



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

September 30, 2010

STATE RETIREMENT AGENCY
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R. Dean Kenderdine
Executive Director
Secretary To The Board

Luwanda W. Jenkins
Special Secretary
Maryland Governor's Office of Minority Affairs
William Donald Schaefer Tower
6 Saint Paul Street, Suite 1502
Baltimore, MD 21202

Via E-mail and U.S. Mail

Dear Secretary Jenkins:

I have enclosed a copy of the Maryland Retirement and Pension System's response to the Annual Report Questionnaire sent to us by your office.

Please contact me at (410) 625-5600 or Mr. Mansco Perry at (410) 625-5620 should you have any questions or require any additional information.

Sincerely,

R. Dean Kenderdine
Executive Director

RDK:adb

Enclosure

cc: Mansco Perry, III



MARTIN O'MALLEY
Governor

ANTHONY G. BROWN
Lieutenant Governor

LUWANDA W. JENKINS
Special Secretary

MINORITY OWNED FINANCIAL SERVICES FIRM USAGE ANNUAL REPORT QUESTIONNAIRE RESPONSES FROM MARYLAND RETIREMENT SYSTEM

1. Describe the organization's investments and mechanisms through which the organization invests.
 - a. Please include all asset allocations and services, i.e. real estate, hedge funds private equity, brokerage services, passively managed assets, account sweeps, and services used during *transitions*.
 - b. Which of those services are retained directly by your internal staff/board?
 - c. Which of those services are retained indirectly by a consultant/advisor/manager?

The Board of Trustees of the Retirement System (the "Board of Trustees") determines the asset allocation of the Retirement System. The Retirement System's present asset allocation is set forth in **Attachment 2** to this Response.

The Retirement System utilizes external investment managers to invest the trust fund's assets. The Chief Investment Officer is responsible for the hiring / firing of all external investment managers in all asset classes. The Chief Investment Officer is supported by staff of the System's Investment Division and specialty investment consultants in private equity and real estate.

The Chief Investment Officer (CIO) reports to the Executive Director of the Retirement Agency for Agency administrative purposes. The CIO reports to the Board of Trustees on all concerns related to his implementation of the System's investment program. His performance is monitored and evaluated by the Board of Trustees. The System's general investment consultant, Ennis Knupp, provides advice to the Board of Trustees regarding the Retirement System's investment program.

2. Describe your organization's current policies regarding the utilization of minority and women owned firms in the investment and or fund management aspects of your operations?

The Retirement System's current policies regarding the utilization of minority and women owned firms in the System's investment program are set forth in the System's Investment Policy Manual (the "IPM"). The Board of Trustees encourages the inclusion of emerging managers and minority and women owned firms in the System's investment program. Please see **Attachment 1** to this Response for excerpts from the IPM summarizing the System's investment-related procurement policies and procedures.

3. Describe the organization's marketing strategy, if any, in the area of investment services.

The Retirement Agency utilizes a number of strategies, including the following:

- a. Questionnaires – A suite of questionnaires has been developed and posted on the Agency's website for use by all managers. These questionnaires have been designed to permit prospective managers to provide detailed information to staff of the Investment Division about their firm and investment products. Investment Division staff reviews every questionnaire that is submitted.

- b. Meetings with Managers - The staff of the Investment Division and the seven Program Managers (hired to serve as extensions of staff for the Terra Maria program) regularly meet with prospective managers.

- c. Press inquiries; Surveys; Other requests for information – The Agency regularly receives and responds to an extensive array of inquiries regarding the Retirement System's investment program, including (i) questions from trade and popular press, (ii) requests to participate in surveys regarding investment-related topics, and (iii) other requests for information.

- d. Conferences / Educational Programs – Members of the Board of Trustees and staff of the Agency are, from time to time, asked to speak at investment conferences or other trustee education programs. Trustees and staff also participate in conferences and continuing education programs where information about the System's investment program may be shared with others.

4. Describe your organization's policy for dealing with investment firms that "cold call" with offers of financial management services.

Prospective external investment management firms are invited to review the suite of questionnaires that has been developed and posted on the Agency's website for use by all managers. These questionnaires have been designed to permit prospective managers to provide detailed information to staff of the Investment Division about

their firm and investment products. Investment Division staff reviews every questionnaire that is submitted.

5. What role, if any, does a “board of trustees” or “investment board” play in the organization’s investment policy and decisions?
 - a. Describe any differences between the mechanisms used for various funds and/or asset classes, brokerage services, etc.

The Board of Trustees is responsible for determining the Retirement System’s overall asset allocation, and providing policy guidance to the staff of the Retirement Agency, including the Chief Investment Officer. As noted in the response to Question 1 above, the Chief Investment Officer is responsible for the hiring / firing of all external investment managers in all asset classes. The Chief Investment Officer is supported by staff of the System’s Investment Division and the System’s investment consultants.

6. Is an outside *managing consultant* used to find suitable investment services firms?
 - a. If so, describe your organization’s selection process for *managing consultants*.
 - i. Who has final the decision over which *managing consultant* is chosen?
 - b. What are the specific responsibilities of the *managing consultant*?
 - i. Does the *managing consultant* have complete autonomy in choosing which firms are chosen to manage/invest the organization’s funds?
 - ii. What, if any, parameters does your organization give to the *managing consultant* in terms of choosing/enlisting firms?
 1. Is the *managing consultant* encouraged to find minority and women owned firms?
 - c. Who manages and/or evaluates the *managing consultant’s* performance?

In the System’s governance scheme, there are two different types of such consultants.

1. General investment consultant – In light of the primary function served by the System’s general investment consultant – that is, to provide advice to the Board of Trustees regarding the Retirement System’s investment program – the Board of Trustees makes the final hiring decision for this consultant based on a competitive procurement process. On a day-to-day basis, the staff of the Retirement Agency administers the Retirement System’s contract with the general investment consultant, and obtains information and assistance from the general investment consultant.

2. Specialty investment consultants - In keeping with the State law granting the Chief Investment Officer responsibility for hiring and firing external investment managers in all

asset classes, the Chief Investment Officer is now authorized to select, hire and oversee the work of specialty investment consultants based on a competitive procurement process. As noted above, two specialty investment consultants currently assist the Investment Division in identifying potential investments in the private equity and real estate asset classes.

It should also be noted that, as part of the 2008 redesign of the System's smaller manager program – now called the Terra Maria Program – the seven firms that were selected to serve as “Program Managers” act as extensions of staff, rather than as decision-making ‘gatekeepers’.

As part of their ongoing efforts to identify the most promising managers and innovative products for the Retirement System's investment program, all of the consultants, the seven Program Managers in the Terra Maria Program, and Agency staff are all strongly encouraged to consider smaller firms, many of which may be minority- or women-owned firms.

7. What was the organization's total amount of assets being managed by minority and women owned firms for fiscal years 2007, 2008, 2009, and 2010?
 - a. What are the asset classes and how does that break down within racial and gender classifications?

Please see **Attachment 2** to this Response.

8. How many minority and women owned investment firms have been retained **directly** by the organization for fiscal years 2007, 2008, 2009, and 2010?
 - a. Please provide a list of all such firms indicating the amount of your organization's assets being managed

Please see **Attachment 2** to this Response.

9. How many minority and women owned investment firms have been retained **indirectly** by the organization for fiscal years 2007, 2008, 2009, and 2010?

No firms are presently retained indirectly. Please note: The fiscal year 2007 and 2008 data presented in response to Question 7 above regarding “Emerging MBE Managers” contain information about the System's prior, now superseded small firm program managed by Northern Trust Global Advisors.

10. What was the total amount of money management fees, including brokerage commissions, that was paid to minority and women owned firms in fiscal years 2007, 2008, 2009, and 2010?
- Please list each firm by name, ownership classification (MBE or WBE), and indicate how much was paid.

Please see **Attachment 2** to this Response.

11. What percentages of funds/assets were allocated to Maryland headquartered minority and women owned firms in fiscal years 2007, 2008, 2009, and 2010?

2007: 0.16%, \$ 64.4 million
2008: 0.15%, \$ 56.1 million
2009: 0.96%, \$274.8 million
2010: 2.41% \$686.7 million**

** Please see notes in **Attachment 2**

- Please list each firm by name, ownership classification (MBE or WBE), and indicate the amounts funds/assets.

