

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

December 19, 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 9:30 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding	F. Patrick Hughes
Peter Franchot, Vice Chairman (via phone)	Lisa James-Henson
David Brinkley (via phone)	Charles Johnson
Eric Brotman	Theresa Lochte
David Hamilton	Richard Norman
James Harkins	Douglas Prouty (via phone)
Linda Herman (via phone)	Michael Stafford (via phone)
Sheila Hill	

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

Melody Countess	Angie Jenkins	Ken Reott
Anne Gawthrop	Michelle Lowery	Ben Robb
Michael Golden	Kim O’Keeffe	David Rongione
Ira Greenstein	Andrew Palmer	Janet Sirkis
Claudia Holden	Harvey Raitzyk	Toni Voglino

Assistant Attorneys General present included: Rachel Cohen, Carla Goldman Katzenberg, Jill Leiner, William Mandycz, Kathleen Wherthey and Andrea Young

Other attendees included: Susanne Brogan, and Phillip Anthony

Consent Agenda	On a motion made by Ms. Hill and seconded by Mr. Norman, the Board approved the consent agenda, which included: <ul style="list-style-type: none">▸ November 21, 2017 Open Meeting Board Minutes▸ November 21, 2017 Corporate Governance Committee Meeting Summary▸ December 5, 2017 Administrative Committee Meeting Summary
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Appeal of Suzan L. Cotter	Suzan Cotter appeared before the Board of Trustees, requesting that the Board overturn the Administrative Law Judge’s proposed decision and allow her to change her optional form of allowance for benefits, even though she had received her first retirement allowance.
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Ms. Cotter argued that she had contacted the State Retirement Agency on numerous occasions to obtain information regarding retirement because her retirement would be subject to a Domestic Relations Order. Ms. Cotter confirmed that an Eligible Domestic Relations Order (EDRO) was submitted to the Agency and was accepted for administration in February 2005, but argued that she, through counsel, had been submitting drafts of an amended domestic relations order to the Office of the Attorney General. Ms. Cotter argued that the Agency should not have processed her October 2015 application for retirement knowing that she, through counsel, had been submitting amended EDROs for review and approval by the Office of the Attorney General.

Mr. William Mandycz, Assistant Attorney General, argued on behalf of the Agency. Mr. Mandycz stated that in February, 2005, an EDRO was submitted

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to the Agency and was accepted for administration by letter dated February 18, 2005. On November 13, 2014 Ms. Cotter submitted a retirement application for a retirement effective February 1, 2015, but selected the basic allowance instead of an optional form of allowance, and designated her two daughters as beneficiaries. The Agency notified her by letter that in light of the EDRO, she was not permitted to select the basic allowance and had to designate her former spouse as beneficiary. By letter dated January 28, 2015, Ms. Cotter rescinded her November 13, 2014 retirement application (R. 41).

Mr. Mandycz continued, stating that beginning in mid-October, 2013, Ms. Cotter, through counsel, began submitting drafts of an amended domestic relations order, but none of the submissions were approved by the Agency because they did not comply the regulatory requirements. On each occasion, Ms. Cotter and counsel were notified by letter of the deficiencies and offered the opportunity to submit a revised draft for the Agency's review before submitting an amended order to court for signature.

On October 26, 2015, Ms. Cotter submitted an application for retirement, requesting an effective date of retirement of November 1, 2015. In the application, Ms. Cotter selected Option 4, and designated her former spouse as her sole primary beneficiary. The Agency sent Ms. Cotter a notice of retirement allowance dated December 18, 2015, advising her of the amount of her allowance, her selection of Option 4, and the name of her designated beneficiary on file. The Agency disbursed Ms. Cotter's first retirement allowance on January 31, 2016.

