

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

January 21, 2020

The Board of Trustees for the Maryland State Retirement and Pension System convened at the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 9:32 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Linda Herman (via phone)
Peter Franchot, Vice Chairman (via phone)	Sheila Hill
David Brinkley (via phone)	Charles Johnson
Eric Brotman (via phone)	Richard Norman
Jamaal Craddock (via phone)	Douglas Prouty (via phone)
Kenneth Haines (via phone)	Michael Stafford
David Hamilton	

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

Melody Countess	Angie Jenkins	Ken Reott
Anne Gawthrop	Van Lewis	David Rongione
Michael Golden	Kim O’Keeffe	Beau Smith
Ira Greenstein	Andrew Palmer	Toni Voglino

Assistant Attorneys General present included: Rachel Cohen, Jody Shaw and Kathleen Wherthey

Other attendees included: Justin Hayes

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">December 17, 2019 Open Meeting Board Minutes
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Proposed Modification to the 2020 Board of Trustees Meeting Schedule	The Board was provided with a proposal to modify the 2020 meeting schedule for the Board of Trustees and Committee meetings.
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Treasurer Kopp reported that since the Board is required, by law, to meet monthly, the proposed modification would not eliminate any meetings, but would potentially allow some Board meetings (March, April, June, August and December) to be conducted via telephone conference, in order to review and vote on meeting minutes and Medical Board reports, and to receive monthly reports from the Chief Investment Officer and Executive Director.

Treasurer Kopp asked Ms. Cohen to address any concerns she may have regarding the proposed modification.

Ms. Cohen responded that in 2003 legislation was introduced requiring Trustees to attend 80% of the Board meetings; however, before the bill passed, it was amended to specify *monthly* Board meetings. With regard to meetings by teleconference, Ms. Cohen noted that Robert’s Rules recommend that a board adopt rules governing the conduct of teleconference meetings in its bylaws.

Secretary Brinkley responded that he agreed with the Board moving in that direction; however, the Board would need a secured telephone line for closed sessions.

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Treasurer Kopp responded that at other teleconference meetings in which she has participated and there is a closed session, a member only teleconference number is issued to only those participants who are to participate in the closed session.

Secretary Brinkley asked what needs to be done to conform with statute.

Ms. Cohen responded that a telephone discussion between a quorum of the Board or a committee by teleconference is a “meeting” that is subject to the Open Meetings Act, including the law’s requirements regarding public notice and the right of the public to attend. Ms. Cohen recommended that the Board consider amending the Board’s Operations Policy to address the conduct of telephone meetings, including, the type of equipment required for participation in meetings; contingencies for technical difficulties or malfunctions; determination of a quorum; how to raise a point of order challenging the continuing existence of a quorum; how to seek recognition and obtain the floor; and methods for taking and verifying votes.

Mr. Kenderdine reported that 2020 is the triennial review of the Board’s Charters and Policies and therefore, such modifications to the Board Operations Policy can be adopted through the review process.

Ms. Cohen reported that the regulation regarding the public attendance at a Board or Committee meeting is next in line for Agency’s comprehensive regulatory review.

Comptroller Franchot responded that he would like the Board to ask the legislature to remove the requirement that the Board meeting monthly.

Mr. Stafford asked if there was a possibility for a legislative change during this session.

Treasurer Kopp responded that she would prefer to wait until next year.

Treasurer Kopp asked that each Trustee reserve time on their calendars for all teleconference meetings as if those meetings were in-person meetings.

