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

July 17, 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 10:05 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman	James Harkins (via telephone)
David Blitzstein	Sheila Hill
John Douglass	F. Patrick Hughes (via telephone)
T. Eloise Foster	Major Morris Krome
Robert Hagans, Jr.	Theresa Lochte
Kenneth Haines	Harold Zirkin

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

Anne Budowski	Patricia Fitzhugh	Kenneth Reott
Robert Burd	Anne Gawthrop	Janet Sirkis
Melody Countess	Michael Golden	
Brian Feilinger	Ira Greenstein	

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

Also attended by: John Kenney, Phillip Anthony, Dylan Baker, Michael Rubenstein, Dana Tagaliod, Nathan Bowen, Randy Mickens (MSTA), Michael Dresser (Baltimore Sun), Hazel Bradford (Pensions & Investments), Terry Mumford, Esq. (Ice Miller), and Claire Shaughnessy (Hewitt Ennis Knupp)

- Consent Agenda
1. On a motion made by Mr. Hagans and seconded by Mr. Hughes, the Board approved the consent agenda which included the:
    - › June 19, 2012 Open Meeting Board Minutes
    - › Disability Reports from the Medical Board

- Committee Assignments
2. As mandated by Board Operations Policy and the State Personnel and Pensions Article § 21-115(a)(2), (b)&(d) the Board reviewed and approved the proposed committee assignments for FY2013 as submitted by the chairman. On a motion made by Ms. Mr. Hughes and duly seconded, the Board approved the following committee assignments:

Administrative Committee  
James Harkins, Chairman  
Major Morris Krome, Vice-Chairman  
John Douglass  
Secretary T. Eloise Foster (or designee)  
Sheila Hill  
Treasurer Nancy K. Kopp (or designee)

Investment Committee {SPP §21-115(a)(2), (b)&(d)}  
Harold Zirkin, Chairman  
F. Patrick Hughes, Vice-Chairman  
David Blitzstein  
Secretary T. Eloise Foster  
Comptroller Peter Franchot  
Robert Hagans, Jr.  
Sheila Hill  
Treasurer Nancy K. Kopp  
Major Morris Krome

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Theresa Lochte  
Thurman Zollicoffer  
*Public Advisors:*  
Larry E. Jennings, Jr.  
Wayne Shaner  
Brian Topping

Audit Committee

F. Patrick Hughes, Chairman  
John Douglass, Vice-Chairman  
Robert Hagans, Jr.  
Kenneth Haines  
James Harkins  
Major Morris Krome  
Theresa Lochte

Corporate Governance

Sheila Hill, Chairman  
Thurman Zollicoffer, Vice-Chairman  
David Blitzstein  
Comptroller Peter Franchot  
Treasurer Nancy K. Kopp  
Harold Zirkin

Securities Litigation

Thurman Zollicoffer, Chairman  
Harold Zirkin, Vice-Chairman  
F. Patrick Hughes

Report on System's  
Information Security  
Program

3. John J. Murray, Vice President, First Information Technology Services (FITS), Inc. presented the findings and recommendations related to its assessment of the Agency's information security program; this assessment was requested by the Audit Committee on June 17, 2011 upon referral from the Administrative Committee and the full Board.

Mr. Murray reported that the assessment focused on internal, not external, Agency threats. Twelve different areas were reviewed, including Policies and Procedures and compliance by the Agency and its staff. Mr. Murray stated that, as with all organizations which rely on modern information systems, the Agency will never have 100% security and noted the following Agency strengths and weaknesses:

Strengths

- Policies and Procedures addressed all areas required by the State and contemporary best practices.
- Very effective and secure program.
- Entire organization was well aware of security measures.
- Most staff understood the Policies and Procedures.
- Access control processes were appropriate.
- Information Systems staff and particularly the information security staff are a strength.

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Weaknesses

- Amount of hard copy materials available. Clean desk policy – a significant proportion of the Agency's staff members left materials out on desks overnight. Mr. Murray noted that it would be less than productive to clean up the overall work environment, due to secure space and storage limitations. Recommendation: The long-term solution is to automate.
- Remote Access. Twenty percent of the Agency's staff has remote access, which is typically high. The technical side is secure; however, employees have different understandings of what functions are available remotely and what controls are in place to facilitate remote access. Recommendation: Review the number of employees with remote access. Written guidelines should be available and employees should have to login periodically to be reminded of the process and its importance, both to daily operations and to business continuity planning.
- Security Training Program. The Agency has a program for training different employee groups in security, but it can be strengthened and made more formal/routine. Recommendation: Review current training curriculum and institute a regular training schedule for all Agency employees.
- Resources for Security. Current information security staff could be more regularly trained and given a stronger set of tools to monitor the Agency's computing environment. The current staffing levels are inadequate to handle current tasks and to accomplish the recommended agenda. Recommendation: To accomplish the above recommendations and strengthen the Agency's information security profile, increase information security staff to five people from the current complement of 2 FTEs.

