

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

August 21, 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
Peter Franchot, Vice-Chairman	Sheila Hill
David Blitzstein	F. Patrick Hughes
John Douglass	Major Morris Krome
T. Eloise Foster	Theresa Lochte
Robert Hagans, Jr.	Harold Zirkin (via telephone)
Kenneth Haines	

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

Anne Budowski	Michael Golden	Patrice Sowah
Robert Burd	Ira Greenstein	Toni Voglino
Patricia Fitzhugh	A. Melissa Moye	
Anne Gawthrop	Kenneth Reott	

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, and Melissa Warren. Also attended by: John Kenney, and Randy Mickens (MSTA).

- Consent Agenda 1. On a motion made by Ms. Hill and seconded by Mr. Hagans, the Board approved the consent agenda which included the:
- July 17, 2012 Open Meeting Board Minutes
 - August 7, 2012 Administrative Committee Report
 - Disability Reports from the Medical Board

- Executive Director's Report 2. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine reported that the Agency received the .

Mr. Kenderdine reported that the Agency continues to work well with Towson University on the scoping the MPAS2 project. The Agency is running a bit behind schedule such that the FY14 budget submission to the Administrative Committee in September will contain a rough cost estimate. The final more accurate cost estimate will be completed in time for the September meeting of the Board.

Mr. Kenderdine reported that on Friday, August 17th, at Mr. Harkins suggestion, Treasurer Kopp, Mr. Harkins, and Dr. Moye participated in a panel discussion entitled *The State's Pension Plan – Recent Overhauls and Future Oversight* at the Maryland Association of Counties' (MACo) Annual Summer Conference. The discussion covered pension reform, system governance, and an investment overview. Treasurer Kopp noted that MACo staff indicated that they would like to continue the conversation with Agency Staff. Mr. Harkins commented sharing more information with MACo will be helpful.

Mr. Kenderdine congratulated Mr. Blitzstein on his reappointment to the Board by Governor O'Malley.

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Mr. Kenderdine wished Mr. Harkins well on his upcoming surgery.

Mr. Kenderdine announced that Patrice Sowah will be leaving the Agency to work to at the Department of Juvenile Services.

- CIO Report
3. Dr. A. Melissa Moye informed the Board that fund returned +1.46% for the month of July 2012, outperforming the policy benchmark by 3 basis points. Positive contributors to the outperformance were international equity, fixed income and absolute return. She also informed the Board that the value of the fund as of July 31, 2012 was \$37.6 million.

CLOSED SESSION

The Board met in a Closed Session (10:20 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;
2. to discuss a tax issue, pursuant to State Government Article § 10-508(a)(7), receiving advice of counsel;
3. to the discuss the compensation of certain Senior Investment Staff, pursuant to State Government Article § 10-508(a)(1)(i).

The Trustees present included:

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Peter Franchot, Vice-Chairman	Sheila Hill
David Blitzstein	F. Patrick Hughes
John Douglass	Major Morris Krome
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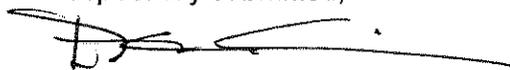
Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary

Anne Budowski	Michael Golden	Patrice Sowah
Robert Burd	Ira Greenstein	Toni Voglino
Patricia Fitzhugh	A. Melissa Moye	
Anne Gawthrop	Kenneth Reott	

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, and Melissa Warren.

- Adjournment
4. There being no further business before the Board, the meeting adjourned at 11 a.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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***ADMINISTRATIVE COMMITTEE REPORT
OF THE AUGUST 7, 2012 MEETING***

Pension Reform and
Implementation
Update

Mr. Ira Greenstein provided the Committee with a status update on the system automation of pension reform changes and its implementation. The project has been successfully completed with the exception of testing the component for production of personal statements of benefits (PSB). This will delay PSB distribution until mid-October.

Mr. Greenstein reported that the HP contract has ended and the Agency is pleased with the work they provided. The project was under budget by \$355,000.

Member Service
Update

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

Ms. Budowski reported that 3.01% was the fiscal year 2012 abandonment percentage and the FY12 average speed of answer was 54 seconds.