Mr. Mandycz reported that while statute is clear and only permits a member to change an optional form of allowance before the first allowance payment is made, the parties in this matter retain the right to submit an amended domestic relations order that complies with the Board of Trustees' regulations. If the amended order were determined to be an Eligible Domestic Relations Order, the Agency would issue a notice of administration and administer the amended order prospectively as to benefits payable thereafter. The amended order could not change the optional form of allowance selected by Ms. Cotter at retirement, but could prospectively reduce the percentage of the allowance paid to her former spouse.

The Board of Trustees discussed and voted on this appeal in closed session.

Resolution	On behalf of the Board of Trustees, Treasurer Kopp presented Carla Goldman Katzenberg with a Board resolution in recognition of her diligent and faithful service to the citizens of Maryland as an Assistant Attorney General with the Maryland State Retirement Agency.
2018 Board of Trustees Meeting Dates – Proposed Changes	The Board of Trustees, at the recommendation of the Chairman and Vice-Chairman, was provided with a new, proposed schedule for the 2018 Board of Trustees meetings. The proposed schedule of meetings includes seven months (January, March, April, June, July, August and December) when, at least at this point, the Board's business is expected to be brief and therefore, the meetings may be accommodated by conference call.

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While it will be the expectation that these meetings will be conducted by conference call, it is understood that System business may develop such that some of these meetings will have to be held, in person, at the State Retirement Agency.

Ms. Lochte asked about the Committee meetings.

Mr. Kenderdine responded that staff was reviewing the dates for all Committees, as well and would be submitting a schedule of all proposed Committee meeting dates to the Board at its next meeting.

On a motion made by Ms. Hill and seconded by Mr. Hughes, the Board approved the revised 2018 Board of Trustees meeting dates, as proposed.

Chief Investment
Officer's Report

Andrew Palmer provided the Board with a summary of the fund as of November, 2017, which indicated that the total fund value was \$51.2 billion. Mr. Palmer reported that the fund return was 1.13% for the month and the policy benchmark was 1.20% for the month.

Mr. Palmer further reported that as of December 18, 2017, the total fund value was \$51.4 billion, which is up 6.3% fiscal-year-to-date.

Treasurer Kopp asked Mr. Palmer to comment on the federal tax and reform bill and if there is anything peculiar with our portfolio that should concern the Board.

Mr. Palmer responded that there is not.

Executive
Director's Report

Mr. Kenderdine reported that the third and final meeting of the Joint Committee on Pensions (JCP) was held and that all bills, except one, were being recommended for introduction in the 2018 session. The bill that was not recommended was the Modification of Municipal Pension Surcharges relating to the ten non-contributory PGUs. The JCP has asked to hold this bill. The Agency will follow-up with the JCP to answer any questions the Committee may continue to have.

Mr. Kenderdine also reported that there was significant discussion regarding the Board's request for salary setting authority over the Investment Division. A Senate member of the Committee felt that with or without the Board having salary setting authority over the Investment Division, performance would not improve unless the Asset Allocation was adjusted.

Ms. Gawthrop further reported that the JCP voted to fund the entire Investment program through the Trust and no longer have salaries and other investment administrative costs funded through administrative fees.

Mr. Harkins thanked staff for their efforts regarding the proposed legislation to address the current inequity of contribution rates for the non-contributory PGUs. He indicated that the JCP's action was not a surprise, but asked that the Board present the bill again in the future if no action is taken this session.

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Mr. Kenderdine further reported that the Board's proposal to increase the administrative fee cap was also approved, increasing the cap to .26% through FY2022.

Mr. Kenderdine reported that the Comprehensive Annual Financial Report (CAFR) was finalized and going to print with the publisher.

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Mr. Kenderdine reported that the MPAS-3 contract was awarded to LWRL, Inc., the same company who worked on MPAS-1.

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Mr. Kenderdine reported that on December 20, 2017, beginning at 12:00 p.m., the Agency will hold its annual holiday celebration, at which time service awards will be distributed and invited all Trustees to attend.

On a motion made by Mr. Hughes and seconded by Ms. Hill, the Board voted to meet in a Closed Session, beginning at 10:26 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 administrative appeal of Suzan L. Cotter, pursuant to General Provisions Art., § 3-103(a)(1)(iii), a quasi-judicial function.