Please see **Attachment 2** to this Response.

12. **OPTIONAL:** Provide a brief summary detailing any information not adequately captured by your numerical data or within this questionnaire.

A description of the Retirement System's Terra Maria Program has been included at **Attachment 3** to this Response. The Retirement System is evaluating the feasibility of expanding the Terra Maria Program to non-traditional investment classes.

INVESTMENT POLICY MANUAL

for the

Board of Trustees

of the

**STATE RETIREMENT *and* PENSION SYSTEM *of*
MARYLAND**

STATE RETIREMENT AGENCY

Updated June 2009

VII. GENERAL PROCUREMENT POLICIES AND PROCEDURES

Policy Statement:

In accordance with State Finance and Procurement Article § 12-401, this section of the IPM is to detail the System's investment related exempt procurement policies and policy guidelines relating to:

- i) The methods of procurement;
- ii) The advertising requirements;
- iii) The procurement goals, including minority business enterprises participation; and
- iv) The approval process.

Policy Guidelines:

1. For services of managers to invest the assets of the State Retirement and Pension System, including real and personal property:

Method of Procurement: The System will maintain an open door policy and continually accept investment information from investment managers and private funds. The information received will be evaluated based on the current investment requirements of the System. As broad a universe of qualified providers shall be considered as is practical and reasonable given budgetary, staffing, time and other relevant constraints. Prior to funding, due diligence will be performed on investment managers and private funds meeting the investment requirements of the System.

Advertising Requirements: The System will advertise via multiple sources, including eMaryland Marketplace, the Governor's Office of Minority Affairs, and on the Agency website.

Procurement Goals: Each investment manager shall be selected to meet specific investment objectives and performance standards. The Board encourages the inclusion of emerging managers and minority business enterprises. See also detailed information below on Minority Business Enterprise Participation and economic benefits to Maryland.

Approval Process: The Chief Investment Officer shall approve all procurements related to the investment of funds.

2. For expenditures to manage, maintain, and enhance the value of the assets of the State Retirement and Pension System in accordance with investment guidelines adopted by the Board:

Method of Procurement: Except as provided in the Board's Governance Service Provider Selection Policy, the System will use a competitive procurement process using a Request for Proposal (RFP) or a Request for Information (RFI) as determined by the specific details of the procurement.

Advertising Requirements: The System will advertise via multiple avenues, including eMaryland Marketplace, the Governor's Office of Minority Affairs, and the Agency website.

Procurement Goals: Each investment-related service provider shall be selected to meet specific investment objectives and standards. The Board encourages the inclusion of minority business enterprises. See also the detailed information below on Minority Business Enterprise Participation and economic benefits to Maryland. Service providers shall be subject to a level of due diligence that reflects a level of rigor that is commensurate with the importance and materiality of the service in question.

Approval Process: The Chief Investment Officer shall approve all procurements related to service providers.

3. For services relating to the administration of the Optional Retirement Program (ORP) under Title 30 of the State Personnel and Pensions Article:

Method of Procurement: Except as provided in the Board's Governance Service Provider Selection Policy, the System will use a competitive procurement process using a Request for Proposal (RFP) or a Request for Information (RFI) as determined by the specific details of the procurement.

Advertising Requirements: The System will advertise via multiple avenues, including eMaryland Marketplace, the Governor's Office of Minority Affairs, and the Agency website.

Procurement Goals: Each investment manager shall be selected to meet specific investment objectives and performance standards and each investment-related service provider shall be selected to meet specific investment objectives and standards. The Board encourages the inclusion of minority business enterprises. See also the detailed information below on Minority Business Enterprise Participation and economic benefits to Maryland.

Approval Process: The Board will approve the ORP vendors and the Executive Director will approve specialty consultants and other non-key service providers of the ORP program.

4. For services relating to the administration of the Postretirement Health Benefits Trust Fund:

Method of Procurement: The System will maintain an open door policy and continually accept investment information from investment managers and private market funds. The information received will be evaluated based on the current investment requirements of the System. Prior to funding, due diligence will be performed on investment managers and private funds meeting the investment requirements of the System. Except as provided in the Board Governance Service Provider Selection Policy, the System will use a competitive procurement process using a Request for Proposal (RFP) or a Request for Information (RFI) as determined by the specific details of the procurement.

Advertising Requirements: The System will advertise via multiple avenues, including eMaryland Marketplace, the Governor's Office of Minority Affairs, and the Agency website.

Procurement Goals: Each investment manager and private market fund shall be selected to meet specific investment objectives and performance standards and each investment related service provider shall be selected to meet specific investment objectives and standards. The Board encourages the inclusion of minority business enterprises. See also detailed information below on Minority Business Enterprise Participation and economic benefits to Maryland.

Approval Process: The Chief Investment Officer shall approve all procurements related to service providers for the Postretirement Health Benefits Trust Fund.

Minority Business Enterprise Participation

A. State's Minority Business Enterprise Policies

1. The Board of the State Retirement and Pension System (System) is committed to carrying out the State's Minority Business Enterprise (MBE) policies as identified in the State's procurement law and regulations at Md. Code Ann. State. Fin. & Proc. §§ 14-301 through 14-309 and COMAR 21.11.03. The Trustees will structure procurement procedures to:
 - encourage participation in the process by certified MBEs; and
 - provide a fair share of procurement contracts to certified MBEs.

2. The Agency's objective is to achieve the goals set forth in Md. Code Ann. State. Fin. & Proc. §§ 14-301 through 14-309 and COMAR 21.11.03. These goals are as follows:

- an overall minimum of 25% of the Agency's total dollar value of procurement contracts is to be made directly or indirectly from all certified MBEs;
- a minimum of 7% of the Agency's total dollar value of procurement contracts is to be made directly or indirectly from certified MBEs classified by the certification agency as African American-owned businesses;
- a minimum of 10% of the Agency's total dollar value of procurement contracts is to be made directly or indirectly from certified MBEs classified by the certification agency as women-owned businesses.

The System is firmly committed to the success of the State's MBE Program. As evidence of its commitment to these goals, the System will make reasonable efforts to:

- Maximize contracting opportunities to minority businesses in the procurement of services in accordance with the Investment Policy Manual.
 - Increase MBE participation, where possible.
 - Enforce MBE compliance policies and procedure for prime contractors and minority subcontractors who are doing business with the System.
3. For every proposed procurement, the System shall assess the potential for certified MBE participation and set certified MBE participation goals, as appropriate, in accordance with COMAR 21.11.03.09.
4. Solicitation Notices
- Where a goal for certified MBE participation has been set, the solicitation should include language advising the Bidders/Offerors of the requirements of Md. Code Ann. State. Fin. & Proc. §§ 14-301 through 14-309 and COMAR 21.11.03.
 - Where a goal for certified MBE participation has not been set, the solicitation should include language encouraging MBE participation in the following or substantially similar form: **"Minority Business Enterprises (MBEs) are encouraged to respond to this solicitation. Offerors who consider themselves to be minority contractors are encouraged to obtain certification from the Maryland Department of Transportation. A minimum certified Minority Business Enterprise subcontract participation goal has not been established for this procurement, but certified MBE subcontract participation may be considered in evaluating**

proposals under certain circumstances. Offerors are encouraged to utilize MBEs for any subcontracting opportunities that may arise. The Agency also encourages Offerors to include socially and economically disadvantaged individuals on the team responding to this solicitation, if applicable."

5. Contract Award

In the event of tie bids, or of offers in which the evaluation of technical and price proposals is essentially equal, the System may award the contract in order to obtain certified MBE participation, in accordance with COMAR 21.11.03.10.

B. Removing Barriers to Participation; Publicizing Searches.

The Board is also firmly committed to advancing the policy objective set forth in State Personnel and Pensions Article, Section 21-116(d)(1) effective October 1, 2008, to seek to use to the greatest extent feasible minority business enterprises to provide brokerage and investment management services to the System by removing barriers and publicizing searches, consistent with the minority business purchasing standards applicable to units of State government under the State Finance and Procurement Article summarized above and consistent with the fiduciary duties of the Board.

