

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

May 18, 2021

The Board of Trustees for the Maryland State Retirement and Pension System convened, via video/audio conference call beginning at 1:30 p.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	David Hamilton
Peter Franchot, Vice Chairman	Linda Herman
Thomas Brandt	Sheila Hill
David Brinkley	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.
Kenneth Haines	

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

Melody Countess	Ira Greenstein	David Rongione
Patricia Fitzhugh	Angie Jenkins	Janet Sirkis
Mimi Forbes	Kim O’Keeffe	Toni Voglino
Anne Gawthrop	Andrew Palmer	Scott Bolander (live stream)
Michael Golden	Ken Reott	

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

Other attendees included: Justin Hayes and Alexandra Walinskas (Comptroller’s Office)

Consent Agenda	On a motion made by Mr. Prouty and seconded by Mr. Haines, the Board approved the consent agenda, which included: <ul style="list-style-type: none">› April 20, 2021 Open Meeting Board Minutes› April 20, 2021 Audit Committee Meeting Summary› May 11, 2021 Ad Hoc Committee on Actuarial Economic Assumptions Meeting Summary
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Ratification of the Board of Trustees’ Electronic Vote to Revise the Board of Trustees Election Schedule for the Employees’ Systems Representative	Mr. Kenderdine notified the Board, by email on May 3, 2021, that staff encountered additional delays in processing the procurement for a vendor to conduct the election for the Active Employees’ Systems representative seat on the Board. Therefore, it had become necessary for the election schedule, previously approved by the Board, to again be modified and requested the Board’s electronic approval of the revised election schedule, as follows:
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<u>Date</u>	<u>Action</u>
September 4, 2020 through December 4, 2020	An eligible voter who seeks to become a candidate may obtain a nomination form from the Executive Director.
January 29, 2021	Completed nomination forms must be submitted to the Executive Director by an eligible voter who seeks to become a candidate by 4:30 p.m.
February 15, 2021	Executive Director certifies that an eligible voter satisfies the conditions set forth in 22.03.01.06 of the Board of Trustees’ Regulations.

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June 3, 2021	Agency will provide the names and biographies of the candidates for the election to the Contractor. Agency will provide the electronic data file to the Contractor.
June 15, 2021	Contractor will open access of the IVR and website for testing by Agency.
June 18, 2021 ²	Mailing of election materials to eligible voters, including candidate biographies and personal identification numbers for internet and IVR (telephone) access.
June 18, 2021 ²	IVR (telephone) and website (internet) open for voting.
July 9, 2021	Last date for voting. Deadline is 4:30 p.m.
July 14, 2021	Contractor shall provide general voting statistics to Agency. Contractor shall submit the tabulation of ballots to the Executive Director
July 20, 2021	Executive Director announces election results at the July Board of Trustees meeting.
August 6, 2021	Agency will notify the Contractor no later than August 6, 2021 if a recount of ballots is required.

A majority vote in favor of the revised election schedule was received.

On a motion made by Mr. Haines and seconded by Mr. Daly, the Board ratified its electronic vote to approve the revised election schedule, as presented.

Final Adoption of
Amendments to
COMAR 22.01.13 –
Telephone
Recording and
Monitoring

Mr. Reott presented proposed amendments to COMAR 22.01.13 – Telephone Recording and Monitoring, which were previously adopted by the Board of Trustees for submission to the Administrative, Executive, and Legislative Review Committee, and then published in the Maryland Register for public comment. Mr. Reott reported that the 45-day comment period had expired, and no comments were received. Therefore, the proposed amendments were being presented to the Board of Trustees for final adoption.

On a motion made by Mr. Haines and seconded by Mr. Norman, the Board of Trustees, approved for final adoption, the amended regulations concerning the Telephone Recording and Monitoring (COMAR 22.01.13).

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Recommendation of
the Investment
Committee
regarding the
creations of a Senior
Governance Officer
position within the
Investment Division

The Board was provided with a copy of the memorandum from Andy Palmer, Chief Investment Officer, which was presented to the Investment Committee, regarding the creation of a Senior Governance Manager position within the Investment Division.

Mr. Brandt commented that he read the position description of the Senior Governance position and expressed his concerns that he is opposed over the concept of stockholders second guessing corporate boards and management and feels this is contrary to the System's role as investors on behalf of the State employees who trust the Board with their money.

