

THE INVESTMENT COMMITTEE
OF THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

MINUTES OF OPEN MEETING

February 20, 2024

The Investment Committee convened on Tuesday, February 20, 2024, at 9:02 am in-person, meeting at the host site of the Maryland State Retirement Agency, Truist (SunTrust) Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland.

Committee Members	James Daly, Jr., (Vice, Chair)	Richard Norman
Attending:	Budget Secretary Helene Grady	Douglas Prouty
	Sheila Hill	Michelle RhodesBrown
	Michael Howard, (Chair)	Sharcus Steen
	Treasurer Dereck Davis	Monte Tarbox
	Comptroller Brooke Lierman	
Also Attending:	Phillip Anthony, DLS	Faina Kashtelyan
	Jihwan Baek	Greg Kasten
	Andrea Bailey	Larry Katsafanas
	Michael Baker	Stuart Kaye
	Kevin Balaod, (with Intelligence)	Courtney Key
	Anish Bedi	Michael Klos
	Frank Benham, (Meketa)	Ratna Kota
	Devaughn Blackburn, (Comptroller	Chris Mannino
	Research Investment Analyst)	Jonathan Martin (Treasurer's liaison)
	Jonathan Blicher	Nitin Mathew
	Robert Burd, Deputy CIO	Michael McCord
	Rhett Butler	Kyongdo Min
	Dominique Cherry	Marquis Murry, (BlackRock)
	Rachel Cohen, OAG	Mary Mustard, (Meketa)
	Melody Countess	Stephen Muturi
	Jane Daniel	Minh Nguyen
	Alexis Davis, MSN	Martin Noven, Executive Director
	Joe Rice, (CBIZ)	Alec Ostrowidzki,(Public)
	Cheryl Davis-Shaw	Ashu Pal
	Leonardo DeSouza	Andrew Palmer, CIO
	Bob Diehl	Steven Pytlar
	Dani DiPietro, (Comptroller's Assistant)	Radhika Iyer, (Morgan Stanley)
	Mike Fang	Stephen Reilly
	Eric Farls	Stephen Reynard
	David Ferguson	Peta Richkus, (Public)
	Anne Gawthrop	David Rongione, (Audit)
	Gregg Gethard, (PEI Media)	Robert Sandlass, Jr., (Trustee)
	Heather Gillers, (Wall Street Journal)	Megan Schutz
	Dillon Gravenstine (Public)	Kevin Slack
	Dimitri Grechenko	Frederick "Beau" Smith
	Joe Gutberlet	Hal Solomon, (CBIZ)
	Alex Harisiadis, OAG	Emily Spiering
	Danita Johnson	Toni Voglino
	Lisa Jordan	Jack Wheatley
	Jordan Kaplan, (EnTrust)	Ed Witham
		Su Yu, (Financial Times)

Chairman Howard called the meeting to order at 9:02 a.m.

Item 1: Ratification of Open Session Minutes

The Investment Committee ratified the November 21, 2023, open meeting minutes at 9:03 AM with all in favor.

Item 2: Public Advisor Position – Call for Nominations

Chairman Howard called for nominations for the Public Advisor position due to the upcoming expiration of Public Advisor Tarbox's term. Nominations may be submitted to Martin Noven.

Item 3: Amendments to the Investment Policy Manual

Ms. Voglino presented two changes to the Investment Policy Manual regarding manager monitoring policy and the definition of small and emergency procurements.

On a motion made by Mr. Daly and seconded by Mr. Prouty, the Investment Committee voted to approve the Investment Policy Manual amendments at 9:06 AM.

Item 4: Recommendation to apply the Employment Cost Index to the Investment Division salary scale

Mr. Burd presented the recommendation to apply the Employment Cost Index of 4.5% to the Investment Division salary scale. Mr. Burd also recommended the effective date of any approved salary increases to be April 8th, 2024.

On a motion made by Mr. Daly and seconded by Mr. Prouty, the Investment Committee approved the changes to the Investment Division salary scale with all in favor at 9:10 AM.

