

THE INVESTMENT COMMITTEE
OF THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM

MINUTES OF OPEN MEETING

September 19, 2023

The Investment Committee convened on Tuesday, September 19, 2023 at 9:00 a.m. in-person, meeting at the host site of the Maryland State Retirement Agency, Truist (SunTrust) Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland.

Committee Members	Linda V. Allen	Richard Norman
Attending:	Michael Barry	Douglas Prouty
	James Daly, Jr. (Vice, Chair)	Sharcus Steen
	Treasurer Dereck Davis	Monte Tarbox
	Budget Secretary Helene Grady	Comptroller Brooke Lierman
	Sheila Hill	
Also Attending:	Tyler Babich (Public)	Stuart Kaye
	Michael Baker	Michael Klos
	Anish Bedi	Rob Kochis (Townsend Group)
	Frank Benham (Meketa)	Ratna Kota
	Malcolm Blake (Townsend Group)	Tom Kurowski (AlexBrown)
	Jonathan Blicher	Michael McCord
	Robert Burd, Deputy CIO	Jonathan Martin (Treasurer's liaison)
	Antionette Butcher	Nitin Mathew
	Rhett Butler	Kyongdo Min
	Teresa (Tea) Carnell, OAG	Tim Muller (Public)
	Dominique Cherry	Mary Mustard (Meketa)
	Gar Chung (FIN-News)	Minh Nguyen
	Rachel Cohen, OAG	Martin Noven, Exec. Director
	Melody Countess	Alec Ostrowidzki (Public)
	Bob Diehl	Ashu Pal
	Dani DiPietro (Comptroller's Assistant)	Andrew Palmer, CIO
	Cyril Espanol (Journalist)	John Pepys (Public)
	Mike Fang	Steven Pytlar
	Eric Farls	Radhika (Public)
	David Ferguson	Stephen Reilly
	Patricia Fitzhugh	David Rongione (Audit)
	Anne Gawthrop	Michael Rubenstein (MLIS)
	Gregg Gethard (PEI Media)	Robert Sandlass, Jr. (Trustee)
	Michael Golden	Megan Schutz
	Dimitri Grechenko	Chung Hei Sing (Public)
	Joe Gutberlet (MLIS)	Janet Sirkis
	Alex Harisiadis, OAG	Kevin Slack
	Michael Howard (Trustee)	Frederick "Beau" Smith
	Angie Jenkins	Toni Voglino
	Danita Johnson	Jack Wheatley
	Faina Kashtelyan	Ed Witham
	Greg Kasten	
	Larry Katsafanas	

Ms. Cohen conducted a roll call to establish a quorum. Vice-Chairman Daley called the meeting to order at 9:02 a.m.

Item 1: Ratification of Open Session Minutes

On a motion made by Mr. Prouty and seconded by Comptroller Lierman, the Investment Committee ratified the May 16, 2023 open meeting minutes.

Item 2: Investment Committee Roles and Responsibilities

Mr. Daly discussed the various responsibilities and duties of the Investment Committee members.

Item 3: Update on Investment Division Strategic Plan

Mr. Palmer reviewed the strategic plan of the Investment Division. He discussed the various elements and implementation efforts by staff relative to the strategic plan, highlighting forecasted targets versus actual results since the plan was launched.

Comptroller Lierman asked about actual legal costs for outside counsel. Comptroller Lierman asked Mr. Palmer to explain the custodian expense line item.

Mr. Palmer reported annual savings from staff's efforts to reduce management fee expenses, investing in private market co-investments and internal management of a portion of plan assets.

Mr. Sandlass asked for examples of peers that have a similar strategy as the System's long-term plan.

Item 4: Investment Division Fiscal Year 2025 Budget

Mr. Burd reviewed the FY 2023 budget and requested approval of the proposed FY 2025 budget. Mr. Burd noted that the FY 2025 budget request represents a 10% increase from the approved FY 2024 budget, primarily due to an increase in employee compensation and benefits.

Mr. Daly asked about the request for additional expenditures in software technology.

Mr. Sandlass asked how the proposed salary for the new Associate positions compare with similar positions in the market.

Secretary Grady noted the difficulty of assessing the proposed budget without a comparison reference relative to peers and encouraged staff to research this possibility.

Comptroller Lierman asked about the lower proposed cost of the employee training program.

Mr. Daly asked about the effectiveness and necessity of the proposed software that will be used to facilitate internal management of assets.

Mr. Daly asked about travel expenses regarding employee professional training.

On a motion made by Mr. Tarbox and seconded by Mr. Prouty, the Investment Committee approved the new positions and estimated budget request for the Investment Division for fiscal year 2025. Secretary Grady abstained from the voting.

Item 5: Report from CIO

Mr. Palmer reviewed the executive summary performance and performance attribution as of June 30, 2023. Mr. Palmer discussed current Investment Division initiatives, including processes and recruiting.

Comptroller Lierman asked about the open position in Private Equity.

Mr. Smith reviewed the current risk budget of the plan in the context of the asset allocation decision framework.

Mr. Daly asked whether the external managers are aware of the benchmark they are compared against.

Mr. Smith provided the Board with plan-level contributions to risk.

Mr. Daly asked when staff may determine that not enough risk is being taken.

Item 6: Meketa Reports

Ms. Mustard of Meketa reviewed total plan performance and attribution for Q2 of 2023, as well as trailing 1-year performance. Ms. Mustard highlighted Maryland's performance relative to peers.