CLOSED SESSION

The Trustees present included:

Nancy Kopp, Chairman, Presiding	F. Patrick Hughes
Peter Franchot, Vice Chairman (via phone)	Lisa James-Henson
David Brinkley (via phone)	Charles Johnson
Eric Brotman	Theresa Lochte
David Hamilton	Richard Norman
James Harkins	Douglas Prouty (via phone)
Linda Herman (via phone)	Michael Stafford (via phone)
Sheila Hill	

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

Melody Countess	Kim O'Keeffe	David Rongione
Angie Jenkins	Harvey Raitzyk	Janet Sirkis
Michelle Lowery	Ken Reott	

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

Other attendees included: Susanne Brogan.

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On a motion made by Mr. Hughes and seconded by Mr. Brotman, the Board returned to open session at 10:34 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 November 21, 2017 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from November 29, December 7 and December 13, 2017.
Administrative Appeal of Suzan Cotter	The Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Cotter's request to allow her to change her optional form of allowance for benefits.

OPEN SESSION – APPEALS AND HEARINGS

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Eric Brotman
Linda Herman (via phone)
Sheila Hill
F. Patrick Hughes

Lisa James-Henson
Charles Johnson
Theresa Lochte
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

Olawale Williams The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Olawale Williams 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.

Hillary Galloway Davis, Esq. appeared, with Ms. Williams, 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.

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Tasawar Soofi

The Board voted to **AFFIRM** the Medical Board's recommendation and **DENY** Tasawar Soofi's request for disability benefits.

Adjournment

There being no further business before the Board, on a motion made by Ms. Lochte and seconded by Mr. Brotman, the meeting adjourned at 11:24 a.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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**CORPORATE GOVERNANCE COMMITTEE MEETING
SUMMARY
November 21, 2017**

Principles for
Responsible
Investment 2017
Asset Owner
Signatory Ballot

The Committee considered the recommendations by staff for the agenda items on the Principles for Responsible Investment (the “PRI”) 2017 Asset Owner Signatory Ballot. A Committee vote resulted in a majority vote approving, with one abstention by Mr. Brotman, the following items on the PRI 2017 Asset Owner Signatory Ballot:

- A vote for the confirmation of Martin Skancke as the PRI Board Chair
- A vote for Marcus Madureira for the 2017 board election
- A vote for Priya Mathur for the 2017 board election
- A vote for Renosi Mokate for the 2017 board election
- A vote for the 2017 Annual Report and Accounts
- An abstention for the 2017 Signatory General Meeting Minutes

Proposed 2018
Corporate
Governance
Committee Meeting
Schedule

Staff proposed the following dates for the Corporate Governance Committee meetings in 2018:

- Tuesday, February 6, 2018, immediately following the Administrative Committee meeting
- Tuesday, June 19, 2018 , immediately following the Board of Trustees meeting
- Tuesday, August 7, 2018, immediately following the Administrative Committee meeting
- Tuesday, December 18, 2018, immediately following the Board of Trustees meeting

On a motion by Mr. Brotman and seconded by Mr. Johnson, the Committee accepted the proposed dates for Committee meetings in 2018.

Proxy Vote
Disclosure

The Committee considered disclosing the proxy voting records of the Maryland State Retirement and Pension System (the “System”) on the System’s public website. Ms. Voglino informed the Committee that the proxy vote data that would be posted to the public website is subject to disclosure under the Public Information Act, Annotated Code of Maryland, General Provisions Article § 4-101 through § 601. Mr. Brotman asked what the cost would be to the System. Ms. Voglino detailed that disclosing proxy vote records is common practice for large pension plans and would not result in further costs to the System as the data is readily available from our proxy voting agent.

On a motion by Mr. Brotman and seconded by Mr. Johnson, the Committee approved posting the System’s proxy voting record to the System’s public website.

