

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

May 21, 2019

The Board of Trustees for the Maryland State Retirement and Pension System convened at the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 9:15 a.m.

The Trustees present included:

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

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

Patricia Fitzhugh	Angie Jenkins	Kenneth Reott
Anne Gawthrop	Kim O'Keeffe	David Rongione
Michael Golden	Andrew Palmer	Janet Sirkis
Ira Greenstein	Harvey Raitzyk	

Assistant Attorneys General present included: Rachel Cohen, Alex Harisiadis, and Jody Shaw

Other attendees included: Brad Armstrong and Jeff Tebeau from GRS Consulting, Frank Benham and Mary Mustard from Meketa, Phillip Anthony, Jeanette Fernandez, Matt Jackson, Justin Hayes, Tom Brennan, Monte Tarbox, Michael Barry and Steve Kitsoulis

Presentation by
Gabriel Roeder
Smith & Company

Eric Brotman, Chairman of the Ad Hoc Committee on Actuarial Economic Assumptions Committee reported that at the request of the Ad Hoc Committee, Brad Armstrong and Jeff Tebeau from Gabriel Roeder Smith & Company (GRS), the System's actuary would be presenting preliminary results of the experience study currently being conducted for the System.

The Board of Trustees was provided a copy of a PowerPoint document presented by Brad Armstrong and Jeff Tebeau, which provided the preliminary experience study results regarding both the System's economic and demographic assumptions.

Mr. Armstrong and Mr. Tebeau presented various contribution rate and funded status outcomes based on an array of assumed investment rates of return, from the current assumed rate of return of 7.45% to 7.15%.

Mr. Brotman reported that at the Ad Hoc Committee meeting held on May 10, 2019, the Committee had a lengthy discussion on what impact changing the assumed rate of return would have on employer contributions and whether or not those contributions would increase.

Comptroller Franchot responded that it was not the Board's responsibility to be concerned with the impact on State contributions and that if the State has to make higher contributions into the fund, then it is their responsibility to do so.

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MARYLAND STATE RETIREMENT AND PENSION SYSTEM
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May 21, 2019

Mr. Armstrong presented information on the demographic assumptions, including mortality, retirement, and disability rates, as well as turnover and salary increases due to merit or seniority. Mr. Armstrong reported that for the first time, mortality rate results are broken out and available for public employees, with specific data for Teachers, Employees and Public Safety employees.

Treasurer Kopp asked how mortality rates for the Maryland region compare to other regions of the country.

Mr. Armstrong responded that the data is different, specific to six regions of the United States, and that life expectancies are lower in the South and Midwest regions, compared to Maryland.

At 9:45 a.m., on a motion made by Mr. Hughes and seconded by Mr. Prouty, the Board voted to recess the meeting and reconvene immediately after the conclusion of the Investment Committee meeting.

The Board of Trustees for the Maryland State Retirement and Pension System reconvened in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 2:40 p.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	F. Patrick Hughes
Peter Franchot, Vice Chairman	Charles Johnson (via phone)
David Brinkley	Theresa Lochte
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty (via phone)
Sheila Hill (via phone)	Michael Stafford

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

Patricia Fitzhugh	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	David Rongione
Michael Golden	Kim O'Keeffe	Janet Sirkis
Ira Greenstein	Andrew Palmer	

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw

Other attendees included: Phillip Anthony, Matt Jackson, Justin Hayes, Tom Brennan and Monte Tarbox

Consent Agenda

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

- › April 16, 2019 Open Meeting Board Minutes
- › April 16, 2019 Audit Committee Meeting Summary
- › May 10, 2019 Ad Hoc Committee on Actuarial Economic Assumptions Meeting Summary

**BOARD OF TRUSTEES FOR THE
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MINUTES OF MEETING**

May 21, 2019

Recommendation of
the Investment
Committee
regarding the
Criteria for the Chief
Investment Officer's
Evaluation

Mr. Hughes, Chairman of the Investment Committee, reported that the Committee reviewed the criteria for the Chief Investment Officer's evaluation and voted to have the Administrative Committee take on the task of reviewing the specific evaluation criteria and recommend revision.

On a motion made by Mr. Hughes and seconded by Mr. Norman, the Board approved the Investment Committee's recommendation regarding the criteria for the Chief Investment Officer's evaluation.

Recommendation of
the Investment
Committee
regarding Asset
Allocation

Mr. Hughes, as Chairman of the Investment Committee reported that the Committee voted to approve the following, for recommendation to the Board:

1. Maintain the existing broad asset allocation
2. Adjust the policy benchmark for Real Estate to eliminate REITs, on basis of:
 - REIT allocation is a legacy from the initial implementation
 - Private allocation is approaching the target weight
 - REITs are included in Public Equity
3. Maintain REITs as an eligible investment for Real Estate with a range of 0-30%, and adjust the range for core Real Estate to 50-100%
4. Set the policy weights for Private Equity and Real Estate equal to the actual weights to reflect staff's inability to control these exposures due to the timing uncertainty of capital calls/distributions and the illiquid nature of these asset classes
5. Adjust the policy weights for Public Equity to reflect the over/under weights of Private Equity
 - For example, if the actual allocation to Private Equity is 15%, or 2% above the target allocation, then the adjusted policy weight to Public Equity will be reduced by 2%, from 37% to 35%
6. Adjust the policy weights for Rate Sensitive to account for the over/under weights of Real Estate to maintain the similar income components
 - For example, if the actual allocation to Private Real Estate is 8%, or 2% below the target allocation, then the adjusted policy weight to Rate Sensitive will be increased by 2%, from 19% to 21%

On a motion made by Mr. Hughes and seconded by Mr. Brotman, the Board of Trustees voted to approve the Investment Committee's recommendation, as presented.

