

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

December 18, 2012

The Board of Trustees for the Maryland State Retirement and Pension System met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, beginning at 10:08 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Blitzstein
John Douglass
T. Eloise Foster
Robert Hagans
Kenneth Haines

James Harkins
Sheila Hill
F. Patrick Hughes
Major Morris Krome
Theresa Lochte
Harold Zirkin
Thurman Zollicoffer, Jr.

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

Anne Budowski
Robert Burd
Margaret Bury
Melody Countess
Patricia Fitzhugh

Anne Gawthrop
Michael Golden
Ira Greenstein
Angie Jenkins
Van Lewis

A. Melissa Moye
Janet Sirkis
Toni Voglino

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Katzenberg, Jill Leiner and Melissa Warren

Also attended by: John Kenney and Rick Norman.

Consent Agenda

On a motion made by Mr. Krome and seconded by Mr. Hughes, the Board approved the consent agenda, which included:

- › November 20, 2012 Open Meeting Board Minutes
- › December 4, 2012 Administrative Committee Report
- › November 20, 2012 Audit Committee Report
- › November 20, 2012 Corporate Governance Report
- › November 9, 2012 Investment Committee Report
- › Disability Reports from the Medical Board

**Annual Audited
Financial Statement
Report**

F. Patrick Hughes presented the System's annual audited financial statement report for the year ending June 30, 2012, which received an unqualified opinion from the System's auditors SB & Company. Mr. Hughes reported that the Audit Committee unanimously accepted the financial statement reports and therefore, was recommending that the Board accept the report for inclusion in the Comprehensive Annual Financial Report.

Mr. Blitzstein recommended that the Board invite SB & Company to attend a meeting in order to present, for educational purposes, the key points of the financial statement report. Treasurer Kopp agreed with Mr. Blitzstein's suggestion and recommended that the Auditor be invited to present at the January 15, 2013 Board of Trustees meeting, if available.

Mr. Franchot questioned the statement in the report which states "At the present time, the Agency does not have a formal policy relating to

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counterparty collateral or netting arrangements.” Dr. Moye reported that the investment division adopted, this year, a reporting practice that monitors credit risks, but that it does not have a formal policy. The Investment Policy Manual has not been revised since that time. The CIO agreed to report back to either the Board or the Audit Committee, language that could or should be in the policy.

On a motion made by Mr. Hughes and seconded by Mr. Haines, the Board accepted the FY 2012 financial statements for inclusion in the Comprehensive Annual Financial Report.

Investment Personnel
Salary Setting Policy

Dr. A. Melissa Moye, Chief Investment Officer, presented to the Board a proposed set of criteria for the CIO’s evaluation of the Investment Division Managing Directors and the Deputy Chief Investment Officer for the purpose of implementing the salary-setting authority granted to the Board by the Legislature in 2012.

On a motion made by Chairman Kopp and duly seconded, the Board voted to defer voting on the guidelines for implementing the salary-setting policy and that Trustees forward additional comments and recommendations for the criteria prior to the January 2013 meeting of the Board.

CIO Report

Dr. A. Melissa Moye informed the Board that total fund was up 1.09% for the month of November, 2012. Fiscal YTD net return for the total fund is 5.67% as of November 30, 2012. Dr. Moye expects to see an exceptional start to the new year.

Executive
Director’s
Report

Mr. Kenderdine reported that the Joint Committee on Pensions (“JCP”) approved the 2013 legislative proposal that would phase-out the corridor method over a 10-year period and amend the amortization policy so that all liabilities are re-amortized to a 25-year closed period. Mr. Krome commented that this was a major milestone and he commends everyone who participated in the effort to bring the proposal to this point.

Mr. Kenderdine reported that all other legislative proposals, requested by the Board, were also approved by the JCP, with the exception of the proposal relating to overpayments. This proposal would have amended the statute to allow the Board to recover, from the survivor benefit paid to a designated beneficiary of a deceased retiree, any improper payments made to that retiree, but not discovered until after the retiree was deceased. .

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Mr. Kenderdine presented the 2012 Trustee Attendance Report and the 2012 Trustee Training Report.

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Determination Letters Deborah Bacharach, Assistant Attorney General reported to the Board that after four years since the application was submitted, the Agency received Determination Letters from the Internal Revenue Service ("IRS"), indicating the plans are "qualified plans", for all seven systems. Ms. Bacharach indicated that the next filing, for Cycle C determination letters, begins in February, 2013.