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***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
DECEMBER 5, 2017***

Request for a
Waiver of the
One Year
Requirement to
Request a
Service Credit
Transfer

Ms. Tonia Taylor appeared before the Administrative Committee to request that the Committee overturn the Executive Director's recommendation to deny her request for a waiver of the one-year requirement to request a service credit transfer. Ms. Taylor indicated that she received incorrect information from the State Retirement Agency ("Agency") when she asked about her credit in the Baltimore City Employees' Retirement System and was told by the Agency that she could purchase service when she was within one year from retiring.

Mr. Ken Reott presented background information regarding Ms. Taylor's request for a waiver of the one-year requirement to request a service credit transfer and the Executive Director's recommendation that the Committee uphold his decision in this regard. Mr. Reott reported that a letter was received, on behalf of Ms. Taylor, from Lisa Staley, Chief, Center for Facility and Process Review, Department of Health, but this letter could not be considered as it was not signed by Ms. Taylor's appointing authority, the Secretary or the Deputy Secretary of the member's principal department.

Ms. Lochte asked if Mr. Reott could assist Ms. Taylor in this matter by providing her with language to be taken to her employer for a letter to be written and the name of the appointing authority authorized to sign a letter of this nature for Ms. Taylor.

Mr. Reott responded affirmatively.

On a motion made by Ms. Lochte and seconded by Ms. Hill, the Administrative Committee voted to defer this matter.

Request for a
Waiver of the
One Year
Requirement to
Request a
Service Credit
Transfer

Mr. Jamar Hanson appeared before the Administrative Committee to request that the Committee overturn the Executive Director's recommendation to deny his request for a waiver of the one-year requirement to request a service credit transfer. Mr. Hanson indicated that when he, and approximately twenty other coworkers, were involuntarily transferred to Clifton T. Perkins Hospital in January, 2010, he was not informed by either employer about transferring service credit.

Mr. Ken Reott presented background information regarding Mr. Hanson's request for a waiver of the one-year requirement to request a service credit transfer and the Executive Director's recommendation that the Committee uphold his decision in this regard. Mr. Reott further reported that the Executive Director also based his decision upon the fact that a written certification from Mr. Hanson's employer was not received.

Ms. Lochte asked that Mr. Reott assist Mr. Hanson with this matter by providing him with language that would be acceptable to the Agency to provide to his employer.

Mr. Reott responded that he would.

On a motion made by Ms. Lochte and seconded by Ms. Hill, the Administrative Committee voted to defer this matter.

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**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
DECEMBER 5, 2017**

Work Plan regarding the Board Governance Consulting Services Provider – Request for Proposal (RFP)

Mr. Kenderdine reported that in August 2002, the Board procured the services of Cortex Applied Research, Inc., a qualified consultant, to assist the Board of Trustees in developing governance policy.

Mr. Kenderdine further reported that under the Board’s current Governance Policies, this particular type of consultant is not identified as a “Key Service Provider”, but that given the services to be procured, it is appropriate that the Board be responsible for this consultant’s selection and termination. The Committee was provided with a proposed timeline for completing the procurement for a Board Governance Consulting Services Provider.

DATE	ITEM
December 5, 2017	Submit work plan to Administrative Committee.
December 15, 2017	Submit draft RFP for internal review by SRA Legal Division.
December 19, 2017	Administrative Committee submits work plan to BoT.
December 21, 2017	RFP for Governance Consulting Services finalized by SRA Procurement and Executive Director.
December 22, 2017	Issue RFP to E-Maryland Marketplace and directly solicited firms.
January 19, 2018	Completed proposals due.
January 22, 2018- February 9, 2018	Evaluation period. Evaluation Committee reviews proposals and conducts preliminary interviews of all qualified candidates. The Evaluation Committee will then identify finalists based upon the candidates’ technical and financial proposals. Procurement review with BAFO.
February 20, 2018	Finalist(s) presented to the BoT.
February 26, 2018	Contract begins

It is staff’s recommendation that the Board engage the services of a public pension plan governance consultant for the purpose of conducting a full and thorough review of the current Governance Policies and Charters for the purpose of ensuring that the System is operating under what is considered best governance practice.