Item 5: Recommendation for Flexibility filling the CIOO Position

Mr. Burd presented a recommendation regarding the hiring process for the CIOO position, which was authorized in a previous meeting. Mr. Burd recommended that the open position be amended to a Deputy CIO position with investment discretion in order to attract a talent pool with the required experience and strategic leadership skills. Mr. Burd also recommend that the Board grant Staff flexibility to hire for a CIOO position in the future.

The Committee members sought further details about the position responsibilities and qualifications. They also discussed whether to engage a recruiter for the CIOO position before attempting to fill the more expensive DCIO. The Committee further clarified that the hiring authority rested with the CIO and Executive Director.

On a motion made by Mr. Prouty and seconded by Mr. Sandlass, the Investment Committee approved Staff's flexibility to hire at the Deputy CIO level with all in favor at 9:22 AM.

Item 6: OCC Recommendation for the Objective Criteria for CIO and Staff

Mr. Howard introduced Joe Rice and Hal Wallach of CBIZ. He thanked the Objective Criteria Committee and CBIZ for their work.

Mr. Rice presented the recommendations for adopting objective criteria regarding Staff eligibility for compensation increases and financial incentives.

The Committee confirmed the salary percentile target as targeting median total cash compensation and indicated that the analysis was not complete without the comparison to peer salaries and a recommendation for implementation. CBIZ confirmed that the statutory establishment of objective criteria was unique to

the System and in themselves created a competitive challenge for attracting and retaining qualified investment staff.

The Committee and CBIZ discussed the rationale for permitting salary increases despite periods of underperformance and its alignment with performance expectations that produce long-term value but include periods of underperformance.

The Committee members highlighted the importance of clear communication of the policy to reduce ambiguity.

In response to a question, Mr. Palmer highlighted the 10% annual salary change limit and the creation of a two-tiered system for the non-investment discretion staff as the two biggest challenges.

Mr. Noven expressed his concerns over the limitations of the current compensation and eligibility requirements.

At the close of discussion, Mr. Steen expressed his support for adopting a risk-based criterion as being consistent with his industry's practice.

On a motion by the Committee and seconded by the Chair, the Investment Committee adopted the recommendations. Mr. Daly abstained from voting.

Item 7: Report from CIO

Mr. Palmer presented a performance update as of 12/31/2023 and summary of ongoing Staff efforts.

He discussed a chart reviewing Plan performance against the actuarial rate since the 1980s. He noted that long-term performance is driven by the asset allocation.

The Committee discussed the frequency of policy changes with Mr. Benham confirming the practice of evaluating policy every 4-5 years, consistent with best practice.

Mr. Palmer reviewed the executive summary of his report. The Committee discussed the shortfall relative to the actuarial rate over the past three years and the contribution that the delay in private funds valuation made to the shortfall. There was further discussion on the longer-term performance relative to the actuarial rate and Ms. Mustard explained that the market did not provide sufficient return over those periods. Further discussion on performance focused on the diversification benefit accruing to the System and the effectiveness of the policy benchmark in achieving long-term goals.

Mr. Palmer reviews the investment division's initiatives, including personnel updates and internal processes.

Mr. Ferguson spoke to the division's position leveling project and objectives as well as Staff's competency model and review processes.

The Committee discussed the reporting on diverse manager interactions and hiring and recognized that interaction in one period was only marginally connected to hiring in the same period.

Item 8: Meketa Reports

Ms. Mustard reviewed the system's quarterly performance by asset class and attribution of performance. She continued with a comparison of plan performance against the peer universe.

Mr. Daly asked about the peer risk-adjusted performance metrics and noted the policy benchmark fell short of Meketa's benchmark. Ms. Mustard responded risk would be addressed in the asset allocation discussion.

Mr. Daly requested additional information on private markets versus public markets and the pricing information available. Mr. Benham responds that private markets valuations have not kept up with the public markets.

Item 9: Updated Capital Market Assumptions and Review of Asset Allocation Process

Mr. Frank Benham discussed the System's asset allocation mix and Meketa's capital market assumptions as part of a comprehensive review of the asset allocation and asset liability management process. He noted that the Committee is scheduled to address asset allocation formally in May of 2025 and that this was the beginning of a year long period of study and discussion.