2020 Legislative
Bill Review

Ms. Anne Gawthrop provided the Board of Trustees an overview of the 2020 pension related legislation introduced to the General Assembly. *See Attachment A.*

Ms. Gawthrop reported on the following bills that had been introduced to date. Ms. Gawthrop requested that the Board vote on staff’s recommendations on the following bills:

House Bill 251	Teachers’ Retirement and Pension Systems – Obsolete Reemployment Provisions	Board Requested
House Bill 115	Teachers’ Pension System – Option Election	Oppose

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House Bill 152 / Senate Bill 192	(The Administration) Budget Reconciliation and Financing Act of 2020	No position
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Ms. Gawthrop reported that House Bill 115 – Teachers’ Pension System – Option Election was introduced to address one person’s situation but would affect a total of seventy-six people in the System. Ms. Gawthrop further reported that there would be an increase to the Plan’s liabilities of \$10,000 on average for each affected person.

On a motion made by Mr. Norman and seconded by Ms. Hill, the Board approved staff’s recommendations regarding legislation.

CIO Report

Mr. Palmer introduced Beau Smith, Senior Risk Manager, who described the report that will be submitted to the legislature at the end of month in accordance with the Maryland Pension Risk Mitigation Act. Mr. Smith indicated the report, prepared with the assistance of Meketa Investment Group, addresses strategic asset allocation, climate change analysis, and implementation risk management in assessing the System’s investment risk. Like the inaugural submission last year, there are no recommendations of best practices for the Investment Policy Manual.

Treasurer Kopp asked if Staff received any feedback from the legislature after last year’s submission.

Mr. Palmer responded in the negative.

Treasurer Kopp also asked how the System compares to its peers when it comes to addressing ESG and climate risks.

Mr. Palmer indicated the System is not as advanced as other larger plans but is definitely among the leaders among U.S. public plans.

Mr. Smith also mentioned that larger plans, Canadian pensions in particular, have dedicated teams working on ESG and climate risks.

Treasurer Kopp inquired how the System may profit from climate change.

Mr. Smith indicated venture capital managers may invest in emerging technologies such as “new agriculture” while some real estate in some regions may fare better due to warming temperatures.

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Mr. Palmer reported that one year ago (12/31/18), the fund value was below \$50 Billion with a fund return of negative 1.6% for the month and an increase of 6.2% for the year. Mr. Palmer reported that the current preliminary numbers as of December 31, 2019 show the total fund value at \$56.1 Billion with a fund return of 1.73% for the month and 14.99% for the year.

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would not be running for another term. Mr. Kenderdine asked that all nominations be submitted, to him, by March 1, 2020, so that candidates could be interviewed, and a recommendation could be made at the May Investment Committee and to the Board of Trustees at its May meeting. The Trustees selection would then go to the Board of Public Works for its approval.

Mr. Kenderdine reported that the 2019 Comprehensive Annual Financial Report (CAFR) was printed and has also been posted on the Agency's website. A hard copy was provided to each Trustee.

Mr. Kenderdine reported on the MPAS+ project, stating that in early February, the rollout of the member portal to active members will begin, starting with the State Treasurer's Office, State Comptroller's Office, the Office of the Governor, the Department of Budget and Management and the Department of Legislative Services.

Mr. Kenderdine reminded Trustees that the Council for Institutional Investors Spring Conference, which includes a one-day Trustee Workshop, will be held from March 9-11, 2020 in Washington, DC. Any Trustees interested in attending the Trustee Workshop or conference, please let Angie Jenkins know.

Mr. Kenderdine reported that the Agency's budget hearings are scheduled for Tuesday, February 11, 2020 with the Senate Budget and Taxation Committee and on Friday, February 14, 2020 with the House Appropriations Committee.

On a motion made by Secretary Brinkley and seconded by Ms. Hill, the Board voted to meet in a Closed Session, beginning at 11:00 a.m., at the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland for the purpose of:

- a) reviewing the December 17, 2019 closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection; and
- b) reviewing the Medical Board reports from December 19, 2019 and January 2, January 8 and January 16, 2020, regarding individual participants' claims for disability retirement benefits, 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 psychological information.

