

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

March 3, 2015

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, 16<sup>th</sup> Floor Board Room, Baltimore, Maryland beginning at 9:10 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman (via phone)	James Harkins
Peter Franchot, Vice Chairman (via phone)	Linda Herman (via phone)
David Blitzstein (via phone)	F. Patrick Hughes (via phone)
David Brinkley (via phone)	Theresa Lochte
James Bush, Jr. (via phone)	Richard Norman
John Douglass (via phone)	Harold Zirkin (via phone)
Kenneth Haines	Thurman Zollicoffer (via phone)

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

Margaret Bury	Michael Golden	Janet Sirkis
Anne Gawthrop	Angie Jenkins	

Assistant Attorneys General present included: Rachel Cohen, and Sharon Street.

Also attended by: Susanne Brogan, John Kenney, Amy Williams (GRS), Brian Murphy (GRS) (all via phone) and Len Lazarick (Maryland Reporter) in person.

Department of  
Legislative Services'  
Proposal to  
Accelerate Actuarial  
Funding of  
Retirement Programs

The Board met to discuss the Department of Legislative Services' (DLS) proposal to accelerate actuarial funding of retirement programs. Under the proposal, the System would return to full actuarial funding and the program for supplemental funding ("reinvested savings") would be terminated.

Treasurer Kopp reviewed the Board's previously established positions regarding the corridor method and the supplemental funding program and expressed her assumption that these positions remain unchanged, consistent with the need for System sustainability as well as the Board's fiduciary responsibility to the participants and beneficiaries.

Treasurer Kopp indicated that a permanent reduction of reinvested savings would result in an increased drain on the general fund in the long-term, which would render future funding non-sustainable.

Mr. Kenderdine reported on his testimony to both budget Committees of the legislature in which he presented projections prepared by Gabriel Roeder Smith (GRS) at the respective bill hearings. They included projections of future contribution rates, employer contributions in dollars, and funded ratios.

Brian Murphy from GRS, stated that these projections show that the DLS proposal could cost the State an additional \$2.5 billion at the end of the full 25-year amortization. Mr. Murphy commented that in his opinion the reinvested savings policy should remain in effect.

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In addition, Mr. Murphy expressed GRS's concerns including:

- Less money will come into the System at least in the near term than under the current funding policy. If there were another severe market downturn, such as occurred in 2008, the funding level could drop materially, potentially leading to another benefit reduction.
- The supplemental payments are offsetting the "negative amortization" contained in the current rates. Without the supplemental payments, if the DLS change is to be made, GRS would recommend shortening the amortization period to eliminate negative amortization.
- Continual changes to the funding policy could result in the System and the State not being able to use the assumed rate of investment return as the basis for the Total Pension Liability for accounting purposes, which would then further increase the State's accounting liabilities.

Mr. Blitzstein reminded the Board of GRS's FY2014 valuation report on November 18, 2014 which included data on the probabilities of attaining 80% funding between 2024 and 2028.

Treasurer Kopp asked GRS to provide their comments to the Board of Trustees.

Other Business

Mr. Harkins reminded the Board to complete and submit the forms for the Executive Director's Evaluation.

Adjournment

There being no further business before the Board, on a motion made by Mr. Harkins and duly seconded, the meeting adjourned at 9:45 a.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board