Economic Benefits to Maryland

A. Evaluation Factor

To the extent feasible and consistent with fiduciary duty, solicitations will include an economic benefits evaluation factor. Offerors will be asked to demonstrate in their proposals how the contract will benefit the Maryland economy. Evaluation of offers with respect to this factor shall be in accordance with COMAR 21.05.03.03A(3).

B. Reciprocal Preferences For Resident Bidders/Offerors

When making an award using competitive sealed bidding or competitive sealed proposals, preference may be given to a resident business over a non-resident business whose principal office or operation is located in a state that gives its own resident businesses a procurement preference. Preferences given to any bidder/offeror shall be in accordance with Md. Code Ann. State. Fin. & Proc. § 14-401 and COMAR 21.05.01.04.

MARYLAND MBE INVESTMENT MANAGER ANNUAL REPORT TEMPLATE

Attachment 2

Asset Management

Agency	FY 2007			FY 2008			FY 2009			FY 2010		
	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%	Total Assets	MBE Assets	%
MD State Retirement Agency	\$39,442.2	\$1,614.6	4.1%	\$36,595.7	\$326.5	0.9%	\$28,531.0	\$1,258.8	4.4%	\$31,840.9	\$2,906.4	9.1%
Total	\$39,442.2	\$1,614.6	4.1%	\$36,595.7	\$326.5	0.9%	\$28,531.0	\$1,258.8	4.4%	\$31,840.9	\$2,906.4	9.1%

MBE Investment Managers Utilized

Agency	FY 2007	FY 2008	FY 2009	FY 2010
MD State Retirement Agency				
Emerging MBE Managers	219.3	190.7	1,074.50	1,248.60
Emerged MBE Managers	1,395.30	135.8	184.3	1,657.80
Total	1,614.60	326.50	1,258.80	2,906.40

Definitions: Emerging Investment Manager = a qualified minority owned business or female owned business with total assets under management of at least \$10 million but less than \$2 billion.
 Emerged Investment Manager = a qualified minority owned business or female owned business with total assets under management of more than \$2 billion.

Brokerage Services

Agency	FY 2007			FY 2008			FY 2009			FY 2010		
	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%	Total Comm.	MBE	%
MD State Retirement Agency	\$8,503.4	\$1,175.0	13.8%	\$9,619.1	\$1,017.3	10.6%	\$9,498.8	\$808.3	8.5%	\$14,068.5	\$1,614.2	11.5%
Total	\$8,503.4	\$1,175.0	13.8%	\$9,619.1	\$1,017.3	10.6%	\$9,498.8	\$808.3	8.5%	\$14,068.5	\$1,614.2	11.5%

Total MBE Investment Brokers Utilized

Agency	FY 2007	FY 2008	FY 2009	FY 2010
MD State Retirement Agency	0	0	0	0
Total	0	0	0	0

FOOTNOTE:

We do not collect the names of individual minority-owned and woman-owned brokers used by our investment managers. Collecting this data would require significant effort and resources. We would be happy to engage in a dialogue with your office to discuss other options or solutions.

INVESTMENT PORTFOLIO TEMPLATE

Portfolio by Asset Class	Market Value (\$ millions)	Actual Allocation	Strategic Allocation	Emerging MBE Managers	Emerged MBE Managers
U.S. Equity	6,354.2	20.0%	-	820.7	87.3
International Equity	6,938.0	21.8%	-	218.8	676.8
Global Equity	2,997.7	9.4%	-	-	184.4
Total Public Equity	16,289.9	51.2%	36.0%	1,039.5	948.5
Fixed Income	6,052.3	19.0%	15.0%	132.3	21.5
Credit Opportunity	1,078.3	3.4%	10.0%	60.7	329.4
Private Equity	1,009.7	3.2%	10.0%	-	-
Real Estate	2,016.6	6.3%	10.0%	-	-
Real Return	3,332.3	10.5%	10.0%	16.1	63.1
Absolute Return	1,414.9	4.4%	7.0%	-	295.3
Cash	646.9	2.0%	2.0%	-	-
Total Fund	31,840.9	100%	100%	1,248.6	1,657.8

2010 Emerging Minority and Female Owned Managers Used by MD Pension

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class	Classification
Attucks Asset Management*	339.5 **	0.634	Emerged	African Amer. & Woman
Charter Financial Group	14.7	0.051	U.S. Equity	Woman-owned
The Edgar Lomax Company	18.7	0.036	U.S. Equity	African American
GW Capital Inc.	24.3	0.204	U.S. Equity	Asian American
Hanseatic Mgmt Services	18.9	0.065	U.S. Equity	Woman-owned
Holt-Smith Advisors	18.7	0.035	U.S. Equity	Woman-owned
Mar Vista Investment Partners	20.0	0.072	U.S. Equity	African American
Opus Capital Mgmt	21.7	0.106	U.S. Equity	African Amer./Woman
Zevenbergen Capital	26.5	0.089	U.S. Equity	Woman-owned
Hughes Capital Mgmt	15.7	0.019	Fixed Income	African American
Xavier Capital Mgmt	17.8	0.042	Credit	African American
10	197.0	1.365		
Bivium Capital Partners*	256.7 **	0.363	Emerged	African American
Phocas Financial Corp	14.5	0.140	U.S. Equity	Asian American
Cheswold Lane Asset Mgmt	29.4	0.208	International Equity	Woman-owned
2	43.9	0.711		
Capital Prospects*	300.9 **	0.340	Emerged	Woman-owned
AH Lisanti Capital Growth	26.4	0.110	U.S. Equity	Woman-owned
Hanseatic Mgmt Services	24.7	0.089	U.S. Equity	Woman-owned
Montrose Asset Mgmt	24.0	0.096	U.S. Equity	Asian American
Paradigm Asset Mgmt	24.1	0.087	U.S. Equity	African American
Profit Investment Mgmt	26.5	0.139	U.S. Equity	African American
Redwood Investments	25.3	0.117	U.S. Equity	Woman-owned
3	151.0	0.978		
FIS Group*	276.3 **	0.618	Emerged	African Amer. & Woman
Boston Common Asset	21.2	0.028	U.S. Equity	Asian/Woman-owned
Channing Capital Mgmt	13.4	0.068	U.S. Equity	African American
Denali Advisors	24.2	0.057	U.S. Equity	Native- American
Ativo Capital Mgmt	27.8	0.126	International Equity	Hispanic American
Victoria 1522 Investments	25.8	0.136	International Equity	Asian/Woman-owned
4	112.4	1.033		

Leading Edge Investment Advisors*	276.0 **		0.613	Emerged	Asian American
Lombardia Capital Partners	13.3		0.039	U.S. Equity	Hispanic/African American
New Century Investment Mgmt	16.3		0.470	U.S. Equity	Woman-owned
NMF Asset Mgmt	13.1		0.091	U.S. Equity	Woman-owned
Hemdon Capital Mgmt	28.5		0.140	International Equity	African American
Nicholas Investment Partners	42.9		0.048	Credit	Woman-owned
4	114.1		1.401		
Northern Trust Global Advisors	539.6 **		0.780	Emerged	Majority
Credo Capital	25.9		0.095	U.S. Equity	African American
Hemdon Capital Mgmt	15.7		0.043	U.S. Equity	Woman-owned
Lombardia Capital Partners	42.5		0.174	U.S. Equity	Hispanic/African American
Palisades Investment Partners	42.5		0.041	U.S. Equity	African American
Profit Investment Management	44.8		0.122	U.S. Equity	African American
Sky Investment Council	18.8		0.129	International Equity	Woman-owned/Asian
New Century Advisors	16.1		0.066	Real Return	Woman-owned
6	206.3		1.450		
Progress Investment Management*	560.4 **		0.920	Emerged	African/Asian/Hispanic Amer. & Woman
Cardinal Capital Mgmt	27.3		0.234	U.S. Equity	Woman-owned
Channing Capital Mgmt	27.0		0.005	U.S. Equity	African American
Credo Capital Mgmt	40.0		0.153	U.S. Equity	African American
Decatur Capital Mgmt	16.8		0.053	U.S. Equity	African American
Denali Advisors	42.6		0.102	U.S. Equity	Native- American
GW Capital	30.9		0.121	U.S. Equity	Asian American
Lombardia Capital Partners	34.2		0.096	U.S. Equity	African American
Boston Common Asset Mgmt	17.3		0.085	International Equity	Asian/Woman
John HSU Capital Group	39.8		0.155	International Equity	Asian American
John HSU Capital Group/Sycee Capital	11.3		0.115	International Equity	Asian American
San Juan Asset Mgmt	20.1		0.007	International Equity	Latino American
Ambassador Capital Mgmt	18.6		0.036	Fixed Income	African American
New Century Advisors	16.6		0.048	Fixed Income	Woman-owned
Pugh Capital Mgmt	81.4		0.104	Fixed Income	African American/Woman
13	423.9		2.234		
Fees for mandates closed as of 6/30/10	0.0		0.193		
42					
Total Emerging Managers	2,549.4	1,248.6	\$9.355		