In response to a question, Mr. Benham reviewed the System's asset allocation process, history, and objectives and discussed how to interpret the quality of previous asset allocation decisions in the light of subsequent performance. The Committee expressed interest in evaluating whether the System was taking sufficient risk to achieve its return objective as part of this review.

Ms. Mustard spoke about the roles and various types of benchmarks in a portfolio and discussed challenges in benchmarking.

Mr. Daly asked whether the CIO and Executive Director have experienced any undue influence from stakeholders on their decision-making. Mr. Palmer and Mr. Noven both responded that outside influence has not hindered their ability to manage effectively.

Item 10: Investment Reports

The Committee received the following investment reports:

- State Street Performance Reports
- Terra Maria Performance Reports
- Private Markets Performance Reports
- Securities Lending Report
- Division's FY23 Travel Plan - Update
- Quarterly ORP Performance Report
- OPEB-PHBT Update
- New Hire Manager Report

On the Directors Desk:

- Broker Commission Reports
- Quarterly Manager Fee Report

Item 11: Motion by the Investment Committee to meet in Closed Session for the purposes of:

On a motion made and seconded, the Investment Committee voted without objection to meet in Closed Session at 12:21 p.m. for the purposes of:

(a) reviewing the closed session Investment Committee 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 a confidential schedule of fees and carried interest associated with the System's private market investments, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-335, requiring the denial of inspection of confidential commercial information, confidential financial information, and trade secrets provided by any person to a governmental unit.

CLOSED SESSION

Committee Members Attending:	James Daly, Jr. (Vice Chair) Budget Secretary Helene Grady Sheila Hill Michael Howard (Chair) Comptroller Brooke Lierman Treasurer Dereck Davis	Richard Norman Martin Noven Douglas Prouty Michelle RhodesBrown Sharcus Steen Monte Tarbox
Also Attending:	Frank Benham (Meketa) Devaughn Blackburn, (Comptroller Research Investment Analyst) Robert Burd, Deputy CIO Rachel Cohen, OAG David Ferguson Dimitri Grechenko Alex Harisiadis, OAG Lisa Jordan Greg Kasten Michael Klos Danita Johnson	Jonathan Martin (Treasurer's liaison) Nitin Mathew Katie Moore Mary Mustard (Meketa) Martin Noven, Executive Director Andrew Palmer, CIO Dani DiPietro Comptroller's Assistant) Robert Sandlass, Jr. (Trustee) Toni Voglino

Item 14: Motion by Investment Committee to adjourn closed session and return to open session

On a motion made and seconded, the Investment Committee voted to adjourn closed session and returned to open session at 12:28 p.m.

During closed session, the Investment Committee discussed and acted on the following matters:

The Investment Committee reviewed and ratified the Closed Session minutes from the November 21, 2023, meeting, and received a report pertaining to a schedule of fees and carried interest associated with the System's private market investments.

OPEN SESSION

Committee Members Attending:	James Daly, Jr. (Vice, Chair) Budget Secretary Helene Grady Sheila Hill Michael Howard (Chair) Treasurer Dereck Davis Comptroller Brooke Lierman	Richard Norman Douglas Prouty Michelle RhodesBrown Sharcus Steen Monte Tarbox
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Lisa Jordan	Ed Witham
Faina Kashtelyan	Su Yu, Financial Times

Item 15: Committee Led Discussion

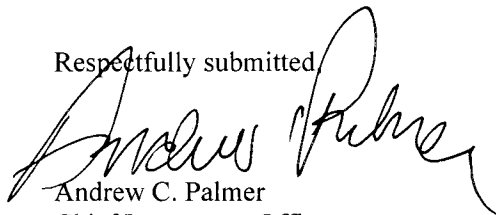
No issues or discussions raised.

Item 16: Motion by the Investment Committee to adjourn meeting

Adjournment

There being no further business before the Investment Committee, on a motion made by Mr. Daly and seconded by Comptroller Lierman, the meeting adjourned at 12:30 p.m.

Respectfully submitted,



Andrew C. Palmer
Chief Investment Officer