

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

January 19, 2010

The Board of Trustees for the State Retirement and Pension System of Maryland met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, beginning at 8:50 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	James Harkins	Sheila Hill	F. Patrick Hughes
Major Morris Krome	Theresa Lochte	Harold Zirkin	R. Dean Kenderdine, Secretary

Agency Staff members attending included:

Anne Budowski	Margaret Bury	Steve Cichelli	Melody Countess	Robert Feinstein
Ira Greenstein	Dennis Krysiak	Howard Pleines	Kenneth Reott	Brian Rowe
Janet Sirkis	Patrice Sowah	Toni Voglino		

Assistant Attorneys General attending:

Deborah Bacharach	Rachel Cohen	Melissa Warren
-------------------	--------------	----------------

Also attended by:

John Kenney	Melissa Moye	Robert Palumbi
-------------	--------------	----------------

Minutes 1. On a motion made by Mr. Hughes and seconded by Mr. Brown the Board approved the minutes of the December 15, 2009 open session meeting.

Market and Economic Overview 2. The Board received a presentation by Mr. Alan Levenson, Chief Economist, T. Rowe Price Associates, who was accompanied by Ms. Kimberly Young, Vice President, U.S. Institutional Client Service and Mr. Chris Dyer, Vice President, U.S. Institutional Sales. Mr. Levenson presented a three-part assessment of the U.S. economic outlook.

First, Mr. Levenson opined that uncertainty in the private sector economy was declining, pointing to data showing, among other things, a firming of demand and corrections in inventory levels proceeding ahead of schedule.

Second, Mr. Levenson noted that policy uncertainty is mounting on several fronts:

- Monetary policy - The evolving recovery calls for reduction in monetary accommodation, but managing this process is likely to be very challenging for the Fed. Fiscal policy also faces steep challenges.
- Fiscal policy - The fiscal stimulus is likely to add to growth well into 2010, but in the intermediate term, Mr. Levenson believes that the cost of budget deficits will be felt increasingly.
- Reform proposals – A crowded reform agenda (health care, energy, financial reform, etc.) adds to uncertainty.

Third, Mr. Levenson addressed the topic of inflation. While inflationary pressures typically ease in the aftermath of a recession, Mr. Levenson noted several inflationary “portents”, most notably (a) food and energy commodities prices are on the rise, boosting the cost of related consumer goods and (b) the implications of global policy stimulus in response to this recession.

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

January 19, 2010

Administrative
Committee
Report

3. Mr. James Harkins, Chairman of the Administrative Committee, reported on the regular meeting of the Administrative Committee held on January 15, 2010.

Mr. Harkins reported the following on the Department of Information Technology's Presentation on MPAS Oversight:

- Secretary Elliot Schlanger and Deputy Secretary Stacia Cropper, Department of Information Technology (DoIT) presented a summary of the Department's oversight of major State IT projects and what that oversight has concluded as to the progress of the MPAS-1 project.
- DoIT closely monitors the Retirement Agency's project management of MPAS. They are satisfied that there is transparency with the project and that the proper project management tools are being utilized to finalize the project as of the revised completion date of July 2010.
- Mr. Schlanger indicated that IV&V studies of MPAS-1 are only one part of the total process and their results provide a narrow snapshot of the project at a point in time and should not be used alone to identify either good or bad results within any project.
- Problems that DoIT previously identified with the MPAS-1 project – the need for more deliberate and vigorous management of the project, the need for a more detailed and robust project plan to manage the project against, the need for more detailed requirement definitions of the project – have all been dealt with and corrected to DoIT's satisfaction.
- The project today is adhering to an appropriate project management process and plan, has resolved cost and contractual changes, has both active and transparent risk management, and retains open and formal communications with the project contractors.
- Both Mr. Schlanger and Ms. Cropper indicated that there is no reason to believe at this time that the MPAS-1 project will not remain on schedule and be brought to a successful conclusion in July.

Mr. Harkins reported that MPAS-1 Project Director, Steve Cichelli provided an overview of the major development and testing activities of the past year and a half that culminated in his informing the committee that the Project had entered the Parallel Test Phase, the final phase before completion into production "Go-Live". Mr. Cichelli reported that the requirements analysis and User Acceptance Test Cases defined for all Milestones are completed. Staff created Legacy Pension System runs for all test use cases for baseline comparisons. The Contractor's design, development, and quality assurance testing of code for all deliverables has been completed. The Agency has completed running MPAS test cases with the same inputs as Legacy test cases. The Agency has finished comparing results and resolved every difference in Legacy and MPAS outputs. The Agency implemented and tested all changes made in Legacy from July 2006 until July 2009 with Change Requests. Installation of Production HW/SW Environment for Regression Testing has been completed by the Agency. Mr. Cichelli reported that completion of Regression Testing and PMO acceptance for All Delivery Milestones is days away. The Legacy Pension System (LPS) Data Capture portion of Parallel Testing has been underway as of December 16, 2009. The related Data Conversions and reconciliation process required for Parallel Testing is completed. The Agency expects to start the parallel

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

January 19, 2010

Administrative
Committee
Report

MPAS runs of the captured LPS daily runs starting in about a week. Mr. Cichelli also indicated that the project is now expected to be completed under budget.