2010 Emerged Minority and Female Owned Managers Used by MD Pension

	Assets Under Management (\$ millions)	Investment Advisory Fee	Asset Class	Classification
Attucks Asset Management*				
Globeflex Capital	18.4	0.102	International Equity	Woman-owned
LM Capital Group	21.5	0.520	Fixed Income	Hispanic American
Advent Capital Mgmt	19.4	0.057	Credit	African-American
	59.3	0.679		
Bivium Capital*				
Oakbrook Investments	16.2	0.049	U.S. Equity	Woman-owned
Piedmont Invest Advisors	11.5	0.087	U.S. Equity	African American
	27.7	0.136		

FIS Group*				
Oakbrook Investments	20.9	0.106	U.S. Equity	Woman-owned
Leading Edge Investment Advisors*				
Sit Investment Associates	18.0	0.066	International Equity	Asian American
Westwood Global Investments	42.9	0.031	International Equity	Woman-owned
Penn Capital Mgmt	35.0	0.163	Credit	Woman-owned
	95.9	0.280		
Progress Investment Management*				
Artis Investments	36.7	0.134	U.S. Equity	African American
Subtotal	242.50	1.315		
Separate Mandate - Absolute Return -				
Rock Creek Potomac Fund	295.3	0.678	Absolute Return	Woman-owned
Subtotal	295.3	0.678		
Separate Mandate - Public Equity				
Brown Capital Mgmt	178.3	0.649	International Equity	African American
Earnest Partners	296.9	1.329	International Equity	African American
GlobeFlex Capital	122.3	0.912	International Equity	Woman-owned
Brown Capital Mgmt (includes closed mandates)	184.4	0.837	Global Equity	African American
Subtotal	781.9	3.727		
Separate Mandate - Master Limited Partnership				
Tortoise Capital	63.1	0.500	Master Limited Partnership	Native American
Subtotal	63.1	0.500		
Separate Mandate - Credit Strategies ^ (See footnotes below)				
Advent Legacy Securities / Wellington Asset Mgmt.	75.0	0.022	Credit Strategies	African American
Blaylock Robert Van / Marathon Asset Mgmt.	50.0	0.040	Credit Strategies	African American
CastleOak Securities and Park Madison Partners / Angelo Gordon	50.0	0.211	Credit Strategies	African American/Woman-owned
RLJ / Western Asset Mgmt.	100.0	0.638	Credit Strategies	African American
Subtotal	275.00	0.911		
Total Emerged Managers	1,657.80	7.13		
Total MBE Utilization	\$2,906.4	\$ 16.486		

Minority and Female Brokers Used by MD Pension (as of 06/30/2010)

MBE Broker	Commissions Paid
Not identified by name	1,614,209.00
Total	\$1,614,209.0

FOOTNOTES:

* Emerging Minority and Woman-owned Program Managers

** Total Program Manager Assets Under Management (Including Majority Managers)

^ The managers listed under "Credit Strategies" are joint ventures between large investment managers and minority business enterprises. Some of the MBEs listed in this category may be providing services other than investment management.

~ The investment manager listed under "Absolute Return" is a fund of fund manager for one of the System's commitments in the hedge fund asset class.

Note: This schedule lists the total number of portfolios in the System's emerging and emerged programs. Some investment managers are managing more than one mandate in the program.

2010 MD STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND
2010 Emerging Managers Used By MD Pension

Manager Name	Assets Under Management (\$ millions)	Asset Class
Attucks Asset Management	339.5	
Brown Advisory	23.4	U.S. Equity
Charter Financial Group	14.7	U.S. Equity
The Edgar Lomax Company	18.7	U.S. Equity
GW Capital Inc.	24.3	U.S. Equity
Hanseatic Mgmt Services	18.9	U.S. Equity
Holt-Smith Advisors	18.7	U.S. Equity
Mar Vista Investment Partners	20.0	U.S. Equity
Opus Capital Mgmt	21.7	U.S. Equity
Seizert Capital Partners	24.1	U.S. Equity
Speece Thorson Capital	19.1	U.S. Equity
Zevenbergen Capital	26.5	U.S. Equity
Globeflex Capital	18.4	International Equity
Brown Advisory	16.4	Fixed Income
Hughes Capital Management	15.7	Fixed Income
LM Capital Group	21.5	Fixed Income
Advent Capital Mgmt	19.4	Credit
Xavier Capital Mgmt	17.8	Credit
Bivium Capital Partners	266.7	
BRC Investment Mgmt	36.7	U.S. Equity
Comerstone Capital Mgmt	34.9	U.S. Equity
Cupps Capital Mgmt	12.8	U.S. Equity
Oakbrook Investments	16.2	U.S. Equity
Phocas Financial Corp	14.5	U.S. Equity
Piedmont Investment Advisors	11.5	U.S. Equity
Cheswold Lane Asset Mgmt	29.4	International Equity
Northroad Capital Mgmt	25.1	International Equity
Ironbridge Capital Mgmt	39.5	Global Equity
Three Peaks Capital Mgmt	36.1	Credit
Capital Prospects	300.9	
AH Lisanti Capital Growth	26.4	U.S. Equity
Benzott Capital Advisors	24.7	U.S. Equity
Geneva Capital Mgmt	25.9	U.S. Equity
Great Northern Capital	24.2	U.S. Equity
Hanseatic Mgmt Services	24.7	U.S. Equity
Inview Investment Mgmt	24.8	U.S. Equity
Montrose Asset Mgmt	24.0	U.S. Equity
Next Century Growth Investors	21.1	U.S. Equity
Paradigm Asset Mgmt	24.1	U.S. Equity
Profit Investment Mgmt	26.5	U.S. Equity
Redwood Investments	25.3	U.S. Equity
Walthausen & Co.	29.0	U.S. Equity
FIS Group	276.3	
Advanced Investment Partners	9.6	U.S. Equity
Boston Common Asset Mgmt	21.2	U.S. Equity
BRC Investment Mgmt	36.7	U.S. Equity
Channing Capital Mgmt	13.4	U.S. Equity
Denali Advisors	24.2	U.S. Equity
Oakbrook Investments	21.0	U.S. Equity
Redwood Investment	9.4	U.S. Equity
Smith Group Asset Mgmt	8.0	U.S. Equity
Winslow Capital Mgmt	41.5	U.S. Equity
Ativo Capital Management	27.8	International Equity
Bedlam Asset Management	15.2	International Equity
Thomas White International	24.5	International Equity
Victoria 1522 Investments	25.8	International Equity