Amendment to the
Optional Retirement
Program Plan Ms. Bacharach reported that as a result of the Internal Revenue Service issuing Notice 2009-82 to provide guidance on the 2009 minimum required distributions, governmental plan documents are required to be amended to reflect legislative changes. Therefore, Ms. Bacharach presented to the Board, for its approval, the First Amendment to the Maryland Optional Retirement Program 403(b) Plan Document, which includes language consistent with the sample language provided by the IRS.

On a motion made by Major Krome and seconded by Mr. Hughes, the Board approved the Amendment to the Optional Retirement Program Plan Document.

CLOSED SESSION

On a motion made by Mr. Hughes and seconded by Ms. Lochte, the Board voted to meet in a Closed Session (11:31 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to approve the closed session minutes, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Blizstein
John Douglass
T. Eloise Foster
Robert Hagans
Kenneth Haines

James Harkins
Sheila Hill
F. Patrick Hughes
Major Morris Krome
Theresa Lochte
Harold Zirkin
Thurman Zollicoffer, Jr.

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

Anne Budowski	Anne Gawthrop	Van Lewis
Margaret Bury	Michael Golden	Janet Sirkis
Melody Countess	Ira Greenstein	Toni Voglino
Patricia Fitzhugh	Angie Jenkins	

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Katzenberg, Jill Leiner and Melissa Warren.

Also attended by: John Kenney.

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OPEN SESSION

The Board returned to open session at 11:37 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

Paulette Parker-
Dorsey

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Paulette Parker-Dorsey 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.

Ms. Parker-Dorsey appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill 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.

Pauline M. Tallerico

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Pauline M. Tallerico 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.

Mitchell M. Gordon, Esq., Ms. Tallerico's attorney, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill 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.

Paul S. Dornsife

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Paul S. Dornsife 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.

Mr. Dornsife did not appear before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, 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.

John P. True

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. John P. True 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.

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Mr. True did not appear before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, 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.

CLOSED SESSION – APPEALS AND HEARINGS

On a motion made by Ms. Hill and seconded by Mr. Haines, the Board voted to meet in a Closed Session (12:36 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to consider the disability appeals pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Peter Franchot, Vice Chairman, Presiding
David Blitzstein
John Douglass
Robert Hagans
Kenneth Haines

James Harkins
Sheila Hill
F. Patrick Hughes
Major Morris Krome
Theresa Lothe

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary
Margaret Bury Angie Jenkins Janet Sirkis

Assistant Attorney General present included: Deborah Bacharach and Rachel Cohen.

OPEN SESSION

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

Paulette Parker-Dorsey

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Paulette Parker-Dorsey's request for accidental disability benefits.

Pauline M. Tallerico

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Pauline M. Tallerico's request for accidental disability benefits.

Paul S. Dornsife

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Paul S. Dornsife's request for accidental disability benefits.

John P. True

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** John P. True's request for accidental disability benefits.

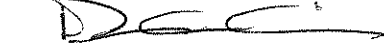
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Adjournment

There being no further business before the Board, the meeting adjourned at 12:43 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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***ADMINISTRATIVE COMMITTEE MEETING REPORT
DECEMBER 4, 2012***

Review of the
Evaluation Criteria for
the Executive Director

The Committee reviewed the evaluation criteria for the Executive Director for the performance period January 16, 2012 through January 15, 2013.

On a motion made by Mr. Romans and seconded by Major Krome, the Committee approved the Executive Director evaluation criteria for recommendation to the Board of Trustees. See Attachment A.

Finance Reports
Quarter Ending
September 30, 2012

Ms. Melody Countess presented the FY2013 Non-Budgeted Investment Manager and Service Related Fees Report. Within the Equity asset class, the fees paid in basis points decreased by 6.2 basis points. The core Fixed Income asset class had a .9 basis point increase generated by restructuring that was done within the Terra Maria program during FY2012. Fees incurred for investment related service providers increased slightly due to built-in contractual fee increases. Alternative Investments experienced an increase of 14.2 basis points during the first quarter of FY2013 over FY2012, due to increases generated by Private Equity and Private Real Estate asset classes.

Ms. Melody Countess presented the Administrative Expenses Report and MBE Performance Report for the quarter ending September 30, 2012. Ms. Countess indicated that the Agency has spent 20% of the appropriations to date, which is on target. Mr. Harkins asked whether the expenses for Administrative Hearings were based on calendar year or fiscal year and whether or not the costs were based upon usage. Ms. Countess clarified that the expenses associated with Administrative Hearings are billed, by the Office of Administrative Hearings, in a lump sum and are based upon past usage. MBE Performance as of the end of first quarter was 55.39%.

