

THE INVESTMENT COMMITTEE  
OF THE  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

MINUTES OF OPEN MEETING

May 19, 2020

The Investment Committee convened on Tuesday, May 19, 2020 at 9:04 a.m., via video-conference call with the host site at the Maryland State Retirement Agency, SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor, Board Room, Baltimore, Maryland.

Committee Members	Michael K. Barry	Sheila Hill
Attending:	David Brinkley	F. Patrick Hughes, Chairman
	Eric Brotman	Charles W. Johnson
(1) On Site	Jamaal R. Craddock	Nancy K. Kopp
	Peter Franchot	Richard Norman
	Kenneth Haines	Douglas Prouty
	David Hamilton	Michael J. Stafford, Jr.
	Linda A. Herman, Vice-Chair	Lamont Tarbox
Also Attending:	Dean Kenderdine, Executive Director (1)	Rachel Cohen, AAG
	Andrew Palmer, CIO (1)	Anne Gawthrop
	Angie Jenkins (1)	Michael Golden
	Ken Reott (1)	Brad Taylor
	Janet Sirkis (1)	

**Item 1: Ratification of Open Session Minutes**

On a motion made and seconded, the Investment Committee ratified the February 18, 2020 open meeting minutes.

**Item 2: Motion by the Investment Committee to meet in Closed Session**

On a motion made and seconded, the Investment Committee voted without objection to meet in Closed Session at 9:07 a.m. for the purposes of:

- (a) reviewing the closed session Investment Committee minutes, pursuant to General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function, and General Provisions Art., Section 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., Section 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection.
- (b) interviewing candidates for the position of Public Advisor to the Investment Committee, pursuant to General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., Section 3-305(b)(1)(i), the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; and
- (c) selecting a candidate for the position of Public Advisor to the Investment Committee for recommendation to the Board of Trustees, pursuant to General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., Section 3-305(b)(1)(i), the appointment, employment, assignment, promotion, discipline, demotion,



compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction.

**CLOSED SESSION**

Committee Members Attending:	Michael K. Barry David Brinkley Eric Brotman (1) On Site Jamaal R. Craddock Peter Franchot Kenneth Haines David Hamilton Linda A. Herman, Vice-Chair	Sheila Hill F. Patrick Hughes, Chairman Charles W. Johnson Nancy K. Kopp Richard Norman Douglas Prouty Michael J. Stafford, Jr. Lamont Tarbox
Also Attending:	Dean Kenderdine, Executive Director (1) Andrew Palmer, CIO (1) Angie Jenkins (1) Janet Sirkis (1)	Rachel Cohen, AAG Anne Gawthrop Michael Golden

**Item 3: Motion by Investment Committee to adjourn closed session**

On a motion made and seconded, the Investment Committee voted to adjourn closed session and return to open session at 10:28 a.m.

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

The Investment Committee reviewed and ratified the Closed Session minutes from the February 18, 2020 meeting.

The Committee interviewed candidates for the position of public advisor and voted to recommend that the Board of Trustees appoint Anne Shelton to serve as a public advisor of the Investment Committee.

**OPEN SESSION**

Committee Members Attending:	Michael K. Barry David Brinkley Eric Brotman (1) On Site Jamaal R. Craddock Peter Franchot Kenneth Haines David Hamilton Linda A. Herman, Vice-Chair	Sheila Hill F. Patrick Hughes, Chairman Charles W. Johnson Nancy K. Kopp Richard Norman Douglas Prouty Michael J. Stafford, Jr. Lamont Tarbox
Also Attending:	Dean Kenderdine, Executive Director (1) Andrew Palmer, CIO (1) Angie Jenkins (1) Janet Sirkis (1)	Rachel Cohen, AAG Anne Gawthrop Michael Golden



**Item 13: Report from CIO**

Mr. Palmer presented his CIO Review, commenting that in terms of performance, that it is fascinating to see the interplay of what is happening in the economy week to week, the stupendous policy responses in reaction to the expected impacts of the shutdown and the resilience of markets anticipating policy success.

Mr. Palmer presented the Committee with two monthly tear sheets, one which provides data through March 31, 2020 and the other which provides preliminary data through April 30, 2020. Mr. Palmer reported that risk assets recovered from the swoon in March and the System retraced about two thirds of the March drop. Plan assets were up to \$53.4 billion from \$51.1 billion at the end of march and \$54.2 billion at the beginning of the fiscal year. Through March, the System was ahead of the preliminary benchmark and modestly ahead for the 3-year period.

In addition, Mr. Palmer reported about inflation expectations, in that inflation is an important consideration for the System and the recent events could alter the future path of inflation. Inflation impacts both the asset and liability sides of the balance sheet and is one of two elements in the actuarial assumed return. The System currently assumes 2.6% inflation, which is higher than most plans.

Mr. Palmer reported that in the near term, the System is in a disinflationary pulse, with oil prices falling, the dollar strengthening, which cheapens imports; and most other consumer goods prices, with the exception of meat and other groceries, falling. Mr. Palmer commented that those examples have impacted the markets expectation of inflation. For example, the market now believes that inflation 5 years from now will be about 1.4%. However, measures that focus on consumer beliefs show they expect inflation to rebound back toward 2%.

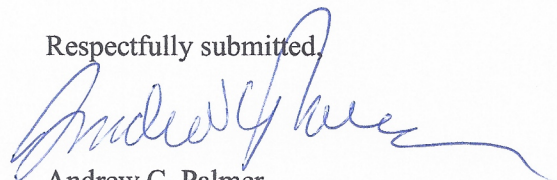
Mr. Palmer reported that for the long term the following three factors could lead to increased inflation, above what is expected:

1. The impact of monetary and fiscal policy expanding at such a rapid clip that inflation may be the only way to pay off the debt being incurred today.
2. Retreat of globalization, in which each country will be trying to be more in control of key sectors, could drive prices up by moving production to more expensive areas; and
3. Social distance impact on service pricing, to the extent service providers have to limit the number of clients to maintain distancing, they may have to increase prices to remain viable.

Mr. Palmer reported that staff is working on a memorandum that will be shared with the Committee in the coming weeks that will address this topic in more depth.

Adjournment      There being no further business before the Investment Committee, on a motion made by Mr. Prouty and seconded by Treasurer Kopp, the meeting adjourned at 10:39 a.m.

Respectfully submitted,



Andrew C. Palmer  
Chief Investment Officer