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Administrative Committee approved, for recommendation to the Board of Trustees, the work plan regarding the Board Governance Consulting Services Provider RFP.

Review of the Criteria for the Executive Director’s Evaluation

The Administrative Committee reviewed the evaluation criteria for the Executive Director for the performance period January 16, 2017 through January 15, 2018.

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Administrative Committee approved the Executive Director evaluation criteria for recommendation to the Board of Trustees.

Member Services Update

Mr. Raitzyk reported that the Member Services unit was able to meet its performance goals for both the call abandonment rate and for the average call wait time for October 2017. The unit’s call abandonment rate was 2.08% and the average speed of answer was 0:47.

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**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
DECEMBER 5, 2017**

Finance Reports Ms. Melody Countess presented to the Committee the Administrative Expense Report Dashboard, which provided an overview of the how the Agency expended/encumbered 18.53% of the appropriation through the first quarter of FY2018.

APPROPRIATION EXPENDED/ENCUMBERED	18.53%
REGULAR SALARIES	19.17%
CONTRACTUAL PAYROLL AND TECHNICAL SUPPORT	23.51%
COMMUNICATIONS (INCLUDES POSTAGE)	29.24%
TRAVEL	20.69%
VEHICLE COSTS	24.11%
CONTRACTUAL SERVICES (including equipment leasing & building maintenance)	13.13%
SUPPLIES	35.25%
EQUIPMENT PURCHASES	24.91%
RENT AND INSURANCE	32.84%
DUES, SUBSCRIPTIONS AND LICENSES	17.44%

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Mr. Lewis presented the MBE Performance Report for the quarter ending September 30, 2017. The report showed that the MBE performance was 34.78%, with the majority of MBE awards going to women owned businesses.

Business Plan Mr. Kenderdine provided the Administrative Committee with an update to the
Status Report Business Plan, focusing specifically on the following topics:

1. Review and Revision of Code of Maryland Regulations:
 - SRA is presently engaged in the State "Regulatory Review and Evaluation" process in which every eight years, State agencies determine whether their regulations "are necessary for the public interest, continue to be supported by statutory authority and judicial opinion, or are appropriate for amendment or repeal." Staff will be bringing recommendations for regulatory changes to the Board over the next several months.

Ms. Brogan reflecting back on the transfer of service credit cases, heard by the Committee, and in which an individual must obtain written certification from the Department Secretary or Deputy Secretary, suggested that the Agency consider altering the requirement to include human resources personnel.

Ms. Hill also suggested that the Agency consider including anyone who may be considered an appointing authority or their designee.

2. MPAS 3 (Phase 1) – Business Process Re-engineering – Project Design and Planning
 - Contract for business process re-engineering consultant goes to the Board of Public Works on December 6, 2017.

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3. Analysis and Re-engineering of Processing and Administration of Domestic Relations Orders within MPAS
 - This will be completed by December 31, 2017 and implemented with first register on January 18, 2018.

4. MSRA Public Website
 - The RFP for website design contractors resulted in the Agency selecting four qualified firms out of 13 respondents. The Department of Information Technology has directed the Agency to interview a number of the other firms as well. Interviews to be scheduled.

5. External Peer Review of the Agency's Internal Audit Function
 - Will be issuing a Task Order by February 15, 2018.

Board Work Plan
Annual Checklist

Mr. Kenderdine provided the Administrative Committee with the Board work plan annual checklist for calendar year 2017. Mr. Kenderdine commented on certain items that had not been completed during the calendar year, specifically the Biennial Board Self-Evaluation, which will be addressed as part of the Board Governance Consulting Services Provider contract.

Ms. Lochte requested that the checklist be provided on a monthly basis to the Committee and Board.