Ms. Budowski concluded her report by summarizing customer service survey remarks. Satisfaction ratings for the month of June were 97.95%.

Direct Deposit of
Benefits

Ms. Anne Budowski and Ms. Melody Countess provided a report on direct deposit of benefits.

Ms. Budowski reported during a recent meeting of the Audit Committee, the topic of requiring all retirees and beneficiaries to receive their monthly benefit payments via an electronic method was discussed. Staff was assigned to further research this topic and to present their findings to the Administrative Committee for additional discussion.

Ms. Budowski reported that the goal of maximizing the volume of electronic payments is a worthy one as these payments are less expensive to create and process than paper checks. Additionally, electronic payments provide greater security and eliminate other issues (lost in the mail, damaged, etc.) associated with paper checks.

However, at this time it seems unlikely that the Agency could require mandatory electronic payments for all of our participants without any exceptions. A certain percentage of our participants are un-bankable, they cannot get a financial institution to open an account for them, and the State does not have a banking contract/agreement which provides for the Agency to issue debit cards.

Ms. Budowski reported that staff believes the Agency should continue to strongly encourage direct deposit to its participants and closely scrutinize waiver requests in an effort to maximize the number of participants paid electronically.

Communication
Update

Mr. Michael Golden provided the following overview of activity in the Office of External Affairs.

- › June 5—Marta Mossburg's column "Shifting pension burden means higher taxes" appears in The Sun.
 - June 11—Dean Kenderdine's response "Setting the record

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- straight on Maryland state pension” appears in The Sun.
- June 12—Keith Brainard’s letter to the editor appears in The Sun, “Mossburg column presents a distorted picture of the pension system.”
- ▶ June 17—Cumberland Times publishes story, “State foils Allegany County’s exit from costly pension plan.”
 - June 26—Cumberland Times publishes Dean’s letter to the editor, “There was no ‘fault’ here, but simply a matter of reality”—explaining there is a withdrawal liability.
- ▶ June 18—Pew Center on the States releases its The Widening Gap Update —resulting in very little local news coverage, except for the The Washington Examiner which ran a story headlined: Maryland, Virginia pension underfunding ‘cause for serious concern.’
- ▶ June 22—Dean Kenderdine appeared on MPT’s “State Circle” to discuss the Pew report—posted a link on our website, Facebook and YouTube.
- ▶ June 25—Financial Investment News publishes, “Maryland Begins Hedge Fund Portfolio Construction.” This was a result of an arrangement made with the reporter, Gar Chung in January when we announced the hiring of Albourne as our hedge fund consultant. Robert Burd was interviewed.
- ▶ July 3—“Conduit Street”, MACo’s blog published “Update Performance Improves Perspective on Maryland System”—correcting their previous entry. This office provided MACo with the materials and information to better inform their readers.
- ▶ July 9— The Baltimore Sun ran an OpEd piece by George Liebmann, of the Calvert Institute for Policy Research. “Maryland’s mismanaged pensions: Questionable investment strategies could put state’s bond resting at risk.”
 - The Sun publishes Dean Kenderdine’s response, “Pension criticism misses the target.”
- ▶ July 17—working closely with Michael Dresser of The Sun, story “State pension board faces tough call”.
 - July 17—Board Meeting attended by Michael Dresser and Hazel Bradford of P&I—resulting in well balanced stories in both publications, concerning the Board’s decisions on actuarial assumptions.
- ▶ July 27—issued agency news release, “Maryland State Retirement Agency reports earnings on investments in FY 2012.”
 - July 27—P&I’s Hazel Bradford published her story.
 - July 30—Len Lazarick of MarylandReporter.com issued, “Maryland pension system earns close to nothing in past year”—quoting Jeffrey Hooke, of the Maryland Tax Education Foundation.
 - July 30- Private Equity International reported, “Maryland returns bolstered by private equity.”
 - July 30-- Gazette.net published; State pension fund grows .36 percent in fiscal 2012.
 - July 30-- Washington Examiner: “Poor performance puts Maryland pension system further in debt.”
 - July 31—Examiner editorial: “Maryland ignores its pension plight.”

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- August 3—Baltimore Business Journal—“Maryland think tanks eye index funds to invest state pensions.”