Recommendation of
the Investment
Committee
regarding Asset
Class Incentive
Targets

Mr. Palmer provided the Board with a memorandum documenting the Board's action to date and presenting recommendations for incentive compensation policy for those investment staff responsible for individual asset classes.

Mr. Palmer reported, however, that while the Board has approved the criteria for relative performance against the actuarial rate of return, it has not yet done so for relative performance against asset class benchmarks.

After further discussion, on a motion made by Comptroller Franchot and duly seconded, the Board of Trustees voted to defer this matter until the June 18, 2019 Board of Trustees meeting.

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May 21, 2019

Trustee Request for
Staff Research

The Board was provided with a copy of a letter from Comptroller Franchot to Mr. Kenderdine, dated May 16, 2019, requesting that the “executive management undertake a complete a thorough review of all relationships that we have with businesses located in the State of Alabama”, including “a full inventory of assets invested in Alabama-based companies, in addition to all investment managers, brokers, and consultants that are either headquartered or have regional office space in the State.”

Comptroller Franchot addressed the Board regarding his letter asking that the Board vote to approve his request, as presented in his letter in light of the recent anti-abortion legislation enacted by the State of Alabama. In addition, Comptroller Franchot also asked that a freeze on travel to the State of Alabama be imposed for all Agency staff.

Ms. Lochte asked how much staff time this task would take to complete the requested analysis.

Mr. Palmer responded that it would not take much time to determine separate account public equity investments or private equity investments. However, service providers, could take a substantial time as the division does not have a database with the specific information.

Other asset classes will be more difficult but the analysis could be completed to present to the Board at its next meeting, scheduled for June 18, 2019.

On a motion made by Comptroller Franchot and seconded by Secretary Brinkley, the Board voted to approve the Comptroller’s request for staff research, as presented. Trustees Hughes and Stafford opposed the motion.

Mr. Hughes reported that Trustee Hamilton, who had left the meeting at this point, requested that his opposition to the motion, be reflected in the minutes.

Executive Director’s
Report

Mr. Kenderdine provided the Board with a copy of a page from the Maryland General Assembly’s 2019 Joint Chairmen’s Report. The report contain language instructing the Department of Legislative Services to study the structure, powers, and membership of the Board of Trustees.

Mr. Kenderdine reported that as part of the Board’s Strategic Planning and Governance project, all Trustees should have received a survey from BEACON the Board’s consultant for strategic planning. Any Trustee who did not receive the survey, should contact him.

Mr. Kenderdine reported that the MPAS project remains on schedule and therefore, the Agency will “go-live” with the on-line “member access portal” during the first week of September.

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MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

May 21, 2019

Mr. Kenderdine reported, thanks to Secretary Brinkley and his staff at the Department of Budget and Management that the Agency will, within a few weeks, hire three additional employees in the Member Services unit.

On a motion made by Mr. Brotman and seconded by Mr. Norman, the Board voted to meet in a Closed Session, beginning at 3:12 p.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

- a) reviewing the April 16, 2019 closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
- b) 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;
- c) reviewing a report regarding extraordinary salary increases, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records; and
- d) discussing the appointment of a Public Advisor to the Investment Committee, pursuant to General Provisions Art., § 3-305(b)(1)(i), 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	F. Patrick Hughes
Peter Franchot, Vice Chairman	Charles Johnson (via phone)
David Brinkley	Theresa Lochte
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty (via phone)
Sheila Hill (via phone)	Michael Stafford

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

Patricia Fitzhugh	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	David Rongione
Michael Golden	Kim O'Keeffe	Janet Sirkis
	Andrew Palmer	

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw

Other attendees included: Justin Hayes, Tom Brennan and Monte Tarbox

On a motion made by Mr. Brotman and duly seconded, the Board returned to open session at 3:18 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

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


May 21, 2019

OPEN SESSION

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

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| Closed Session Minutes | The Board reviewed and approved the April 16, 2019 closed session minutes. |
| Medical Board Reports | The Board reviewed and adopted the medical board reports from April 17, April 25, May 1, May 9, and May 15, 2019. |
| Extraordinary Salary Increases | The Board reviewed and approved the recommendations regarding the extraordinary salary increases as presented. |
| Appointment of a Public Advisor to the Investment Committee | The Board approved the recommendation of the Investment Committee concerning the appointment of a Public Advisor to the Investment Committee as presented. |
| Adjournment | There being no further business before the Board, on a motion made by Mr. Brotman and duly seconded, the meeting adjourned at 3:18 p.m. |

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board