



SRPS

MARYLAND STATE RETIREMENT
and PENSION SYSTEM

MARYLAND STATE RETIREMENT AND PENSION SYSTEM INVESTMENT COMMITTEE MINUTES OF OPEN SESSION

Convened on Tuesday, February 25, 2025, at 9:34 a.m., in-person and virtually via a videoconference with the host site at the Maryland State Retirement Agency, Truist Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, MD 21202

Committee Members present:

Michael Barry
James Daly, Vice Chair
Treasurer Dereck Davis
DBM Secretary, Helene Grady
(virtual)

Sheila Hill (virtual)
Comptroller Brooke Lierman, Chair
Richard Norman (virtual)
Douglas Prouty (virtual)

Tarrus Richardson
Sharcus Steen
Monte Tarbox (virtual)

Staff members present:

Stephen Alexander
Michael Baker
Andrea Bailey
Amish Bedi
Jonathan Blicher
Rhett Butler
Robert Burd
Jane Daniel
Cheryl Davis-Shaw
Leonardo DeSouza
Eric Farls
Mike Fang
David Ferguson
Mildred Forbes
Dimitri Grechenko

Yvonne Greene
Danita Johnson
Lisa Jordan
Faina Kashtelyan
Greg Kasten
Larry Katsafanas
Stuart Kaye
Courtney Key
Thomas Kim
Michael Klos
Ratna Kota
John Lane
Michael McCord
Nitin Mathew
Katherine Morris

Minh Nguyen
Ashu Pal
Andrew Palmer
Steven Pytlar
Stephen Reilly
Stephen Reynard
David Rongione
Kevin Slack
Beau Smith
Haimanot Soloman
Toni Voglino
Jack Wheatley
Edwin Witham

SRA Executive Director, Martin Noven, Secretary

Assistant Attorneys General present:

Rachel Cohen

Alex Harisiadis

Other attendees:

Frank Benham
Devaughn Blackburn
Alfie Crooks
Dani DiPietro
Ben Eckroth

Joe Gutberlet
Joseph Howard
Michael Howard
Robert Sandlass, Trustee
Jonathan Martin

Katie Moore
Mary Mustard
Megan Schutz
Nate Weinstein

Item 1: Call the Meeting to Order

Comptroller Lierman, Chair of the Investment Committee, called the meeting to order at 9:34 a.m.

Item 2: Ratify Approval of December 17, 2024, Open Session Meeting Minutes

On a motion made by Mr. Tarbox, and seconded by Trustee Norman, the Committee approved the December 17, 2024, open session meeting minutes.

Item 3: Private Markets Review

Ms. Moore, from Hamilton Lane, presented an update on current market conditions and the Maryland State Retirement and Pension System's (the "System") private market programs, including private equity, private credit and private natural resources and infrastructure.

Mr. Eckroth, from Hamilton Lane, highlighted the private equity performance as of September 30, 2024. He noted that private equity made up 21.4% of the portfolio, which is over the target allocation of 16%. He added that distributions have recently outpaced contributions, resulting in, positive cash flows. The Internal Rate of Return (IRR) has been double digits across all strategies, with buyouts performing particularly strong.

Item 4: Capital Market Assumptions and Asset Allocation

Mr. Benham, from Meketa, explained the different options included for the asset allocation discussion, which were developed as a collaboration between Meketa and staff. Mr. Benham explained that each option raises the allocation to private equity and reduces absolute return. He also noted that each option moves the regional weightings in public equity closer to a more traditional global market cap weight. Mr. Benham indicated that the expected long-term risk and return characteristics reflect Meketa's updated capital market assumptions. He also explained that the increased allocations to public equity and rate sensitive were modelled using portable alpha strategies, where derivatives are used for the underlying asset class exposure and a portion of the unfunded amount is invested in the alpha generating hedge funds. He also introduced the concept of an opportunistic allocation that would have a range of 0-3% but no specific target. Mr. Benham explained that the expected timeline to decide on an asset allocation is the March 2025 Investment Committee meeting and encouraged the committee members to provide any feedback on the proposed options before the March meeting.

A request was made by Mr. Richardson for the current return for the infrastructure portfolio.

Item 5: Division Updates - CIO Report

Mr. Palmer presented initiatives for the Investment Division including a compensation review, systems improvement, and the transition to new division leadership. He also highlighted the units' recruiting efforts and the induction of Danita Johnson into the National Association of Securities Professionals (NASP) New York Hall of Fame.

Mr. Palmer discussed the System's United Nations Principles for Responsible Investment (UNPRI) scores, which consist of a global mix of asset owners and managers. He noted the improvement in the scores since 2014.

Mr. Kim presented a performance update as of December 31, 2024. He noted that the System slightly underperformed the actuarial rate for the one-year, 6.7 vs. 6.8%. The System outperformed its inflation benchmark for the year and underperformed the policy benchmark by 10 basis points. Mr. Kim noted that the lower volatility could be attributed to lag in the private markets.

Mr. Burd reviewed the performance of the currency hedging program. He indicated that the program covers international and global equities. The System works with Record Currency Management that dynamically adjusts the hedge ratios based on currency movements. The hedging program has enhanced the portfolio's return profile and Sharpe ratio.

Item 6: Special Investment Strategies-ORP Update and Supplemental Data

Mr. Burd explained that a draft of the Optional Retirement Program (ORP) consultant Request for Proposal (RFP) was provided. He requested any feedback relating to the RFP over the next week and noted that the RFP should be issued in March.

Mr. Burd also provided contribution data relating to the ORP and supplemental plans and noted that the number of participants in the voluntary supplemental plans is lower than the number of ORP participants.

Item 7: Performance – Investment Reports

The Investment Committee was provided with several investment reports and had no questions regarding the reports.

Item 8: Committee-Led Discussion

Trustee Daly noted there are many underperforming managers over the long term and offered to provide this list to staff.

Mr. Barry noted that the White House proposed an America First investment policy that could possibly require divestments from China. The timeline on implementation of the proposed policy was unclear.

Mr. Barry inquired about the status of the CIO search. Executive Director Noven, Secretary.

responded that the first round of the RFP failed due to procurement requirements, but there has been a robust response to the second RFP. He added that he hopes the Board will be able to approve a search firm in April.

Item 10: Next Investment Committee Meeting

Tuesday, March 25, 2025, at 9:30 a.m.

Item 11: Motion to Adjourn

On a motion by Comptroller Lierman, Chair, and seconded by Trustee Richardson, the Investment Committee moved to adjourn at 12:39 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Martin Noven', written in a cursive style.

Martin Noven
Secretary of the Board