Mr. Douglass inquired as to what vendors, used by the Agency, fell under the "Non-Profit (Certified)" category. It was reported that nearly all payments in this category were paid to Maryland Works, Inc., for printing services.

Business Plan Status
Report

Mr. Kenderdine provided the Administrative Committee with an update to the business plan initiatives. See Attachment B.

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***ADMINISTRATIVE COMMITTEE MEETING REPORT
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Possible Legislation
Affecting State Police
and LEOPS

Mr. Kenderdine informed the Administrative Committee that the Joint Chairman's Report of the 2012 legislative session called for a study of the possible consolidation of the Maryland State Police (MSP) and the Maryland Transportation Authority Police Force (MTAPF). The Agency was asked to assist with this study by providing actuarial services to determine the effect such a consolidation would have on the System and the affected members. Mr. Kenderdine provided the Administrative Committee with a study prepared by Gabriel Roeder Smith & Company (GRS), the System's actuary, which outlines the estimated impact of transferring active members of the MTAPF from the Law Enforcement Officers' Pension System (LEOPS) to the State Police Retirement System (SPRS) under a number of scenarios.

Member Service
Update

Ms. Anne Budowski updated the Committee on the performance of the Member Services Unit.

Ms. Budowski reported that, for the month of October 2012, the Agency continues to operate within the standards for average call wait time and call abandonment. The recent member satisfaction survey found 98.16% of respondents rating the service received as satisfactory or better.

MPAS-2 Update

Mr. Kenderdine provided an update on the MPAS-2 project which would re-structure the MPAS-2 project scope, to "Improve Data Integrity" into two segments: data scrubbing (service and compensation), now labeled "MPAS-2a", and the other objectives, including the development of a member-access website, as "MPAS-2b."

A motion was made by Major Krome and seconded by Mr. Haines, to accept the revision to MPAS-2 over-the target budget request for FY 2014, which would be reduced from \$1.354 Million to \$634,000. Mr. Douglass requested that a written summary of the restructured project be provided to the Committee before it is voted on.

After further discussion and on an amended motion made by Major Krome and seconded by Mr. Haines, the Administrative Committee voted to defer the voting on the motion to approve revision to MPAS-2 over-the-target budget request for FY2014, until the Administrative Committee was provided with the changes to the budget request in writing. Voting in favor of the motion to defer was: Mr. Harkins, Major Krome, Ms. Brogan, Mr. Haines, Mr. Romans, and Ms. Hill. Mr. Douglass abstained.

Mr. Kenderdine will provide the written summary to the Committee via email and request that the Committee vote on the motion via email. If the motion is approved by the Committee, it will be sent to the Board of Trustees via email for an electronic vote.

The Administrative Committee did vote, via email, in favor of the

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DECEMBER 4, 2012***

motion. The vote was unanimous. The Committee's recommendation was then distributed via email to the full Board for approval. The electronic vote, cast by the Board of Trustees, was unanimously in favor of the motion to approve the revision to the MPAS-2 over-the-target budget request for FY2014.

Tax Issue

Ms. Margaret Bury reported that approximately 14 retirees have contacted the Agency indicating that they received a letter from the IRS relating to an Early Distribution Tax Penalty for certain benefit allowance payments that were made in 2010 or 2011. The benefit payments paid in 2010 and 2011 fall within an exception from the 10% additional tax on early distributions under Internal Revenue Code (IRC) Section 72(t). The IRS requires the retiree to submit in writing an explanation of why the retiree would not be subject to the penalty. Therefore, Counsel prepared, for the Executive Director's signature, a letter addressed to all affected (approximately 9,000) retirees, that they can submit to the IRS, explaining why the retiree should be exempt from the penalty. The agency will change the 1099R coding in the future to prevent this problem from reoccurring.

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**AUDIT COMMITTEE MEETING REPORT
NOVEMBER 20, 2012**

MSRPS Draft
Financial Statements

THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA.

The Committee was provided with the System's FY 2012 draft financial statements. Mr. Graylin Smith and Mr. William Seymour of SB & Company, the System's financial statement auditors, presented the Committee with the FY 2012 audit results. Mr. Seymour informed the Committee that the financial statements will receive an unqualified opinion. The audit noted no significant deficiencies or material weaknesses. The auditors did not discover any instances of fraud, and received the full cooperation of management.

Mr. Seymour noted that SB & Company took a risk-based audit approach to mitigate the risk of financial misstatements, in which they identified significant risk areas and determined the actions taken by management to control those risks. Key processes were evaluated and all were determined to be effective in design and operation. There were no significant changes from the previous year's financial statements that needed to be brought to the Committee's attention.