Treasurer Kopp clarified that the position is to oversee the proxy voting and other functions that staff are already performing for the System's corporate governance responsibilities and does not add to those functions.

On a motion made by Mr. Stafford, Vice-Chair of the Investment Committee and seconded by the Committee, by a vote of 9 to 3, the Board approved the Committees' recommendation to create a Senior Governance Manager position within the Investment Division. The Trustees in favor of the motion were: Treasurer Kopp, Comptroller Franchot, Secretary Brinkley, Mr. Craddock, Mr. Haines, Ms. Hill, Mr. Norman, Mr. Prouty and Mr. Stafford. The Trustees in opposition of the motion were: Mr. Brandt, Mr. Hamilton and Ms. Herman. Mr. Daly abstained.

Ms. Herman asked if her request to discuss the proxy voting policy is on the agenda for the next Board meeting.

Treasurer Kopp confirmed that that topic would be discussed at the June Board meeting.

Recommendation of
the Investment
Committee
regarding the
Responsible
Contractor Policy

The Board was provided with a copy of a memorandum from Frank Benham and Mary Mustard of Meketa Investment Group and Andy Palmer, CIO regarding a Responsible Contractor Policy (RCP), a red-lined draft of a RCP and a final version of a RCP, which had been reviewed by the Investment Committee.

Mr. Stafford, Vice-Chair of the Investment Committee commented that the Investment Committee agreed to recommend that the Board adopt a RCP.

Mr. Palmer clarified that the RCP before the Board had been developed by staff with Meketa and the Office of the Attorney General to make the policy as concise as possible. Meketa had recommended language that they believe will improve the efficacy of the RCP and enable more managers to follow it. The Investment Committee approved the RCP as presented, with the added language recommended by Meketa.

Mr. Prouty commented that the policy has received extensive review by the Investment Committee and expressed his belief that the Board has had time to fully review it. The version now before the Board is the version that substitutes the language recommended by Meketa. He encouraged the Board to approve the Responsible Contractor Policy as amended.

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Secretary Brinkley commented that at the Investment Committee level, there was an extensive back and forth with several members expressing who had serious concerns having to leave the committee meeting being unable to vote. He expressed concern that since there remains significant differences over such a significant policy, that action on the matter should be postponed.

On a motion made by Secretary Brinkley and seconded by Mr. Stafford, the Board, by a vote of 7 to 6, agreed to postpone any consideration of this policy until the next meeting. The Trustees in favor of the motion were: Mr. Brandt, Secretary Brinkley, Mr. Daly, Mr. Hamilton, Ms. Herman, Mr. Norman and Mr. Stafford. The Trustees in opposition of the motion were: Treasurer Kopp, Comptroller Franchot, Mr. Craddock, Mr. Haines, Ms. Hill and Mr. Prouty.

Ms. Herman asked if responses to the questions she had previously raised could be provided. She offered to send the questions in writing.

Treasurer Kopp responded in the affirmative and requested that Ms. Herman send her questions to Mr. Palmer.

CIO Report

Mr. Palmer provided an update on performance. Mr. Palmer reported that the final tearsheet for March included updates which provided the absolute return portfolio benchmark, but that the private equity benchmark information was not available and would be forthcoming. The report showed the fund ahead five basis points relative to the benchmark for the month and by 167 basis points ahead of the benchmark fiscal-year-to-date.

The preliminary tearsheet for April showed the fund up another 3.13% for the month with a total fund market value of \$65.4 billion, which is up 22% compared to June 2020 when the total fund market was \$54 billion. Mr. Palmer reported that from an asset class perspective private equity, rate sensitive and real assets were ahead, with credit/debt performance being flat.

Executive Director's Report

Mr. Kenderdine provided the Board with a copy of the proposed membership recruitment correspondence that the Maryland Retired School Personnel Association (MRSPA) plans to distribute to recent school retirees. Mr. Kenderdine reported that, as in the past, Trustee Haines has reviewed the material and that it is consistent with past mailings.

Mr. Kenderdine reported that the Office of Legislative Audits has begun their audit of the Agency and will be conducting the audit over the next several months, with their report being presented in the fall.