2010 MD STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND

2010 Emerging Managers Used By MD Pension

Manager Name	Assets Under Management (\$ millions)	Asset Class
Leading Edge Investment Advisors	276.0	
Lombardia Capital Partners	13.3	U.S. Equity
Markston International	15.0	U.S. Equity
Mindshare Capital Mgmt	12.9	U.S. Equity
New Century Investment Mgmt	16.3	U.S. Equity
NMF Asset Mgmt	13.1	U.S. Equity
Driehaus Capital Mgmt	37.3	International Equity
Grady & Company	29.7	International Equity
Hemdon Capital Mgmt	28.5	International Equity
SIT Investment Advisors	18.0	International Equity
Westwood Global Investments	42.9	International Equity
Nicholas Investment Partners	14.0	Credit
Penn Capital Mgmt	35.1	Credit
Northern Trust Global Advisors	539.6	
Cornerstone Investment Partners	22.8	U.S. Equity
Credo Capital	30.1	U.S. Equity
Geneva Capital Management	49.3	U.S. Equity
Hemdon Capital Mgmt	23.6	U.S. Equity
Lombardia Capital Partners	44.3	U.S. Equity
Magee Thompson	19.6	U.S. Equity
Palisades Investment Partners	19.8	U.S. Equity
Profit Investment Management	50.2	U.S. Equity
Riverbridge Partners	25.0	U.S. Equity
Signia Capital Management	21.3	U.S. Equity
Summit Creek Advisors	20.9	U.S. Equity
Twin Capital Management	27.6	U.S. Equity
JK Milne Asset Mgmt	27.9	Fixed Income
KDP Asset Mgmt	39.7	Fixed Income
New Century Advisors	28.1	Fixed Income
Eagle Global Advisors	24.8	International Equity
Hexavest Global	27.4	International Equity
Sky Investment Council	37.4	International Equity
Progress Investment Management	660.4	
Ariel Investments	38.7	U.S. Equity
Cardinal Capital Mgmt	27.3	U.S. Equity
Channing Capital Mgmt	27.0	U.S. Equity
Credo Capital Mgmt	40.0	U.S. Equity
Decatur Capital Mgmt	16.8	U.S. Equity
Denali Advisors	42.6	U.S. Equity
DSM Capital Partners	40.5	U.S. Equity
GW Capital	30.9	U.S. Equity
Ironwood Investment Mgmt	23.0	U.S. Equity
Lombardia Capital Partners	34.2	U.S. Equity
Shapiro Capital Mgmt	34.2	U.S. Equity
Boston Common Asset Mgmt	17.3	International Equity
John HSU Capital Group	39.8	International Equity
John HSU Capital Group/Sycee Capital	11.3	International Equity/China
San Juan Asset Mgmt	20.1	Global Equity
Ambassador Capital Mgmt	18.6	Fixed Income
New Century Advisors	16.6	Fixed Income
Pugh Capital Mgmt	81.4	Fixed Income
Total	\$2,549.40	

2010 Maryland - Based Managers as of June 30, 2010

Terra Maria Managers	Ownership Classification	2010 Assets	%	2009 Assets	%	2008 Assets	%	2007 Assets	%
Attucks Asset Management									
Black Knight Asset Management**	MBE	-	-	8.5	0.03%	-	-	-	-
Brown Capital Management*	MBE	-	-	21.9	0.08%	-	-	-	-
Charter Financial Group	WBE	14.7	0.05%	14.2	0.05%	-	-	-	-
Xavier Capital Management	MBE	17.8	0.06%	15.4	0.05%	-	-	-	-
		<u>32.5</u>		<u>60.0</u>					
Capital Prospects									
Profit Investment Management	MBE	26.5	0.09%	21.3	0.07%	-	-	-	-
Northern Trust Global Advisors									
Credo Capital Management	MBE	30.1	0.11%	28.0	0.10%	-	-	-	-
New Century Advisors	WBE	28.1	0.10%	16.3	0.06%	-	-	-	-
Profit Investment Management	MBE	50.2	0.18%	48.4	0.17%	56.1	0.15%	64.4	0.16%
		<u>108.4</u>		<u>92.7</u>		<u>56.1</u>		<u>64.4</u>	
Progress Investment Management									
Brown Capital Management*	MBE	-	-	58.0	0.20%	-	-	-	-
Credo Capital Management	MBE	40.0	0.14%	27.6	0.10%	-	-	-	-
New Century Advisors	WBE	16.6	0.06%	15.2	0.05%	-	-	-	-
		<u>56.6</u>		<u>100.8</u>					
Subtotal		224.0	0.79%	274.8	0.96%	56.1	0.15%	64.4	0.16%
Emergred Managers									
Brown Capital Management*	MBE	362.69	1.27%	-	-	-	-	-	-
RLJ / Western Asset ^	MBE	100.00	0.35%	-	-	-	-	-	-
Total		686.7	2.41%	274.8	0.96%	56.1	0.15%	64.4	0.16%

FOOTNOTES:

*Brown Capital Management was moved from the Terra Maria Program and hired to manage two direct mandates.

**Black Knight Asset Management was terminated on the recommendation of the program manager due to significant organizational issues.

^The entity listed here is a joint venture between a majority investment manager and a minority business enterprise. The amount shown is the total amount of the System's commitment to this joint venture.

Emerging Manager List As of June 30, 2010**Attucks**

Advent Capital Management	1271 Avenue of the Americas	45th Floor	New York	New York	10018
Brown Investment Advisory - Equity	901 S. Bond Street	Suite 400	Baltimore	Maryland	21231
Brown Investment Advisory - Fixed Income	901 S. Bond Street	Suite 400	Baltimore	Maryland	21231
Charter Financial Group	4600 East-West Highway	Suite 630	Bethesda	Maryland	29814
The Edgar Lomax Company	6564 Loisdale Court	Suite 310	Springfield	Virginia	22150
GlobeFlex Capital L.P.	4365 Executive Drive	Suite 720	San Diego	California	92121
GW Capital Inc.	10900 NE Eighth Street	Suite 1010	Bellevue	Washington	98004
Hanseatic Management Services	5600 Wyoming NE	Suite 220	Albuquerque	New Mexico	87109
Holt-Smith Advisors	5201 East Terrace Drive	Suite 380	Madison	Wisconsin	53718
Hughes Capital Management	916 Prince Street	Third Floor	Alexandria	Virginia	22314
LM Capital Group	420 B Street	Suite 950	San Diego	California	92101
Mar Vista Investment Partners	11150 Santa Monica Boulevard	Suite 320	Los Angeles	California	90025
Opus Capital Management	1 West Fourth Street	25th Floor	Cincinnati	Ohio	45202
Seizert Capital Partners	185 Oakland Avenue	Suite 100	Birmingham	Michigan	48009
Speece Thorson Group	225 South Sixth Street	Suite 2575	Minneapolis	Minnesota	55402
Xavier Capital Management	9701 Apollo Drive	Suite 461	Largo	Maryland	20774
Zevenbergen Capital Investments	601 Union Street	Suite 4600	Seattle	Washington	98101

Bivium Capital

BRC Investment Management	8400 East Prentice Avenue	Suite 1401	Greenwood Village	Colorado	80111
Cheswold Lane Asset Management	100 Front Street	Suite 960	West Conshohocken	Pennsylvania	19428
Cornerstone Investment Services	245 Waterman Street	Suite 301	Providence	Rhode Island	2906
Cupps Capital Management	208 S. LaSalle Street	Suite 1368	Chicago	Illinois	60604
IronBridge Capital Management	One Parkview Plaza	Suite 600	Oakbrook Terrace	Illinois	60181
NorthRoad Capital Management	530 Fifth Ave., 3rd Floor		New York	New York	10036
OakBrook Investments	2300 Cabot Drive	Suite 300	Lisle	Illinois	60532
Phocas Financial	980 Atlantic Avenue	Suite 106	Alameda	California	94501
Piedmont Investment Advisors	411 West Chapel Hill Street		Durham	North Carolina	27701
Three Peaks Capital Management	3750 Dacoro Lane	Suite 100	Castle Rock	Colorado	80109

Capital Prospects

AH Lisanti Capital Growth	608 Fifth Avenue	Suite 301	New York	New York	10020
Bernzoff Capital Advisors	888 West Ventura Blvd.	Suite B	Camarillo	California	93010
Geneva Capital Management	250 E. Wisconsin Ave.	Suite 1050	Milwaukee	Wisconsin	53202
Great Northern Capital	332 Minnesota Street	Suite W- 2900	Saint Paul	Minnesota	55101
Hanseatic Management Services	5600 Wyoming NE	Suite 220	Albuquerque	New Mexico	87109
InView Investment Management	205 North Michigan Avenue	Suite 2550	Chicago	Illinois	60601
Montrose Asset Management	44 Montgomery Street	Suite 3050	San Francisco	California	94104
Next Century Growth Investors	5500 Wayzata Blvd.	Suite 1275	Minneapolis	Minnesota	55416
Paradigm Asset Management Company	445 Hamilton Avenue	Suite 1203	White Plains	New York	10601
Profit Investment Management	8401 Colesville Road	Suite 320	Silver Spring	Maryland	20910
Redwood Investments	One Gateway Center	Suite 802	Newton	Massachusetts	2458
Walthausen & Co.	9 Executive Park Drive	Suite B	Clifton Park	New York	12065