Mr. Seymour and Mr. Smith discussed the valuation methodology used for all investment categories. The values for some categories were assessed based on observable input, and are considered to have a low audit risk, while others do not have an observable input, and are considered to be a greater audit risk. They described the methodology used to value investment categories without observable input, such as alternative investments.

Mr. Seymour advised the Committee of future financial reporting changes that will affect the System in the near future, due to the implementation of GASB 67 and GASB 68. There were no significant changes in accounting policies for fiscal year 2012.

Mr. Hughes requested that SB & Company contact the Committee, if anything arises that warrants the Committee's attention.

On a motion made by Mr. Hagans, and seconded by Major Krome, the Committee **accepted** the MSRPS draft financial statements for **recommendation to the Board**.

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**AUDIT COMMITTEE MEETING REPORT
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FY 2013 Audit Plan	The Committee was provided with the FY 2013 Audit Plan, for a formal vote of ratification. The Audit Plan was previously discussed at the Committee's August 21, 2012 meeting, and subsequently voted on and approved electronically by members of the Committee. On a motion by Mr. Hagans, and seconded by Mr. Haines, the Committee approved the FY 2013 Audit Plan.
CY 2013 Audit Committee Meeting Dates	The Committee approved the following dates to hold their meetings during CY 2013: <ul style="list-style-type: none">• February 19, 2013• August 20, 2013• November 19, 2012
	The meetings will be held following the regularly-scheduled Board of Trustees meetings. The Committee will decide on a date for the June 2013 meeting during the February meeting.
Internal Audit Division Performance Measures – FY 2012	Ms. Voglino provided the Committee members with the results of the Internal Audit Division's performance, relative to its performance measures. Mr. Hughes noted that internal Audit either exceeded, or was in the general parameters of, its performance measures.
Audit Committee and Internal Audit Division Evaluation Results	The Committee was provided with a summary of their responses to the Audit Committee Self-Evaluation survey, and the Internal Audit Division Evaluation survey. Mr. Hughes stated that there were no items that required attention and that overall, the evaluations were considered to be positive and mostly accurate.
	Mr. Hughes also stated that the Internal Audit function continues to improve, and that its leadership is appreciated.
Completed Audits	The Committee discussed the following completed audits: <ul style="list-style-type: none">• <u>Earnings Limitation Compliance (Follow-up)</u> – The audit determined that not all audit findings noted in the original audit report were addressed correctly. Specifically, the amounts of earnings limitation offsets assessed as a result of the original audit report were not assessed accurately. Additionally, the computer program logic used to identify individuals who were potentially subject to earnings limitations laws excluded certain retirement and pension systems and retirement accounts to which earnings limitations could apply.• <u>Service Retirement Processing (Follow-up)</u> – The audit noted that the audit findings contained in the original Service Retirement Processing audit report were addressed and corrective actions were implemented.

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***AUDIT COMMITTEE MEETING REPORT
NOVEMBER 20, 2012***

Audits in Progress The Committee was advised that the following audits are currently in progress:

- Bank Reconciliation Process;
- MPAS Access Security (Follow-up); and
- Disability Retirement.

The Committee will be provided with reports for these audits, upon completion.

Major Krome inquired about the status of audits within the Investment Division. He noted that, while the rest of Agency operations were well-covered by internal audits, there were no audits of investments. Ms. Voglino informed the Committee that an RFP is in process to select a vendor to perform an operational audit of the absolute return asset class. This had been delayed, pending the appointment of an investment consultant for this asset class. Now that the investment consultant is in place, the RFP was issued, and a vendor has been selected, pending approval by the Department of Budget and Management.

Mr. Hughes asked that Internal Audit perform some compliance work in Investments. He also noted that there are a number of parties looking over investment activities, including Investment Division staff and investment consultants.

Other Business The next Audit Committee meeting is scheduled for February 19, 2013, following the Board of Trustees meeting.

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***CORPORATE GOVERNANCE MEETING REPORT
NOVEMBER 20, 2012***

- Minutes . The Committee unanimously accepted the minutes from the August 21, 2012 meeting.
- Institutional Shareholders, Inc. The Committee heard a presentation from Institutional Shareholder Services (ISS), the System's proxy research and voting services provider about their international capabilities.

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***INVESTMENT COMMITTEE MEETING REPORT
NOVEMBER 9, 2012***

Minutes On a motion that was made by Mr. Blitzstein and seconded by Ms. Hill, the Investment Committee unanimously approved the revised May 11, 2012 open meeting minutes.

