

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

January 17, 2017

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, 16th Floor Board Room, Baltimore, Maryland beginning at 9:34 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Eric Brotman
James Bush, Jr.
James "Chip" DiPaula
Kenneth Haines
David Hamilton

James Harkins (via phone)
Linda Herman
Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte
Richard Norman

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

Melody Countess
Anne Gawthrop
Michael Golden
Ira Greenstein

Angie Jenkins
Van Lewis
Michelle Lowery
Andrew Palmer

Harvey Raitzyk
Ken Reott
David Rongione
Janet Sirkis

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen and Kathleen Wherthey

Other attendees included: Susanne Brogan, John Kenney, and Jennifer O'Dell.

Consent Agenda On a motion made by Mr. Hughes and seconded by Mr. Bush, the Board approved the consent agenda, which included:
 › December 20, 2016 Open Meeting Board Minutes

2017 Legislative Bill Review Ms. Anne Gawthrop provided the Board of Trustees an overview of the 2017 pension related legislation introduced to the General Assembly to date. See Attachment A.

Ms. Gawthrop reported on the following bills:

House Bill 28	Unappropriated General Fund Surplus – Appropriation to Pension Fund and Postretirement Health Benefits Trust Fund	Support – due to the increased funding it would provide the System
House Bill 40	State Retirement and Pension System – Funding Ratio Report – Market Value of Assets	No Position – The System's funded ratio, based on market value of assets is already disclosed in the annual CAFR and presented by the System's actuary to the JCP each Fall.

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

January 17, 2017

House Bill 62	State Retirement and Pension System – Disability Retirement – Alterations	No position. The Board took no position on the same bill last year.
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Regarding HB 62, Ms. Herman noted that it is difficult, as a fiduciary to the Trust Fund and a taxpayer, to agree with the “take no position” recommendation. The Board oversees the assets of the Trust Fund, and as such should want to know if payments being made to someone receiving disability benefits are being made properly.

Treasurer Kopp responded that the Board generally does not take a position on benefits-related legislation based on state law placing the review of the benefit structure outside the Board’s responsibility. However, Treasurer Kopp recommended that the Board provide, as it has done in the past, a statement reiterating the Board’s fiduciary concerns and expressing support for periodic reviews.

Ms. Gawthrop responded that she would provide an informational letter to the Joint Committee on Pensions and will also be involved in any discussions concerning these bills.

**Comprehensive
Annual Financial
Report (CAFR)**

Melody Countess, Chief Operating Officer, presented an overview of the System’s Comprehensive Annual Financial Report (CAFR) for Fiscal Year Ending June 30, 2016.

Ms. Countess reported that the System, for the 27th consecutive year, received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association. In addition, the System also received a Recognition Award for Administration from the Public Pension Coordinating Council, in recognition of meeting the Council’s professional standards for plan funding and administration.

Mr. Hamilton asked what contributed to, on page 24, the half billion dollar decrease in Net Position in 2016 compared to 2015.

Ms. Countess responded that the decrease is preliminary attributable to negative net cash flow experienced by the System excluding investment income earned in FY2016.

Mr. Hamilton also asked, regarding page 24, why there was a decrease in employer contributions between 2015 and 2016.

Ms. Countess responded that it was due to timing differences in which employer contributions were accrued for and received.

Ms. Herman asked, regarding GASB 72, are the amounts given to staff by the custodial bank?

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

January 17, 2017

Mr. Kenderdine also made a formal call for nominations for the position of Public Advisor to the Investment Committee, for which the current term expires June 30, 2017. Mr. Kenderdine asked that all nominations be submitted, to him, by March 1, 2017.

Mr. Kenderdine reminded the Board that the Agency's Senate budget hearing is scheduled for January 31, 2017 at 1:00 p.m., and the House budget hearing is scheduled for February 3, 2017 at 1:00 p.m.

On a motion made by Mr. Hughes and seconded by Mr. Brotman, the Board voted to meet in a Closed Session, beginning at 10:55 a.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
2. reviewing the Medical Board reports, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and personal information; and
3. discussing the System's redemption of an investment in a hedge fund pursuant to General Provisions Art., § 3-305(b)(5), to consider the investment of public funds, § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-335 preventing the disclosure of trade secrets and confidential commercial or financial information, to consult with counsel to obtain legal advice, pursuant to General Provisions Art., § 3-305(b)(7) and to consult with staff, consultants or other individuals about pending or potential litigation, pursuant to General Provisions Art., § 3-305(b)(8).

CLOSED SESSION

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Eric Brotman
James Bush, Jr.
James "Chip" DiPaula
Kenneth Haines
David Hamilton

James Harkins (via phone)
Linda Herman
Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte
Richard Norman

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

Melody Countess
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Michael Golden

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

January 17, 2017

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen and Kathleen Wherthey.

Other attendees included: Susanne Brogan and John Kenney.

Agency Staff members attending Closed Session Item #3 **only** included:

R. Dean Kenderdine, Executive Director/Board Secretary

Angie Jenkins

Andrew Palmer

Janet Sirkis

On a motion made by Mr. Norman and seconded by Mr. Hughes, the Board returned to open session at 11:12 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Board of Trustees discussed and took action on the following matters:

Closed Session
Minutes

The Board reviewed and approved the December 20, 2016 closed session minutes.