On a motion made by Mr. Haines and seconded by Mr. Norman, the Board voted to meet in a Closed Session, beginning at 2:23 p.m., via video/audio conference call, for the purposes of:

1. reviewing the 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,

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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;

2. reviewing the Medical Board reports 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;
3. discussing the appointment of a Public Advisor to the Investment Committee, pursuant to General Provisions Art., § 3-103(a)(1), the exercise of an administrative function; and General Provisions Art., § 3-305(b)(1)(ii), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation or performance evaluation of an appointee, employee, or official over whom it has jurisdiction;
4. discussing the recommendation of the Investment Committee regarding the Request for Proposals for a General Investment Consultant, pursuant to General Provisions Art., § 3-305(b)(14), to discuss before a contract is awarded or bids are opened, 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 General Provisions Art., § 3-305(b)(13), to comply with a specific statutory imposed requirement that prevents public disclosure about a particular proceeding or matter, namely, General Provisions Art., § 4-335, regarding the protection of confidential commercial information; and
5. discussing the appointment of an Executive Director, pursuant to General Provisions Art., § 3-103(a)(1)(ii), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation or performance evaluation of an appointee, employee, or official over whom it has jurisdiction.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	David Hamilton
Peter Franchot, Vice Chairman	Linda Herman
Thomas Brandt	Sheila Hill
David Brinkley	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.
Kenneth Haines	

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

Melody Countess	Kim O'Keeffe	David Rongione
Anne Gawthrop	Andrew Palmer	Janet Sirkis
Angie Jenkins	Ken Reott	Toni Voglino

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

Other attendees included: Alexandra Walinkas (Comptroller's Office)

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On a motion made by Mr. Haines and seconded by Mr. Prouty, the Board returned to open session at 2:31 p.m., via video/audio conference call.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Thomas Brandt
David Brinkley
Jamaal Craddock
James Daly
Kenneth Haines

David Hamilton
Linda Herman
Sheila Hill
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

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

Melody Countess
Anne Gawthrop
Angie Jenkins

Kim O’Keeffe
Andrew Palmer
Ken Reott
David Rongione

Janet Sirkis
Toni Voglino
Scott Bolander (live stream)

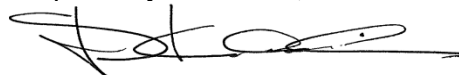
Assistant Attorneys General present included: Rachel Cohen, Jody Shaw, and Kathleen Wherthey

Other attendees included: Alexandra Walinskas (Comptroller’s Office)

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

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|---|---|
| Closed Session Minutes | The Board reviewed and approved the April 20, 2021 closed session minutes. |
| Medical Board Reports | The Board reviewed and adopted the medical board reports from April 22, April 28, May 6 and May 12, 2021. |
| Appointment of a Public Advisor to the Investment Committee | The Board approved the recommendation of the Investment Committee regarding the appointment of Mr. Monte Tarbox to the committee as Public Advisor. |
| Award of the General Investment Consultant Contract | The Board approved the recommendation of the Investment Committee regarding the award of the General Investment Consultant contract, as presented. |
| Adjournment | There being no further business before the Board, on a motion made by Mr. Prouty and seconded by Mr. Norman, the meeting adjourned at 2:32 p.m. |

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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***AUDIT COMMITTEE MEETING SUMMARY
APRIL 20, 2021***

The Committee Members present included:

David B. Hamilton, Chairman	Kenneth B. Haines
Richard E. Norman, Vice-Chairman	James P. Daley, Jr
Thomas M. Brandt	

Agency Staff members attending included:

R. Dean Kenderdine	Robert Diehl
Kenneth Reott	Melody Countess
Kimberly O’Keeffe	Patricia Fitzhugh
David Rongione	Lauren Smith
Toni Voglino	Gregory Busch
Ira Greenstein	Richa Sultana

Assistant Attorneys General present included: Rachel Cohen

Other attendees included: Jeff Binford (BD&Co.)

Investment
Operations –
Accounting Audit
Report – Results
presented by
BD&Co

Mr. Rongione directed the Committee to the final audit report for the Investment Operations Accounting Audit. Mr. Rongione advised that the report is rated ‘Yellow’ meaning improvement is needed in the area of control and compliance. Management generally agreed with all findings. The Committee had no questions on the final report.

Agency Wide Risk
Assessment

Mr. Rongione advised that the annual risk assessment will begin in the next few weeks. This includes sending a questionnaire to AC members, Executive staff, Unit directors, as well as interviews of select staff. Internal audit will utilize the results of these interviews and questionnaires to evaluate risks based on likelihood and impact. The results of the risk assessment will be factored into the FY 22 audit plan, which will be presented at the next meeting.