On a motion that was made by Ms. Hill and seconded by Ms. Foster, the Investment Committee unanimously approved the September 14, 2012 open meeting minutes.

Next Year's
Investment
Committee Meeting
Dates

The Committee received potential Investment Committee meeting dates for Calendar Year 2013. The meeting schedule that was presented for the Committee's consideration was as follows:

- o February 8, 2013;
- o May 10, 2013 (asset allocation review and quarterly meeting);
- o September 13, 2013 (CIO evaluation and quarterly meeting), and
- o November 8, 2013.

On a motion that was made by Mr. Topping and seconded by Ms. Hill, the Investment Committee unanimously approved the 2013 Investment Committee meeting dates as submitted.

Report from CIO

The Committee received a performance update from the CIO and staff as of September 30, 2012. The total fund performance for quarter ending September 30, 2012 was 4.64%, exceeding the policy benchmark of 4.30% by 34 basis points. Staff also presented performance by asset class and information on total plan risk.

All asset classes contributed positively to returns for the quarter.

Public Equity – The Public Equity Program has 31 accounts managed by 29 managers excluding the Terra Maria Program. The Public Equity allocation represents the Global Public Equity opportunity set as represented by the MSCI ACWI.

Target Allocation: 36.0%

Current Allocation: 42.9%

Return as of 9/30/12: 1 year: 22.0%

Benchmark Return: 1 year: 21.6%

The Currency Management Program has reduced the returns of the International and Global Equity programs for the quarter ending September 30, 2012; reduced the volatility of the International and Global Equity programs since inception; and increased the since inception Sharpe Ratio of the International and Global Equity programs.

Fixed Income: Target Allocation: 10.0%

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Current Allocation: 18.4%
Return as of 9/30/12: 1 Year: 7.94%
Benchmark Return: 1 Year: 5.27% (80% Barclays Aggregate / 20% Barclays Global Bond Aggregate Hedged)

Absolute Return: Target Allocation: 7.0%
Current Allocation: 6.8%
Return as of 9/30/12: 1 Year: 8.42%
Benchmark Return: 1 Year: 2.93% (HFRI FoF)

The System has 7.8% of plan assets in hedge funds versus a cap of 15% of the total plan.

Real Return: Target Allocation: 15.0%
Current Allocation: 10.4%
Return as of 9/30/12: 1 Year: 8.10%
Benchmark Return: 1 Year: 7.82%

Credit/Debt Strategies: Target Allocation: 10.0%
Current Allocation: 7.8%
Return as of 9/30/12: 1 Year: 12.70%
Benchmark Return: 1 Year: 14.68%

Real Estate: Long-term Target Allocation: 10.0%
Current Allocation: 6.4%
Return as of 9/30/12: 1 Year: 15.50%
Benchmark Return: 1 Year: 18.56%
Public Real Estate: Net Asset Value: \$890.9 million
Private Real Estate Program
Net Asset Value: \$1.56 billion

Private Equity: Target Allocation: 10.0%
Current Allocation: 5.6%
Return as of 9/30/12: 1 Year: 6.04%
Benchmark Return: 1 Year: 2.10% (State Street Private Equity Index)
Through 9/30/12:

- Total Amount Committed to PE Since Inception: \$4.7 billion
- Total Amount Drawn Since Inception: \$2.5 billion
- Total Unfunded Commitments: \$2.2 billion

Invested in 102 Different Funds with 68 General Partner Relationships
Geographically Diversified: 65% U.S. / 35% Non-U.S.

Staff also presented a summary of the tools used by Staff to monitor risk at a Total Plan level. This included tables on Absolute Risk (as measured by standard deviation of returns), Relative Risk (as measured by standard deviation of excess returns over the policy benchmark), plan liquidity, leverage, and counterparty risk. It was noted in the discussion that the bulk of risk expectations are contributed by the public equity

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*INVESTMENT COMMITTEE MEETING REPORT
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asset class.

HEK Reports: Market
Overview and Current
Research Summary

Hewitt Ennis Knupp presented an updated Market Overview and the September 30, 2012 Performance Update.

Investment Reports

The Committee received the following investment reports:

- State Street Performance Reports
- Private Markets Update
- Securities Lending Report
- Division's FY13 Travel Plan – Update
- OPEB-PHBT Update

Closed Session

On a motion made by Ms. Hill and seconded by Ms. Foster, the Investment Committee unanimously approved the September 14, 2012 closed session minutes.

Meeting adjourned.