FIS

Advanced Investment Partners	100 Main Street	Suite 301	Safety Harbor	Florida	34695
Ativo Capital Management	11 S. LaSalle	Suite 820	Chicago	Illinois	60603
Bedlam Asset Management	20 Abchurch Lane		London	UK EC4N	7BB
Boston Common Asset Management	84 State Street	Suite 1000	Boston	Massachusetts	02109
BRC Investment Management	8400 East Prentice Avenue	Suite 1401	Greenwood Village	Colorado	80111

Channing Capital Management	10 S. LaSalle St.	Suite 2650	Chicago	Illinois	60603
Denali Advisors, LLC	4275 Executive Square	Suite 650,	La Jolla	California	92037
Oakbrook Investments, LLC	701 Warrenville Rd.	Suite 335	Liste	Illinois	60532
Redwood Investments	One Gateway Center	Suite 802	Newton	Maine	02458
Smith Group Asset Management	100 Crescent Court	Suite 1150	Dallas	Texas	75201
Thomas White International	440 South LaSalle St.	Suite 3900	Chicago	Illinois	60605
Victoria 1522 Investments	244 California Street	Suite 610	San Francisco	California	94111
Winslow Capital Management	4720 IDS Tower, 80 S. Eighth St.		Minneapolis	Minnesota	55402

Leading Edge

Driehaus Capital Management	25 East Erie Street		Chicago	Illinois	60611
Gratry & Company	320 Tower East, 20600 Chagrin Blvd.		Shaker Heights	Ohio	44122
Herndon Capital Management	Herndon Plaza, 100 Auburn Ave.	Suite 300	Atlanta	Georgia	30303
Lombardia Capital Partners	55 South Lake Ave.	Suite 750	Pasadena	California	91101
Markston International	50 Main Street	Suite 285	White Plains	New York	10606
Mindshare Capital Management	7733 Forsyth Boulevard	Suite 1900	Sant Louis	Missouri	63105
New Century Investment Management	Oakland Towne Square, One Towne Square	Suite 1690	Southfield	Michigan	48076
Nicholas Investment Partners	P.O. Box 2828		Del Mar	California	92067
NMF Asset Management	815 Colorado Avenue	Suite 100	Stuart	Florida	34994
Penn Capital Management	Navy Yard Corporate Ctr., 3 Crescent Dr.	Suite 300	Philadelphia	Pennsylvania	19112
Sit Investment Associates	80 South Eighth Street		Minneapolis	Minnesota	55402
Westwood Global Investments	99 Summer Street	Suite 1130	Boston	Massachusetts	02110

Northern Trust

Cornerstone Investments	Phipps Towner, 3438 Peachtree Road, N.E.	Suite 900	Atlanta	Georgia	
Credo Capital Management	225 E. Redwood Street	Suite 201	Baltimore	Maryland	21202
Eagle Global Advisors	5847 San Felipe	Suite 930	Houston	Texas	
Geneva Capital Management	250 East Wisconsin Avenue	Suite 1050	Milwaukee	Wisconsin	
Herndon Capital Management	Herndon Plaza, 100 Auburn Avenue, NE		Atlanta	Georgia	
Hexavest	1340-1100 Rene-Levesque West Boul		Montreal, Ontario	Canada H3B 4N4	
JK Milne Asset Management	1520 Royal Palm Square Blvd.	Suite 210	Fort Myers	Florida	
KDP Asset Management	24 Elm Street		Montpelier	Vermont	
Lombardia Capital Partners	55 South Lake Avenue	Suite 750	Pasadena	California	91101
Magee Thompson	12531 High Bluff Drive	Suite 120	San Diego	California	
New Century Advisors	7272 Wisconsin Ave	Suite 300	Bethesda	Maryland	20814
Palisades Investment Partners	1453 Third Street Promenade	Suite 310	Santa Monica	California	
Profit Investment Management	8401 Colesville Road	Suite 320	Silver Spring	Maryland	20910
Riverbridge Partners	Midwest Plaza West, 801 Nicollet Mall	Suite 600	Minneapolis	Minnesota	
Signia Capital Management	108 North Washington Street	Suite 305	Spokane	Washington	
Sky Investment Counsel	1 Adelaide Street East, P.O. Box 184	Suite 2310	Toronto, Ontario	Canada	M5C 2V9
Summit Creek Advisors	120 South Sixth Street	Suite 2200	Minneapolis	Minnesota	
Twin Capital Management	3244 Washington Road	Suite 202	McMurray	Pennsylvania	

Progress

Ambassador Capital Management	500 Griswold	Suite 2800	Detroit	Michigan	48226
Ariel Investments	200 East Randolph Drive	Suite 2900	Chicago	Illinois	60601
Boston Common Asset Management	84 State Street	Suite 1000	Boston	Massachusetts	02109
Cardinal Capital Management	One Greenwich Office Park		Greenwich	Connecticut	06831
Channing Capital Management	10 South LaSalle Street	Suite 2650	Chicago	Illinois	60603
Credo Capital Management	225 E. Redwood Street	Suite 201	Baltimore	Maryland	21202
Decatur Capital Management	250 East Ponce de Leon Ave.	Suite 325	Decatur	Georgia	30030
Denali Advisors	4275 Executive Square	Suite 650	La Jolla	California	92037
DSM Capital Partners	320 East Main Street		Mount Kisco	New York	10549
GW Capital	10900 NE 8th Street	Suite 1010	Bellevue	Washington	98004

Ironwood Investment Management	21 Custom House Street	Suite 240	Boston	Massachusetts	02110
John Shu Capital Group	747 Third Avenue, 26th Floor		New York	New York	10017
Lombardia Capital Partners	55 South Lake Avenue	Suite 750	Pasadena	California	91101
New Century Advisors	7272 Wisconsin Ave	Suite 300	Bethesda	Maryland	20814
Pugh Capital Management	1414 31st Avenue South	Suite 302	Seattle	Washington	98144
San Juan Asset Management	1519 Ponce de Leon Ave., First Bank Bldg.	Suite 1501	San Juan	Puerto Rico	909
Shapiro Capital Management Company	3060 Peachtree Rd. NW	Suite 1555	Atlanta	Georgia	30305
Sycee Capital	747 Third Avenue, 26th Floor		New York	New York	10017

2009 MD STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND

Asset Class	Market Value (\$ millions)	Actual Allocation	Long-Term Policy Allocation	Emerging MBE Managers	Emerged MBE Managers
U.S. Equity	7,287.6	25.5%			
International Equity	6,482.0	22.7%			
Global Equity	2,287.9	8.0%			
Total Public Equity	16,057.5	56.3%	35.6%	969.4	165.1
Fixed Income	5,229.1	18.3%	15.0%	89.0	19.2
Credit Opportunity	389.2	1.4%	1.4%	0.0	0.0
Private Equity	962.3	3.4%	15.0%	0.0	0.0
Real Estate	1,737.4	6.1%	10.0%	0.0	0.0
Real Return	1,256.9	4.4%	10.0%	16.1	0.0
Absolute Return	745.7	2.6%	10.0%	0.0	0.0
Cash	2,152.9	7.5%	3.0%	0.0	0.0
Total Fund	\$28,531.0	100.0%	100.0%	\$1,074.5	\$184.3