Mr. Hamilton inquired about PGU repeat offenders in relation to the past due balances owed to the Agency. Chief Operating Officer, Melody Countess and Executive Director Dean Kenderdine advised that they spoke to the Comptroller’s Office regarding offsets. Currently, offsets can occur for past due Administrative fees and past due Annual Billing fees. There currently is no provision to offset the past due automatic enrollment fees. The current plan is to send more frequent past due letters from the Executive Director. Mr. Hamilton requested a recommendation from staff at the next Audit Committee meeting whether the Agency should pursue legislation for offsetting past due automatic enrollment fees.

Status of the FY
2021 Audit Plan

Mr. Rongione directed the Committee to the FY21 Audit Plan Status. The Network Security Audit covering the third and fourth quarters of FY20 is complete. The exit meeting was held last week for the General Controls Audit covering the fourth quarter of FY20 and the first quarter of FY21; a report will be issued in the coming weeks. Five of the eight PGU audits conducted internally are complete with the remaining three in the fieldwork phase. The outsourced Investment Contractual Risk Audit has kicked off and is in progress.

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Participating employer audits conducted externally are 10% complete, 10% complete pending management response, 70% in progress and 11% of audits not started. Except for the Cybersecurity Audit, Mr. Rongione advised that all audits are expected to be completed by the end of fiscal year. The RFP for the Cybersecurity Audit is expected to be released shortly.

Data
Analytic/Continuous
Audit Dashboard

Mr. Rongione directed the Committee to the continuous audit dashboard. The dashboard includes the number of exceptions per month for the applicable audit. Two additional graphs were provided; one graph shows the number of exceptions relative to the samples audited and the other shows the number of remediated findings compared to the number of exceptions. Page two of the dashboard explains the audits.

Status of the Open
Issues

Mr. Rongione presented the listing of open issues noting that Internal Audit was able to close out eight issues since the last meeting; ten issues were added with completion of the most recent audits.

As a follow-up to the last meeting regarding the SOC2 open issues, Mr. Rongione spoke with Trustee Brandt to review the Agency's current procedures and also spoke to Executive Director, Mr. Kenderdine, on enhancements to the current procedures with the staff responsible for reviewing the SOC2 reports. Enhancements to the current procedures include having procurement maintain a listing of vendors that have a SOC2 requirement in the contract. New vendors will be added to the listing as they come on board. All contract monitors have reached out to current vendors to obtain the latest SOC2 reports. If not available, they inquire when the next report will be issued. The contract monitor maintains an annual calendar appointment to remind them of the request to obtain the SOC2 report annually. In addition to the contract monitor, Ms. Janet Sirkis from the Executive Director's Office, will maintain a calendar with all SOC2 report dates in case any turnover with the contract monitors.

Mr. Brandt advised that the SOC2 reports are difficult and dense documents and figuring out a way to escalate topics of significance with the Audit Committee becomes a communication challenge. Mr. Daly believes some educational work needs to be done around this for the trustees.

Mr. Rongione gave background on Agency SOC2 procedures. With each vendor and applicable contract there is a contract monitor assigned. That contract monitor manages that contract including billing and any customer relation issues. The contract monitor reaches out to the vendor annually for their SOC2 report. When the report is received there is a review template to determine that independent audit report issued for the SOC2 has an unqualified opinion. The contract monitor also reviews control testing to verify if there were any exceptions and if an appropriate response to the exceptions were given. A write-up is prepared to tell if we are comfortable with the report. The next step is to look at the user entity control considerations. This section details what the vendor is saying the internal controls the vendor believes the Agency should have in place. The contract monitor will document Agency

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controls in place and send over to Information Systems to provide input as well. Lastly, a sign off is done when the review is completed.

Mr. Daly inquired about how a breach would be communicated in a SOC2 report. Mr. Rongione advised that SOC2 type II reports on the internal control environment and would list any exceptions identified during testing. Mr. Rongione further advised that Agency contracts require the vendor to immediately inform the Agency of a cybersecurity incident.

In addition to educating Trustees, Mr. Daly questioned how we are ensuring participants that their information is indeed secured and what response do we have for a breach.

