department of Budget and Management approved four vacant Member Service Counselor positions.
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Mr. Kenderdine reported that interviews were being scheduled for the Chief Internal Auditor position.
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CLOSED SESSION

On a motion made by Mr. Zirkin and seconded by Mr. Hagans, the Board voted to meet in a Closed Session (11:25 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. reviewing 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, namely personal medical information;
3. discussing the administrative appeal of Sally Britt Long, pursuant to State Gov't Art., Section 10-503(a)(1)(iii), a quasi-judicial function;
4. discussing the proposed settlement in the matter of Coretta Osborne, pursuant to State Gov't Art., Section 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, namely personal financial information;
5. receiving the recommendation from the Chair of the Securities Litigation Committee and consulting with counsel regarding the BP Securities Fraud Multi-District Litigation, pursuant to State Gov't Art., Section 10-508(a)(7), to obtain legal advice, and pursuant to State Gov't Art. Section 10-508(a)(8), to consult with staff, consultants or other individuals about pending or potential litigation.
6. discussing the Tribune Bankruptcy case, pursuant to State Gov't Art., Section 10-508(a)(7), to obtain legal advice, and pursuant to State Gov't Art. Section 10-508(a)(8), to consult with staff, consultants or other individuals about pending or potential litigation;
7. reviewing a legal memo on Fiduciary Liability and Indemnification, pursuant to State Gov't Art., Section 10-508(a)(7), to obtain legal advice;

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8. discussing the status of the General Investment Consultant Request for Proposals, pursuant to State Gov't Art., Section 10-508(a)(14), before a contract is awarded or bids are opened, discuss a matter directly related to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process; and
9. discussing the Executive Director's Evaluation, pursuant to State Gov't Art., Section 10-508(a)(1)(ii), the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction.

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
James Harkins
Linda Herman
Major Morris Krome
Theresa Lochte
Harold Zirkin
Thurman Zollicoffer

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

Anne Budowski
Margaret Bury
Melody Countess
Brian Feilinger

Patricia Fitzhugh
Anne Gawthrop
Michael Golden
Ira Greenstein

Angie Jenkins
Van Lewis
A. Melissa Moyer
Margo Wheet

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

Also attended by: John Kenney, Rick Norman, Elizabeth Adams (via phone) and Bernadette Benik (via phone).

OPEN SESSION

The Board returned to open session at 12:38 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

The Trustees present included:

Harold Zirkin, Presiding
David Blitzstein
James Bush, Jr.
John Douglass

Kenneth Haines
James Harkins
Linda Herman
Theresa Lochte

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

Marge Bury

Angie Jenkins

Janet Sirkis

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Goldman Katzenberg and Jill R. Leiner.

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Bruce A. Tucker The Board considered the recommendation of the Medical Board in connection with the claim of Bruce A. Tucker 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. Tucker appeared before the Board to oppose the Agency's position and the Medical Board's recommendation. Ms. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's recommendation and deny Mr. Tucker special disability benefits. Following discussion, the Board deferred further consideration to Closed Session.

Mary L. Klemm The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mary L. Klemm 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. Klemm nor anyone authorized to represent Ms. Klemm 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.

Ronald A. Whetzel, Jr. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ronald A. Whetzel, Jr., 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 Mr. Whetzel nor his attorney, William F. X. Becker, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendations. 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 Mr. Harkins and seconded by Mr. Haines, the Board voted to meet in a Closed Session (1:17 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

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

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The Trustees present included:

Harold Zirkin, Presiding
David Blitzstein
James Bush, Jr.
John Douglass

Kenneth Haines
James Harkins
Linda Herman
Theresa Lochte

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

Bruce A. Tucker

The Board voted to **AFFIRM** the Medical Board's Recommendation and **DENY** Bruce A. Tucker's request for special disability benefits.

Mary L. Klemm

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

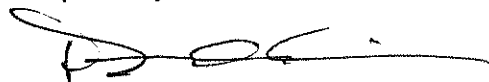
Ronald A. Whetzel,
Jr.

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

Adjournment

There being no further business before the Board, the meeting adjourned at 1:20 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT
APRIL 1, 2014***

Proposed Work Plan
for Procurement of an
Actuarial Auditor

Mr. Kenderdine reported that the Charters and Policies require that the Administrative Committee be provided with a proposed work plan for the procurement of an Actuarial Auditor necessary for the conduct of an audit of the FY2014 valuation of the System. The work plan schedule below was provided.

Date	ITEM
April 1, 2014	Submit work plan to the Administrative Committee
April 14, 2014	Issue RFP
May 2, 2014	Completed proposals due
May 5 – May 23, 2014	Evaluation Committee reviews proposals and conducts preliminary interviews, then summarizes and provides analysis and ratings of each of the finalist's technical and financial proposals for determination and submission of a finalist to the Administrative Committee.
June 3, 2014	Finalist presented to the Administrative Committee.
June 17, 2014	Administrative Committee recommends the appointment of Actuarial Auditor to the Board.
July 1, 2014	Contract Begins

Mr. Kenderdine reminded the Committee that the Charters and Policies require that an audit be done every five years and that the first audit was conducted by Cheiron and was performed on the FY2009 valuation of the System by Gabriel Roeder & Smith, the actuary's first valuation of the Maryland State Retirement and Pension System.

On a motion made by Mr. Douglass and seconded by Ms. Brogan, the Administrative Committee approved the proposed work plan.

2014 Legislative
Update

THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA.

Mr. Kenderdine reported that all Board requested legislation is essentially passed, no legislation opposed by the Board has passed, with the exception of the BRFA provisions affecting reinvested savings.

Mr. Kenderdine also reported that there were only two issues that still needed to be resolved, one regarding the elected and appointed officials of Prince George's County. The second bill deals with a proposed retirement program for private sector small employers, commonly referred to Secure Choice. There is strong support for the concept in the Senate pension subcommittee, but, due to the complexity, there is not sufficient support to move it this year.

Mr. Kenderdine reported that Ms. Gawthrop will provide a full report at the April Board of Trustees meeting.

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

**ADMINISTRATIVE COMMITTEE MEETING REPORT
APRIL 1, 2014**

Member Services
Update

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

Ms. Budowski reported that for the month of February 2014, the average call wait time was 105 seconds and the call abandonment rate was 7.21%.

Ms. Budowski reported that despite having three vacancies, the unit was able to meet its goals.

Ms. Budowski reported that in an effort to stay focused on answering the incoming calls, all regional counseling was cancelled.

Ms. Budowski also reported that a freeze exemption has been submitted to the Department of Budget and Management, but to date a response had not been received.

Appeal of Sally Britt
Long

THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA.

Mr. Harkins recused himself as Ms. Long serves as the Director of Procurement for the Maryland Environmental Service ("MES".)

Ms. Sally Britt Long is requesting to participate in the Employees' Pension System. *See Attachment A – Administrative Appeal of Sally Britt Long.*

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

Evaluation of the
Executive Director

THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA.

Cindy Kollner, Department of Budget and Management presented to the Administrative Committee the results of the performance evaluation of the Executive Director.

The Chairman of the Administrative Committee will present, in Closed Session, those results to the Board of Trustees.