Mr. Harkins reported that Mr. Ira Greenstein provided a demonstration of various programs of MPAS-1 for the Administrative Committee and staff.

Mr. Harkins reported that Mr. Howard Pleines indicated two pension bills have been pre-filed for the 2010 Session. The first, HB10, Teacher and Employee Pension Sustainability and Solvency Trust Fund, creates a new trust fund whose purpose is to offset the State's cost for employer contributions to the Employees' and Teachers' Systems.

- The Secretary of the Department of Budget and Management would administer the Trust Fund; the Comptroller would be responsible for the accounting of the Fund; and, the Treasurer would invest the assets of the Fund.
- Payments to the Fund would come from an additional personal income tax of 0.75% on taxable income in excess of \$1,000,000, as well as an amendment to the State's corporate income tax law so as to provide for "combined reporting" which requires that companies combine profits from all related subsidiaries, including out-of-state subsidiaries before determining what portion of their profits are taxable in Maryland.
- The System's actuary, GRS, would be required to calculate two annual employer contribution rates for employees and teachers: (1) a full actuarial funding rate and, (2) an alternate rate – the alternate rate is the current corridor funding rate.
- When the full actuarial funding rates exceed the alternate rates, the Governor is to transfer assets from this new Fund to the General Fund in the amount of the difference between these rates, or if less, the balance in the Fund for that fiscal year.
- When the full actuarial rates are less than the alternate rates, the Governor is to transfer to the General Fund the total employer contribution amount for the Teachers' Systems for that fiscal year, or, if less, the balance in the Fund.
- This proposal is effective July 1, 2010, and it is to apply to tax years beginning after December 31, 2010.

Mr. Harkins reported that the second bill is HB43, State Retirement and Pension System – Military Service Credit – Eligibility, which reduces the service credits needed to file for military service credits that occurred prior to membership in the System from the current ten years of creditable service to seven years of creditable service. This proposal is effective July 1, 2010.

On a motion made by Mr. Harkins and seconded by Ms. Hill, the Board takes no position on HB10 and HB43.

Mr. Harkins reported that the The Community Action Council of Howard County Inc. is requesting to participate in the Employer Pickup Program on behalf of their eligible employees as of January 7, 2010. As of July 1, 2007, retirement law requires a Participating Governmental Unit to pass a resolution to participate in the Employer Pickup Program. Each participating

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

January 19, 2010

Administrative
Committee
Report

employer's resolution must have the Board's approval to participate in the State Retirement and Pension System's Employer Pickup Program.

On a motion made by Mr. Harkins and seconded by Ms. Hill, the Board adopted the resolution to include the Community Action Council of Howard County Inc. in the Pick-Up Program effective January 2010.

Call for Nominations
Public Advisor
to the
Investment
Committee

4. Chairman Kopp reported that in accordance with the Board of Trustees' Investment Committee Public Advisor Selection Policy, she, via memorandum, made a call for nominees for the Investment Committee Public Advisor position, the term for which begins July 2010.

Chairman Kopp reported that Mr. Brian Topping has expressed an interest in serving another term in the position and that the nomination period will remain open until March 1, 2010.

Executive
Director's
Report

5. Mr. R. Dean Kenderdine's reported on recent Agency developments.

The Consumer Price Index (CPI) for the twelve months ending December 31, 2009 was negative by less than four-tenths of one percent. This information has been provided to the Joint Committee on Pensions.

Mr. Kenderdine reported that the Senate Budget Hearing is scheduled for February 16, 2010 and the House Budget Hearing is scheduled for February 17, 2010. Chairman Kopp invited all Trustees to attend the Budget Hearings.

Mr. Kenderdine reported the first meeting of the System Funding Policy Ad Hoc Committee meeting will be held on February 5, 2010 and reminded Trustees not on the Committee that all are invited to attend.

Mr. Kenderdine informed the Board that the request for four (4) new positions were pulled from the Board of Public Works agenda due to concerns from the Department of Legislative Services and the two budget committee chairs of the legislature. The Agency will be seeking the positions through a deficiency appropriation.