Mr. Brandt added that due to the dynamic environment of cybersecurity, communications cannot be ritualized because exposures are constantly changing. We must come up with a systemic execution of our responsibilities and a record of it. Mr. Brandt added that it is a high challenge to figure out how to talk to the Audit Committee in a way that all can understand and keep up with.

Chief Information Systems Officer, Ira Greenstein, advised that the standard in Agency contracts include providing notification to the Agency of any breaches and/or exposure to sensitive data. Second, the Agency takes a stringent view on data, by treating all data as sensitive. The Agency encrypts all data so if there is a breach the offender(s) will find data encrypted and unreadable. The encryption is done at hardware level. Data is stored on a piece of hardware backed up to the site in Annapolis and that too is encrypted on a hardware level; even something as simple as a memo is encrypted. Lastly, the Chief Information Systems Officer will provide a briefing that will be delivered to the Board of Trustees in June. The briefing list explanations on how our approach to cybersecurity is protecting our resources.

Mr. Greenstein advised that the Agency has gone through a multiyear process to get additional IT security positions approved for the Agency. Mr. Greenstein praised the Board and Executive Staff of the Agency for supporting this area of cybersecurity. We have the tools we need to be able to protect our Agency; those tools will be covered in the June briefing by Mr. Greenstein.

Other Business

The External Quality Assurance Review has been kicked off. The review is required every three years, and it ensures the Internal Audit Division is operating within auditing standards. The external auditor conducting the review will be reaching out to committee members to obtain input. As mentioned earlier, the Cybersecurity procurement is close to being issued. The next legislative audit by OLA will be kicking off shortly. There is a kickoff meeting scheduled for tomorrow, April 21, 2021.

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**AD HOC COMMITTEE ON ACTUARIAL ECONOMIC ASSUMPTIONS
MEETING SUMMARY
MAY 11, 2021**

The Committee members present included:

Eric Brotman, Chairman, Presiding
Thomas Brandt, Vice Chairman
Michael Barry

Linda Herman
Douglas Prouty
Michael Stafford, Jr

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

Melody Countess
Anne Gawthrop
Michael Golden

Angie Jenkins
Andrew Palmer
Ken Reott

David Rongione
Janet Sirkis
Scott Bolander (live stream)

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

Other attendees included: Trustees Jim Daly and Rick Norman; Public Advisor Anne Shelton; Brad Armstrong, Brian Murphy, Jeff Tebeau and Amy Williams from GRS; and Frank Benham from Meketa

Presentation
by Gabriel
Roeder Smith
& Company

The Committee was provided a copy of a presentation by Gabriel Roeder Smith & Company (GRS), which discussed the System's current economic assumptions, the projected effects of changing those assumptions under two alternate scenarios, background on the System's amortization policy and alternatives to the current policy, and answers to questions asked by the Committee at the previous meeting.

Mr. Armstrong presented the Committee with the following scenarios to consider and the impact the alternate economic assumptions would have on the System.

Baseline Scenario	Alternate Scenario 1	Alternate Scenario 2
<ul style="list-style-type: none"> • 7.40% Investment Return • 2.60% Inflation • 4.80% Real Return • 3.10% Wage Inflation 	<ul style="list-style-type: none"> • 7.15% Investment Return • 2.60% Inflation • 4.55% Real Return • 3.10% Wage Inflation 	<ul style="list-style-type: none"> • 6.80% Investment Return • 2.25% Inflation • 4.55% Real Return • 2.75% Wage Inflation

**MSRPS State-Employer Contribution Rates
(Excludes Reinvested Savings)**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Base	17.50%	17.03%	16.61%	16.37%	16.19%	15.86%	16.30%	16.80%	17.34%	17.95%	18.64%
7.15%	17.50%	18.83%	18.40%	18.12%	17.88%	17.47%	17.81%	18.19%	18.61%	19.07%	19.59%
6.80%	17.50%	19.67%	19.20%	18.85%	18.51%	17.95%	18.12%	18.32%	18.54%	18.77%	19.03%

MSRPS State-Funded Ratio

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Base	72.9%	74.5%	76.1%	77.4%	78.6%	80.0%	80.3%	80.6%	81.0%	81.4%	82.0%
7.15%	72.9%	72.4%	73.8%	75.3%	76.7%	78.4%	79.1%	79.7%	80.3%	81.1%	81.9%
6.80%	72.9%	71.6%	73.0%	74.6%	76.3%	78.3%	79.2%	80.2%	81.1%	82.2%	83.3%