Medical Board
Reports

The Board reviewed and adopted the medical board reports from December 22 and December 28, 2016, as well as, January 5 and January 11, 2017.

OPEN SESSION – APPEALS AND HEARINGS

The Trustees present included:

Theresa Lochte, Presiding

Nancy K. Kopp, Chairman

Eric Brotman

James Bush, Jr.

Kenneth Haines

Linda Herman

James Harkins

F. Patrick Hughes

Richard Norman

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

Angie Jenkins

Harvey Raitzyk

Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Jill Leiner and Kathleen Wherthey.

Other attendees included: Susanne Brogan

Catrina L. Creighton

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Catrina L. Creighton 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. Creighton appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

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

January 17, 2017

Following discussion, the Board deferred further consideration to Closed Session.

Roger C. Millett

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Roger C. Millett 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. Millett appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. 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.

Deborah S. Selznick

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Deborah S. Selznick 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. Selznick nor anyone authorized to represent Ms. Selznick appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. 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.

Disability Appeal of
Lakisha Shelton on
Remand for Ordinary
and Accidental
Disability Benefits

The Board was provided, for its consideration, the recommendation of the Administrative Law Judge in connection with the claim of Ms. Lakisha Shelton for accidental disability retirement benefits and the recommendation of the Medical Board in connection with the Board of Trustees' remand of Ms. Shelton's application for ordinary 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.

The Board deferred further consideration to Closed Session.

On a motion made by Mr. Brotman and seconded by Mr. Hughes, the Board voted to meet in a Closed Session (11:52 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. considering the disability appeal pursuant to General Provisions Art., § 3-103(a)(1)(iii), the exercise of a quasi-judicial function.

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

January 17, 2017

CLOSED SESSION – APPEALS AND HEARINGS

The Trustees present included:

Theresa Lochte, Presiding
Nancy K. Kopp, Chairman
Eric Brotman
James Bush, Jr.
Kenneth Haines

Linda Herman
James Harkins
F. Patrick Hughes
Richard Norman

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Angie Jenkins Harvey Raitzyk Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey.

Other attendees included: Susanne Brogan

On a motion made by Mr. Hughes and seconded by Mr. Norman, the Board returned to open session at 12:02 p.m.

OPEN SESSION

During closed session, the Board of Trustees discussed and took action on the following disability appeals:

**Catrina L.
Creighton**

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

Roger C. Millett

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

**Deborah S.
Selznick**

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

Lakisha Shelton

The Board voted to **ADOPT with Amendments** the Administrative Law Judge's Proposed Decision and **DENY** Lakisha Shelton's request for accidental disability benefits. However, the Board **AFFIRMED** the Medical Board's recommendation and **GRANTED** Ms. Shelton's request for ordinary disability benefits.

Adjournment

There being no further business before the Board, on a motion made by Mr. Hughes and seconded by Mr. Norman, the meeting adjourned at 12:03 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

**Legislative Update
2017 Session
January 17, 2017**

House Bill 28 (Krimm)

Unappropriated General Fund Surplus – Appropriation to Pension Fund and Postretirement Health Benefits Trust Fund

This proposed legislation requires, beginning in fiscal year 2021, an appropriation to the State Retirement and Pension System, up to a maximum of \$25,000,000 that is equal to one-quarter of the amount by which the unappropriated General Fund surplus as of June 30 of the second preceding fiscal year exceeds \$10,000,000. Additionally, the proposed legislation also provides for a similar appropriation to the Postretirement Health Benefits Trust Fund. House Bill 28 also amends a reporting date by which DLS is required to review the amounts required to be appropriated to the System from December 1, 2019 to December 1 of the year in which the System's funded ratio reaches 85%. This review includes findings and recommendations regarding the appropriate amount of funding under this provision for the System and whether the existing required amount of funding should be altered or eliminated.

- No hearing scheduled in Appropriations at this time.

Staff recommends supporting this legislation due to the increased funding it would provide the System.

House Bill 40 (McConkey)

State Retirement and Pension System - Funding Ratio Report - Market Value of Assets

Requiring the Board of Trustees to submit a report on or before December 1 of each year to the Joint Committee on Pensions and the General Assembly on the funding ratio of the State Retirement and Pension System based on the market value of the assets.

- No hearing scheduled in Appropriations at this time.

Staff recommends taking no position on this legislation. The System's funded ratio, based on market value of assets is already disclosed in the annual CAFR and presented by the System's actuary to the Joint Committee on Pensions each fall .

House Bill 62 (McConkey)

State Retirement and Pension System – Disability Retirement - Alterations

This proposed legislation authorizes the Board of Trustees for the SRPS to require disability retirees who are under normal retirement age to undergo a medical examination if the board believes good cause exists for such a reexamination. The bill further provides that, if, following the reexam, the retiree is no longer found to be disabled, the Board may suspend the retiree's allowance until the individual reaches normal retirement age. In addition, House Bill 38 also adjusts the formula used to determine a disability retiree's earning limit as a reemployed retiree by providing that the limit should be increased each year to reflect the percentage growth in the CPI.

- No hearing scheduled in Appropriations at this time.

Staff recommends taking no position on this legislation. The Board took no position on the same bill last year.