2009 Emerging Minority and Female Owned Managers Used by MD Pension

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class	Classification
Attucks Asset Management*	255.5 **	0.228	Emerged	African American & Woman
Charter Financial Group	13.3	0.020	U.S. Equity	Woman-owned
Hanseatic Mgmt Services	15.6	0.026	U.S. Equity	Woman-owned
Mar Vista Investment Partners	17.7	0.027	U.S. Equity	African American
GW Capital Inc.	19.7	0.043	U.S. Equity	Asian American
Zevenbergen Capital	20.5	0.030	U.S. Equity	Woman-owned
Cameron Capital Mgmt	2.4	0.005	U.S. Equity	African American
Opus Capital Mgmt	17.3	0.040	U.S. Equity	African American/Woman
Brown Capital Mgmt	19.9	0.038	International Equity	African American
Black Knight Asset Mgmt.	8.3	0.008	Fixed Income	African American
Xavier Capital Mgmt	15.0	0.001	Fixed Income	African American
10	149.7	0.466		
Bivium Capital Partners*	185.4 **	0.132	Emerged	African American
Oakbrook Investments	10.8	0.016	U.S. Equity	Woman-owned
Phocas Financial Corp	16.6	0.042	U.S. Equity	Asian American
Cheswold Lane Asset Mgmt	24.7	0.071	International U.S. Equity	Woman-owned
3	52.1	0.261		
Capital Prospects*	187.2 **	0.123	Emerged	Woman-owned
Paradigm Asset Mgmt	16.4	0.023	U.S. Equity	African American
Redwood Investments	16.8	0.039	U.S. Equity	Woman-owned
Profit Investment Mgmt	19.4	0.046	U.S. Equity	African American
AH Lisanti Capital Growth	16.5	0.038	U.S. Equity	Woman-owned
Hanseatic Mgmt Services	14.5	0.028	U.S. Equity	Woman-owned
Montrose Asset Mgmt	17.6	0.031	U.S. Equity	Asian American
6	101.2	0.328		
FIS Group*	204.8 **	0.303	Emerged	African American & Woman
Channing Capital Mgmt	11.2	0.025	U.S. Equity	African American
Redwood Investments	21.1	0.031	U.S. Equity	Woman-owned
Denali Advisors	21.3	0.034	U.S. Equity	Native-American
Paradigm Asset Mgmt	19.1	0.025	U.S. Equity	African American
Oakbrook Investments	24.2	0.042	U.S. Equity	Woman-owned
Ativo Capital Mgmt	11.9	0.025	International Equity	Hispanic American
Victoria 1522 Investments	20.0	0.000	International Equity	Asian/Woman-owned
7	128.8	0.485		
Leading Edge Investment Advisors*	200.1 **	0.219	Emerged	Asian American
New Century Investment Mgmt	11.4	0.034	U.S. Equity	Woman-owned

Lombardia Capital Partners	9.9	0.014	U.S. Equity	Hispanic/African American
NMF Asset Mgmt	16.5	0.052	U.S. Equity	Woman-owned
Atlanta Life Investment Advisors	24.2	0.054	International Equity	African American
Westwood Global Investments	30.5	0.099	International Equity	Woman-owned
5	92.5	0.472		
Northern Trust Global Advisors	447.4 **	0.544	Emerged	Majority
Atlanta Life Investment Advisors	15.7	0.031	U.S. Equity	African American
Palisades Investment Partners	13.3	0.030	U.S. Equity	African American
Lynmar Capital Group	30.4	0.068	U.S. Equity	Woman-owned/African American
Profit Investment Management	44.8	0.111	U.S. Equity	African American
Lombardia Capital Partners	42.5	0.067	U.S. Equity	Hispanic/African American
Credo Capital	25.9	0.039	U.S. Equity	African American
Sky Investment Council	18.8	0.033	International Equity	Woman-owned/Asian
New Century Advisors	16.1	0.026	Real Return	Woman-owned
8	207.5	0.949		
Progress Investment Management*	459.1 **	0.377	Emerged	African/Asian/Hispanic American & Woman
Brown Capital Mgmt	11.7	0.016	U.S. Equity	African American
Brown Capital Mgmt	12.0	0.019	U.S. Equity	African American
Lynmar Capital Group	20.3	0.029	U.S. Equity	Woman-owned/African American
Denali Advisors	16.8	0.023	U.S. Equity	Native- American
Lombardia Capital Partners	23.2	0.033	U.S. Equity	Hispanic/African American
John HSU Capital Group	21.5	0.043	International Equity	Asian American
Pugh Capital Mgmt	34.1	0.030	Fixed Income	African American/Woman
Boston Common Asset Mgmt	16.0	0.033	International Equity	Asian/Woman
Strategic Global Advisors	10.2	0.025	International Equity	Woman-owned
John HSU Capital Group	9.3	0.040	International Equity	Asian American
Decatur Capital Mgmt	15.0	0.022	U.S. Equity	African American
Ambassador Capital Mgmt	16.7	0.016	Fixed Income	African American
New Century Advisors	14.9	0.001	Fixed Income	Woman-owned
Brown Capital Mgmt	29.0	0.065	U.S. Equity	African American
Credo Capital Mgmt	26.3	0.060	U.S. Equity	African American
Cardinal Capital Mgmt	32.7	0.092	U.S. Equity	Woman-owned
GW Capital	33.0	0.073	U.S. Equity	Asian American
17	342.7	0.997		
56				
Subtotal	\$1,939.50	\$1,074.50	\$3.96	

Emerged Minority and Female Owned Managers Used by MD Pension

Manager Name - Separate Mandate	Assets Under Management (\$ millions)	Investment Advisory Fee	Asset Class	Classification
GlobeFlex Capital	117.1	0.638	International Equity	Woman-owned
Prospective Hire - Earnest Partners***	TBD		International Equity	African American
	117.1	0.638		
Attucks Asset Management*				
LM Capital Group	19.2	0.023	Fixed Income	Latino American
Globeflex Capital	18.0	0.040	International Equity	Woman-owned
	37.2	0.063		
Bivium Capital Partners*				
Piedmont Invest Advisors	10.9	0.028	U.S. Equity	African American
Progress Investment Management*				
Ariel Investments	19.1	0.035	U.S. Equity	African American
Subtotal	184.3	0.764		
Total MBE Utilization	\$1,258.8	\$4.722		

Minority and Female Brokers Used by MD Pension (as of 06/30/2009)

MBE Broker	Commissions Paid
Not identified by name	808,349.80
Total	\$808,349.8

FOOTNOTES:

* Emerging Minority and Woman-owned Program Managers

** Total Program Manager Assets Under Management (including Majority Managers)

Note: This schedule lists the total number of portfolios in the System's emerging and emerged programs. Some investment managers are managing more than one mandate in the program.

2008 MD STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND

Asset Class	Market Value (\$ millions)	Actual Allocation	Long-Term Policy Allocation	Emerging MBE Managers	Emerged MBE Managers
U.S. Equity	12,787.4	34.9%			
International Equity	5,588.0	15.3%			
Global Equity	3,852.2	10.5%			
Total Public Equity	22,227.6	60.7%	57.0%	190.7	135.8
Fixed Income	8,933.3	24.4%	17.0%	0.0	0.0
Credit Opportunity	0.0	0.0%	0.0%	0.0	0.0
Private Equity	634.5	1.7%	5.0%	0.0	0.0
Real Estate	2,246.7	6.1%	10.0%	0.0	0.0
Real Return	1,521.8	4.2%	5.0%	0.0	0.0
Absolute Return	788.8	2.2%	5.0%	0.0	0.0
Cash	243.1	0.7%	1.0%	0.0	0.0
Total Fund	\$36,595.7	100.0%	100.0%	\$190.7	\$135.8

2008 Emerging Minority and Female Owned Managers Used by MD Pension

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class	Classification
Northern Trust Global Advisors	337.4 **	0.510		Emerging Majority
Atlanta Life Investment Advisors	20.8	0.000	U.S. Equity	African American
Pailsades Investment Partners	18.5	0.041	U.S. Equity	African American
Lynmar Capital Group	45.8	0.085	U.S. Equity	Woman-owned/African American
Profit Investment Management	56.1	0.137	U.S. Equity	African American
Lombardia Capital Partners	49.9	0.203	U.S. Equity	Hispanic/African American
5	190.7	0.976		
Subtotal	\$337.40	\$190.70		0.976

2008 Emerged Minority and Female Owned Managers Used by MD Pension

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee	Asset Class	Classification
GlobeFlex Capital	135.8	0.923	International Equity	Woman-owned
Subtotal	135.8	0.923		
Total MBE Utilization	\$326.5	\$1.899		