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CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Linda Herman (via phone)
Peter Franchot, Vice Chairman (via phone)	Sheila Hill
David Brinkley (via phone)	Charles Johnson
Eric Brotman (via phone)	Richard Norman
Jamaal Craddock (via phone)	Douglas Prouty (via phone)
Kenneth Haines (via phone)	Michael Stafford
David Hamilton	

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

Melody Countess	Angie Jenkins	Andrew Palmer
Ira Greenstein	Kim O'Keeffe	Ken Reott

Assistant Attorneys General present included: Rachel Cohen, Jody Shaw and Kathleen Wherthey

Other attendees included: Justin Hayes

On a motion made by Secretary Brinkley and seconded by Mr. Johnson, the Board voted to return to Open Session, beginning at 11:01 a.m., at the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Linda Herman (via phone)
Peter Franchot, Vice Chairman (via phone)	Sheila Hill
David Brinkley (via phone)	Charles Johnson
Eric Brotman (via phone)	Richard Norman
Jamaal Craddock (via phone)	Douglas Prouty (via phone)
Kenneth Haines (via phone)	Michael Stafford
David Hamilton	

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

Melody Countess	Angie Jenkins	Andrew Palmer
Ira Greenstein	Kim O'Keeffe	Ken Reott

Assistant Attorneys General present included: Rachel Cohen, Jody Shaw and Kathleen Wherthey

Other attendees included: Justin Hayes

During closed session, the Board of Trustees discussed and acted on the following:

Closed Session Minutes	The Board reviewed and approved the December 17, 2019 closed session minutes.
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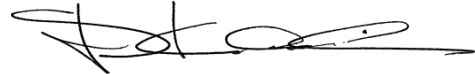
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| Medical Board
Reports | Upon recommendation of staff, two disability cases on the January 8, 2020 medical board report were removed and remanded back to the Medical Board.

The Board reviewed and adopted the medical board reports from December 19, 2019 and January 2, January 8 and January 16, 2020. |
| Adjournment | There being no further business before the Board, on a motion made by Secretary Brinkley and seconded by Mr. Johnson, the meeting adjourned at 11:02 a.m. |

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

**Legislative Update
2020 Session
January 21, 2020**

BOARD REQUESTED LEGISLATION

House Bill 251 (Jackson)

Teachers' Retirement and Pension Systems - Obsolete Reemployment Provisions

This Board requested legislation repeals obsolete provisions addressing the federal No Child Left Behind Act of 2001 within the reemployment provisions for teachers and principals who are retirees of the Teachers' Retirement and Pension Systems.

- No hearing has been scheduled in Appropriations

BENEFIT LEGISLATION

House Bill 115 (Davis)

Teachers' Pension System - Option Election

This proposed legislation allows retirees of the Teachers' Pension System who were employed by Prince George's County School Board, retired on or after July 1, 2017, and elected Option 1 to elect to change this election by December 31, 2020.

- Hearing scheduled in Appropriations – 1/23/20

Staff is recommending the Board oppose this legislation. Allowing a retiree to change his or her Option 1 election years after the retiree's retirement date, will set a precedent for any other retiree from any other employer, who selected any optional allowance, to ask for the same opportunity. This opportunity to change elections would come at a significant cost to the plan as it is likely anyone making such a change would opt to receive an election that would provide a greater benefit.

BUDGET

House Bill 152/Senate Bill 192 (The Administration)

Budget Reconciliation and Financing Act of 2020

Provisions of the 2020 BRFA include cutting the “sweeper” funds for fiscal 2021. Sweeper funds are scheduled to resume in fiscal 2022. Additionally, the BRFA provides the Governor with authority to take \$50 million of sweeper funds that were available for fiscal 2020 by June 30, 2020.

- No hearing has been scheduled in Appropriations
- No hearing has been scheduled in Budget and Tax

Inasmuch as the actuary does not factor in sweeper funds when preparing the annual actuarial valuation coupled with the fact that the System has not received sweeper funds since fiscal 2017, staff is recommending not taking a position on these provisions of the BRFA, at this time. However, this recommendation may change depending on how this bill is amended as it moves through the budget committees.