CIO Report

6. Mr. Robert Feinstein, Deputy Chief Investment Officer reported on the System's Investment Program.

Mr. Feinstein reported that responses to the RFI for non-discretionary private equity and real estate consulting services had been received and are being reviewed by staff. The value of the fund is currently approximately \$33 billion.

The next meeting of the Investment Committee is scheduled for Friday, February 12. Record Currency Management, the firm responsible for the System's currency management program, will provide a review of the program at the February 12, 2010 Investment Committee meeting. Mr. Feinstein invited all Trustees to attend.

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

January 19, 2010

- | | |
|--|--|
| Medical Board
And
Supplemental
Medical Board
Reports | 7. On a motion made by Mr. Brown and seconded by Ms. Hill, the Board of Trustees accepted all the reports of the Medical Board in connection with applications of members for ordinary, accidental and special disability retirement allowances. The Medical Board's conclusions were reached after its review of the documentation in the file. |
|--|--|

CLOSED SESSION

The Board met in Closed Session at 10:21 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. approving the closed session minutes, in accordance with State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. discussing the procurement of specialty investment consultants pursuant to State Government Section 10-508(a)(14), with respect to the award of a contract, discussing a matter directly related to a negotiating strategy or the contents of a bid or proposal.
3. to discuss the decision and other matters related to the Milliman case; State Government Article §10-508(a)(7) and (a)(8), consulting with counsel relating to pending litigation.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	James Harkins	Sheila Hill	F. Patrick Hughes
Major Morris Krome	Theresa Lochte	Harold Zirkin	R. Dean Kenderdine, Secretary

Agency Staff members attending included:

Anne Budowski	Margaret Bury	Melody Countess	Robert Feinstein	Dennis Krysiak
Howard Pleines	Kenneth Reott	Brian Rowe	Janet Sirkis	Patrice Sowah
Toni Voglino				

Assistant Attorneys General attending:

Deborah Bacharach	Rachel Cohen	Carla Katzenberg	Jill Leiner	Melissa Warren
-------------------	--------------	------------------	-------------	----------------

Also in attendance: Dana Reed, Assistant Attorney General, John Kenney and Melissa Moye.

The Board ended its closed session at 10:53 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION – APPEALS AND HEARINGS

The Board reported that during the closed session the Board approved the closed session minutes of the December 15, 2009 meeting.

- | | |
|-------------------------------|--|
| Clarice B.
Jackson-Johnson | 8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Clarice B. Jackson-Johnson for <u>ACCIDENTAL DISABILITY</u> retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented. |
|-------------------------------|--|

Ms. Clarice B. Jackson-Johnson appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's

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

January 19, 2010

recommendations. Following discussion, the Board deferred further consideration to Closed Session.

- Cynthia J. Cowan 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Cynthia J. Cowan for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Silverman, Ms. Cynthia J. Cowan's attorney appeared before the Board to oppose the Agency position and the Administrative Law Judge's recommendation. Ms. Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

- Harold D. Echard 10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Harold D. Echard for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Silverman, Mr. Harold D. Echard's attorney appeared before the Board to oppose the Agency position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

- Clarice A. Ivy 11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Clarice A. Ivy for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. Clarice A. Ivy, via telephone, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

CLOSED SESSION – APPEALS AND HEARINGS

The Board met in a Closed Session (12:25 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of and pursuant to:

1. to decide the disability appeals pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Nancy K. Kopp, Chairman
Sheila Hill

David Blitzstein
Major Morris Krome

William Brown
Theresa Lochte

John Douglass
Harold Zirkin

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

January 19, 2010

Agency Staff members attending included:

Margaret Bury Patrice Sowah Janet Sirkis R. Dean Kenderdine

Assistant Attorneys General attending:

Deborah Bacharach Rachel Cohen

The Board ended its closed session at 12:38 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

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

- | | |
|----------------------------|---|
| Clarice B. Jackson-Johnson | 12. The Board voted to <u>DEFER</u> the case back to the Benefits Administration Division for further review. |
| Cynthia J. Cowan | 13. The Board voted to <u>ADOPT</u> the Administrative Law Judge's Proposed Decision and <u>DENY</u> Cynthia J. Cowan's request for accidental disability benefits. |
| Harold D. Echard | 14. The Board voted to <u>ADOPT</u> the Administrative Law Judge's Proposed Decision except for the following: the first two sentences of the last paragraph on page 18, and the first sentence of the first paragraph on page 19 of the Proposed Decision and <u>DENY</u> Harold D. Echard's request for accidental disability benefits. |
| Clarice A. Ivy | 15. The Board voted to <u>ADOPT</u> the Administrative Law Judge's Proposed Decision and <u>DENY</u> Clarice A. Ivy's request for accidental disability benefits. |
| Adjournment | 16. There being no further business before the Board, the meeting adjourned at 12:40 p.m. |

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/pws