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MEETING SUMMARY
MAY 11, 2021***

Mr. Murphy presented alternative amortization policies as follows:

Amortization Alternative 1

- Let State Systems' amortization period decrease to a shorter period (e.g., 10-15 years)
- At that time:
 - Continue amortization schedule to the end for existing UAAL
 - Consider layered, closed period level percent of pay amortization for changes in UAAL arising after that point
 - ☐ 5-year amortization for Early Retirement Proposals
 - ☐ 15-year amortization for plan amendments
 - ☐ 10-year amortization for changes affecting retirees
 - ☐ 15-year amortization for experience gains/losses
 - ☐ 25-year amortization for assumption or method changes
- In order to control volatility
 - Need the ability to manage bases actively without statutory change, or
 - Schedule a combination of bases once the base with the fewest remaining years reaches five years
 - ☐ For example, could combine bases with 5-9 years remaining and re-amortize over the single equivalent remaining closed period (not to exceed 9 years)
- Eliminate all bases when going from underfunded to overfunded and conversely (with certain conditions).

Amortization Alternative 2

- Let the State Systems' period decrease until 15 years are remaining
 - Continue 15-year closed period for existing UAAL
- At that time the System could convert to
 - 15-year rolling amortization for future gains and losses
 - Various closed periods for other sources of liability changes as in Alternative 1

Amortization Alternative 3

- Once amortization period reaches 15 years:
 - Continue 15-year closed period for existing UAAL
 - Amortize all future UAAL over a 15-year rolling period (excluding plan amendments)

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Amortization Alternative 4

- Once amortization period reaches 15 years:
 - Amortize all current and future UAAL over a 15-year rolling period (excluding plan amendments)

Mr. Brotman asked Mr. Murphy of the four scenarios, which would GRS suggest.

Mr. Murphy responded that scenario 2 would be GRS' preference.

Mr. Brotman commented that he thinks that alternatives 2 and 3 are the ones to focus on and asked the GRS to run the numbers for those and present that information to the Committee at the next meeting.

Ms. Herman requested GRS provide information on all four alternatives.

After further discussion, a vote was taken to determine if GRS would present information to the Committee on alternatives 2 and 3 only or on all four alternatives. By a vote of 4 to 2, GRS was asked to present information on alternatives 2 and 3 only at the next Committee meeting. The Committee members in favor of alternatives 2 and 3 only were Mr. Brotman, Mr. Brandt, Mr. Barry and Mr. Prouty. The Committee members in favor of all four alternatives were Ms. Herman and Mr. Stafford.

Presentation
by Chief
Investment
Officer and
Meketa on
Actuarial
Rate

The Committee was provided a copy of a presentation presented by Andrew Palmer, Chief Investment Officer on the analysis of adding alpha to the assumed actuarial rate, which provided, among other information, that an informal survey showed that of approximately 50 public plans, approximately 10% of those plans include alpha as part of the actuarial rate assumption.

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The Committee was provided a copy of a presentation presented by Frank Benham of Meketa, which provided information on the expected return with manager alpha added.

Other
Discussion

Mr. Brotman commented that GRS has been asked to present on the two amortization scenarios (#2 and #3) and present projected contribution rates under the two assumed rate scenarios discussed.

Mr. Brotman then asked the Committee if there was anything further needed from Meketa at the next meeting.

Mr. Stafford asked that they quantify the difference between corporate and public plans and provide which direction actuarial return assumptions are going and a difference in inflation assumptions between the two.

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MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

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MEETING SUMMARY
MAY 11, 2021***

Mr. Brotman commented that what the Committee is charged with is to not only come up with an assumed rate of return but also an inflation rate that GRS can use to run the scenarios that take into account the new amortization schedule.

Mr. Brotman asked that at the next meeting, GRS present information on the impact on funding status and participating employer contributions using the following scenarios:

1. Change nothing;
2. Using 10-year numbers of 6.3% assumed rate of return with a 2.4% inflation rate; and
3. Using 20-year numbers of 7.03% assumed rate of return with a 2.2% inflation rate.

Ms. Herman also asked for GRS to include some analysis as to where we are on contribution rate projections year-to-date with our current investment returns taken into account, and then show the effect of 5-year smoothing on the contribution rates.