Minority and Female Brokers Used by MD Pension

MBE Broker	Commissions Paid
Broker names not available	1,017,280.95
Total	\$1,017,281.0

FOOTNOTES:

** - Total Program Manager Assets Under Management (including Majority Managers)

2007 MD STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND

Asset Class	Market Value (\$ millions)	Actual Allocation	Long-Term Policy Allocation	Emerging MBE Managers	Emerged MBE Managers
U.S. Equity	16,269.4	41.2%	40.0%		
International Equity	5,223.2	13.2%	13.0%		
Global Equity	4,024.3	10.2%	10.0%		
Total Public Equity	25,516.8	64.7%	63.0%	219.3	683.0
Fixed Income	10,923.4	27.7%	28.0%	0.0	712.3
Credit Opportunity	0.0	0.0%	0.0%	0.0	0.0
Private Equity	385.9	1.0%	2.0%	0.0	0.0
Real Estate	1,936.5	4.9%	5.0%	0.0	0.0
Real Return	679.5	1.7%	2.0%	0.0	0.0
Absolute Return	0.0	0.0%	0.0%	0.0	0.0
Cash	0.0	0.0%	0.0%	0.0	0.0
Total Fund	\$39,442.2	100.0%	100.0%	\$219.3	\$1,395.3

2007 Emerging Minority and Female Owned Managers Used by MD Pension

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee (\$ millions)	Asset Class	Classification
Northern Trust Global Advisors	340.10 **	0.153		Emerging Majority
Atlanta Life Investment Advisors	22.9	0.013	U.S. Equity	African American
Palisades Investment Partners	22.4	0.015	U.S. Equity	African American
Lynmar Capital Group	44.7	0.026	U.S. Equity	Woman-owned/African American
Profit Investment Management	64.4	0.042	U.S. Equity	African American
Lombardia Capital Partners	64.9	0.068	U.S. Equity	Hispanic/African American
5	219.3	0.317		
Subtotal	\$340.10	\$219.30		\$0.317

2007 Emerged Minority and Female Owned Managers Used by MD Pension

Manager Name	Assets Under Management (\$ millions)	Investment Advisory Fee	Asset Class	Classification
GlobeFlex Capital	161.9	0.912	International Equity	Woman-owned
Payden & Rygel	521.1	0.535	U.S. Equity	Woman-owned
Payden & Rygel	712.3	0.776	U.S. Fixed Income	Woman-owned
Subtotal	1,395.3	2.223		
Total MBE Utilization	\$1,614.6	\$2.540		

Minority and Female Brokers Used by MD Pension

MBE Broker	Commissions Paid
Broker names not available	1,175,030.59
Total	\$1,175,030.6

FOOTNOTES:

** Total Program Manager Assets Under Management (including Majority Managers)

Terra Maria

The Maryland Developing Manager Program

Program Structure Outline

Since the announcement of Terra Maria, the Maryland Developing Manager Program, there have been many queries regarding the structure of the program. As you may recall, the Maryland State Retirement and Pension System (System) formed an emerging manager program in April 2007. In September 2008, the System announced that the program had been revised and undergone a major expansion and transformation. The Program now has seven program managers, each of whom has responsibility for monitoring ten or more investment managers. The memo is an attempt to provide some clarification regarding the structure of the Program.

The seven program managers are under contract with the System. The underlying investment managers have been assigned and the logistics to incorporate the investment managers into the total fund portfolio is underway. The investment managers will each have accounts with the System's custodian bank, State Street Bank and Trust.

The Terra Maria program is unlike other small manager or multi-program manager programs. In developing our program, the focus has been on investment performance with an alignment of interests. The program managers have been asked to recommend investment managers in which the program managers have confidence of their ability to generate alpha relative to their assigned benchmarks. The program managers essentially represent an extension of the in-house investment staff.

Following are some key facets of the program:

- The program managers are responsible for sourcing investment managers, performing due diligence, monitoring the retained investment managers, and presenting manager hire and termination recommendations and funding allocation recommendations to the Chief Investment Officer.
- The investment managers will not be funded until all administrative aspects of the program are in place and appropriate benchmarks have been assigned to each one. We anticipate that the funding of the managers will take place by November 1, 2008. The funding has been earmarked at approximately 5% of the total portfolio. The funding source will come from a reallocation of assets from both public equities and fixed income.
- The primary focus of the program is alpha generation, or performance. Both Program managers and investment managers will be evaluated primarily on performance relative to benchmarks.

- Each Program manager's benchmark is the weighted average of the benchmarks of the investment managers the Program manger has selected. .
- Investment manager benchmarks will be representative of the managers' investment style, and must be in concert with the System's benchmark(s) within the managers' designated asset class.
- Program managers will make recommendations to the CIO regarding the allocation of funds to investment managers. Rebalancing decision will be made by the Investment Division Staff. All investment manager benchmarks and allocations must be approved by the CIO.
- Unlike most other multi program manager programs, there will be no duplication of investment manager products in the Program. A manager's product will only be represented once within the program. However, some investment managers may have more than one product in the program.
- The investment managers will be part of the System's total portfolio and will be evaluated as any other manager in the portfolio. While managers have been introduced to the Maryland portfolio via a program manager, this has been done so primarily for administrative purposes. Once a manager has been "hired" by the CIO, they are in the System's portfolio. Unlike traditional manager of manager programs, the CIO is ultimately responsible for the managers in the Maryland program, not the manager of managers.
- The Program managers have been instructed to find strong performing managers in the U.S. equity, International equity, global equity and fixed income asset classes. These managers will become part of each of the System's respective portfolios and will be evaluated along with all other investment managers in the same asset class.
- We have discarded the traditional definition of emerging managers as being those managers with \$2 billion or fewer assets under management. In its place, we have asked the program managers to focus on small investment managers. In defining small, we have placed no asset maximum which would arbitrarily exclude small managers who have been successful in growing their businesses but are often ignored by large institutional plan sponsors when asset manager selections are made. While the program managers have no absolute maximum asset under management guideline for purposes of recommending investment managers to the CIO, the program managers have been made aware of the spirit of the program.
- The Program managers have been informed that the investment managers they believe have a strong probability of being successful may be funded under this initiative, even if the investment has either received no previous funding or only an insignificant level of funding. The Program managers have been made aware that they will be evaluated on a performance basis regardless of the circumstances surrounding the particular managers they recommend for the Maryland portfolio.

- **There is no formal "graduation" policy for this initiative. Managers who perform on a consistent basis will be retained and will become eligible for larger allocations of funds regardless of whether they are monitored by a program manager or staff. Generally, managers that are monitored directly by staff may be subject to a performance based fee which will be symmetrically based. Such a performance based fee scheme can result in a manager returning fees to the System if the manager underperforms the designated benchmark.**
- **Factors which may be considered in the determination of an investment manager's funding allocation is the program managers' recommendation, based on the level of funding allocated to the program manager. The program manager and the CIO will also consider factors such as total assets under management by the investment manager on both a firm-wide and a product specific basis. Continued funding will be subject to the review of the investment manager's performance and an evaluation of the investment manager's business growth and organizational stability since the investment manager was initially funded by the System. The investment manager's performance will be evaluated on a continuous basis, although the program manager will have a formal review of the manager at least annually.**

In developing this initiative, we have attempted to be creative. The traditional use of managers of managers has been one that is somewhat detached from pension plans' normal investment program, with no direct connection of the manager of manager program and the larger portfolio. Indeed, the initial Emerging Manager Program implemented by the System with Northern Trust was indirect. In that program, the program manager, Northern Trust, had complete authority to hire, terminate, and determine funding allocations for the investment managers in the program. The revised program has altered these rules. Now, the program managers must make recommendations and receive approval from the CIO to execute any of these actions. This approach is similar to that of the role of the System's real estate and private equity consultants. In this regard, the investment managers are directly under the control of the CIO. To bring this program in-house, we believe it would require that at least 10 additional people be added to the staff. If the investment managers were hired by in-house staff, it is most likely that fewer than five managers would be hired.

If there are additional questions or further clarification needed, please do not hesitate to contact me at 410-625-5620.