Mr. Daly asked about the performance of the policy benchmark.

Item 7: Townsend Reports

Mr. Kochis of the Townsend Group provided an overview of the real estate market. He also discussed Maryland's real estate portfolio and performance.

Mr. Daly asked about current opportunities in real estate and recent developments in the System's real estate portfolio.

Mr. Tarbox asked about valuation prospects of the ODCE index.

Mr. Sandlass asked about transaction activity in the real estate sector.

Comptroller Lierman asked about the impact of climate risks on portfolio-level decision-making.

Mr. Kochis discussed Townsend's risk framework and commented on Maryland's ESG metrics within the real estate portfolio.

Mr. Tarbox noted the strong relative performance of the System's real estate portfolio.

Item 8: Committee Led Discussion

Mr. Daly asked the Board whether there is a topic/issue that they would like to discuss or raise.

Comptroller Lierman commented that she would be interested in more regular discussions relating to ESG and DEI-related topics during Investment Committee meetings.

Item 9: Custodian Contract Extension

Mr. Burd reviewed Maryland's existing custody contract with State Street and requested approval of an additional 1-year extension of the contract effective March 1, 2024 through February 28, 2025.

Mr. Tarbox asked why the extension was only for one-year, and not longer.

Mr. Daly asked about the fee negotiation process.

On a motion made by Mr. Tarbox and seconded by Mr. Prouty, the Committee voted to extend the custody contract with State Street for one year.

Item 10: Investment Reports

The Committee received the following investment reports:

- State Street Reports
- Terra Maria Performance Reports
- TUCS Report
- Private Markets Performance Reports
- Securities Lending Report
- Division's FY23-FY24 Travel Plan – Update
- Quarterly ORP Performance Report
- OPEB-PHBT Update
- New Hire Manager Report

On the Directors Desk:

- Broker Commission Reports
- Quarterly Manager Fee Report

Item 11: Motion by the Investment Committee to meet in Closed Session for the purposes of:

On a motion made by Mr. Prouty and seconded by Comptroller Lierman, the Investment Committee voted without objection to meet in Closed Session at 11:29 a.m. for the purposes of:

(a) reviewing the closed session Investment Committee minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function, and General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;

(b) considering the award of financial incentives for certain employees of the Investment Division, pursuant to General Provisions Art., Section 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom the Committee has jurisdiction;

(c) discussing the CIO's performance, pursuant to General Provisions Art., Section 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom the Committee has jurisdiction; and

d) considering the award of financial incentives to the CIO 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 appointees, employees, or officials over whom the Committee has jurisdiction, and General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function.

CLOSED SESSION

Committee Members Attending:	Linda V. Allen Michael Barry James Daly, Jr. (Vice, Chair) Treasurer Dereck Davis Budget Secretary Helene Grady Sheila Hill	Richard Norman Douglas Prouty Sharcus Steen Monte Tarbox Comptroller Brooke Lierman
---------------------------------	--	---

Also Attending:	Robert Burd, Deputy CIO Antionette Butcher Rachel Cohen, OAG Michael Howard (Trustee)	Jonathan Martin (Treasurer's liaison) Martin Noven, Exec. Director Andrew Palmer, CIO Robert Sandlass, Jr. (Trustee)
-----------------	--	--

Item 16: Motion by Investment Committee to adjourn closed session and return to open session

On a motion made by Comptroller Lierman and seconded by Mr. Prouty, the Investment Committee voted to adjourn closed session and returned to open session at 12:20 p.m.

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

The Investment Committee reviewed and ratified the Closed Session minutes from the May 16, 2023 meeting.

The Committee reviewed fiscal years 2023 and 2022 incentive compensation recommendations and approved incentive amounts for certain positions within the Investment Division.

The Committee reviewed the CIO performance evaluation summaries from senior staff and Investment Committee and Board members.

The Committee reviewed the fiscal year 2023 incentive compensation and approved incentive amounts for the CIO.

OPEN SESSION

Committee Members Attending:	Linda V. Allen Michael Barry James Daly, Jr. (Vice, Chair) Treasurer Dereck Davis Budget Secretary Helene Grady Sheila Hill	Richard Norman Douglas Prouty Sharcus Steen Monte Tarbox Comptroller Brooke Lierman
---------------------------------	--	---

Also Attending:	Robert Burd, Deputy CIO Antionette Butcher Rachel Cohen, OAG Michael Howard (Trustee)	Jonathan Martin (Treasurer's liaison) Martin Noven, Exec. Director Andrew Palmer, CIO Robert Sandlass, Jr. (Trustee)
-----------------	--	--

Item 17: November 21, 2023, meeting date

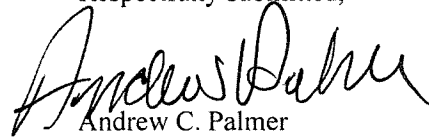
The committee will consider moving the meeting date to November 28, 2023. Discussion was held.

The Committee discussed the possibility of moving the meeting scheduled for November 21, 2023 to a later date. The Committee decided not to change the date of this year's meeting, but noted that future November meetings might be scheduled outside of the holiday week.

Item 18: Motion by the Investment Committee to adjourn meeting

Adjournment There being no further business before the Investment Committee, on a motion made by Comptroller Lierman and seconded by Mr. Prouty, the meeting adjourned at 12:20 p.m.

Respectfully submitted,



Andrew C. Palmer
Chief Investment Officer