Mr. Murray gave the Agency an overall grade of B+ or A-. Mr. Murray's associate reported that FITS had conducted similar assessments of other public and private entities, including federal agencies, and considers the Agency one of the best in their experience.

Mr. Douglass asked that copies of the report presented to the Administrative Committee for its further consideration and follow-up.

CIO Report 4. Mr. Robert Burd presented an investment performance update

Mr. Burd informed the Board that the June 30, 2012 performance report was not yet available. Treasurer Kopp inquired about the LIBOR manipulation allegations. Mr. Burd responded that it is still early in the process, and Staff is reviewing information as it becomes available. He also indicated that Staff has had discussions with the System's asset managers, and will continue to monitor the situation as more facts are known.



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July 17, 2012

**CLOSED SESSION**

The Board voted to meet in a Closed Session (11:24 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. To consult with counsel to obtain legal advice regarding the Board of Trustees' statutory and fiduciary duties with respect to the adoption of actuarial assumptions, pursuant to State Government Article, § 10-508(a)(7).

The Trustees present included:

Nancy K. Kopp, Chairman  
David Blitzstein  
John Douglass  
T. Eloise Foster  
Robert Hagans, Jr.  
Kenneth Haines

James Harkins (via telephone)  
Sheila Hill  
F. Patrick Hughes (via telephone)  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin

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

Anne Budowski  
Robert Burd  
Melody Countess

Brian Feilinger  
Patricia Fitzhugh  
Anne Gawthrop

Michael Golden  
Kenneth Reott  
Janet Sirkis

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

Also attended by: John Kenney

**REGULAR SESSION**

The Board returned to open session at 11:36 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

Actuarial  
Assumptions

The Board of Trustees discussed the actuarial assumptions proposed by the System's actuary.

On a motion made by Major Krome and seconded by Mr. Douglass, the Board voted 10 to 1 to: (1) adopt the proposed demographic assumptions recommended by GRS as a result of the recent experience study; and (2) maintain the System's current economic assumptions (including the current 7.75% assumed rate of return on investments). Mr. Blitzstein opposed. Mr. Hughes abstained.

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**CLOSED SESSION**

The Board voted to meet in a Closed Session (11:50 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

2. to approve the closed session minutes, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
3. to consult with counsel to obtain legal advice regarding the taxation of accidental disability benefits, pursuant to State Government Article § 10-508(a)(7).

The Trustees present included:

Nancy K. Kopp, Chairman  
David Blitzstein  
John Douglass  
Robert Hagans, Jr.  
Kenneth Haines  
James Harkins (via telephone)

Sheila Hill  
F. Patrick Hughes (via telephone)  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin

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

Anne Budowski	Patricia Fitzhugh	Harvey Raitzyk
Melody Countess	Anne Gawthrop	Kenneth Reott
Brian Feilinger	Michael Golden	Janet Sirkis

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

Also attended by: John Kenney and Terry Mumford, Esq. (Ice Miller)

**REGULAR SESSION**

The Board returned to open session at 12:25 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

- Robert A. Pick 7. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Robert A. Pick 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. Damon Felton, Esq., Mr. Pick's attorney, appeared 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.

- Rodney Tracey 8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Rodney Tracey 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. Rodney Tracey appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla

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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.

- Vanessa A. Brown 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Vanessa A. Brown 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. Vanessa A. Brown did not appear 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.

**CLOSED SESSION – APPEALS AND HEARINGS**

The Board voted to meet in a Closed Session (1:20 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to discuss and 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:

Nancy K. Kopp, Chairman  
David Blitzstein  
John Douglass  
Robert Hagans, Jr.  
Kenneth Haines

Sheila Hill  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary  
Anne Budowski Ken Reott Janet Sirkis

Assistant Attorney General present included: Rachel Cohen

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**REGULAR SESSION**

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

- Robert A. Pick 10. The Board voted to **REJECT** the Administrative Law Judge's Proposed Decision and **GRANT** Robert A. Pick's request for accidental disability benefits.
- Rodney Tracey 11. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Rodney Tracey's request for accidental disability benefits.
- Vanessa A. Brown 12. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Vanessa A. Brown's request for accidental disability benefits.
- Adjournment 13. There being no further business before the Board, the meeting adjourned at 1:27 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board