

BOARD OF TRUSTEES  
FOR THE  
STATE RETIREMENT AND PENSION SYSTEM  
OF MARYLAND

MINUTES OF MEETING

November 28, 2000

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, at 9 30 a m There were present Richard N Dixon, Chairman, William Donald Schaefer, Vice-Chairman, Arthur N Caple, Jr , George R Tydings, Debra B Humphries, William D Brown, Carl D Lancaster, Frank P Casula, Morris L Krome, G Bruce Harrison, David B Mitchell, T Eloise Foster (by telephone), and Ali A Alemi, Trustees, and Peter Vaughn. Secretary Agency staff members also attending were Harriet B Granet, Robert Feinstein, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, J Howard Pleines, Director of Legislation, Rick Harrison, Chief Financial Officer, Thomas Gigliotti, Chief Internal Auditor, Patricia Scott, Administrator, and Janet Nathanson, Administrative Officer

Mitchell Gordon attorney for Kevin Finch, was also present

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| Minutes     | 1 | On motion made by Dr Alemi and seconded by Mr Schaefer, the Minutes of the regular meetings of the Board of Trustees for the State Retirement and Pension System of Maryland, held on October 19, 2000 were approved   |
| Esta Carter | 2 | At her request, Ms Carter's case was deferred  |
| Kevin Finch | 3 | <p>The Board considered the report of the Medical Board in connection with the claim of Kevin Finch for ordinary and accidental disability benefits The Medical Board report included a report by an Administrative Law Judge and related medical documentation Mr Finch appealed the Medical Board's decision that the medical evidence submitted did not prove that he is unable to perform his job duties</p> <p>Mr Mitchell Gordon, attorney for Mr Finch, presented his arguments opposing the Agency's position and the Medical Board's recommendations Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's report The Board deferred further consideration to executive session</p> |

On motion made and duly seconded, the Board unanimously voted to meet in Executive Session to consider the appeal of Kevin Finch and to discuss legal matters. State Government Article Section 10-502(i) authorizes the Board to meet in closed session to exercise a quasi-judicial function. State Government Article Section 10-508(a)(8) authorizes the Board to meet in closed session to consult with staff, consultants, or other individuals about pending or potential litigation.

#### EXECUTIVE SESSION

The Board met in Executive Session at 10:10 a.m. in the SunTrust Building to discuss legal issues. All of the persons present at the beginning of the meeting were present in Executive Session except Mitchell Gordon. The Board adjourned its Executive Session at 11:40 a.m. and returned to regular session to complete the agenda.

#### REGULAR SESSION

Kevin Finch

On motion made by Mr. Lancaster and seconded by Mr. Harrison, the Board unanimously voted to remand the case of Kevin Finch to the Medical Board. The Board directed the Agency to send Mr. Finch for an independent medical examination by a doctor mutually agreeable to both parties. The Board further directed that the additional medical documentation be entered into the record and reviewed by the Medical Board.

Executive  
Director's Report

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Mr. Vaughn informed the Board that the Agency had received the audited financial statement from the Legislative Auditors conveying the Agency's unqualified Fiscal Year 2000 audit.

Mr. Vaughn then advised the Board that the transfer refund intent rate for calendar year 2001 was 11.656%. This rate is slightly higher than the year 2000 rate of 11.152%.

Mr. Vaughn then informed the Board that Benefit Statements were mailed on November 7th and 8th to all active members of the System. The statement provides information on, among other things, service credit and eligible credit, contribution balance, retirement and disability estimates, death benefits and COLA rate.

Mr. Vaughn then advised that the Agency was currently reviewing bids for Custody Service from State Street Bank, Citibank, Bank of New York and Mellon Bank. He reminded the Board that the current contract expires February 14, 2001, and stated that he will report back in December with recommendations.

Mr. Vaughn also advised that the National Conference on Public Employee Retirement Systems' (NCPERS) Legislative Conference would be held in Washington, DC January 29-31, 2001. He stated that any Trustees interested in attending should obtain the literature from the Executive Office.

Mr. Vaughn advised the Board of a letter to the Trustees from the Joint Committee on Pensions (JCP) regarding the one-year notification to transfer service credit from other public pension plans to the Maryland System. Mr.

Vaughn advised the Board that the letter was currently being reviewed, and that he would update them at a future meeting

Mr Vaughn then invited all of the Trustees to the December 5, 2000 Executive Committee meeting which would be held at Syscom at 10 30 so that the Committee could observe the developed portions of the new \$35 million system

Mr Vaughn next invited all Trustees to the Agency's Christmas Party to be held on December 15, 2000 at 1 00 at the Agency offices

The Board accepted Mr Vaughn's report

Investment  
Committee Report

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Mr Arthur Caple, Jr, Chairman of the Investment Committee, reported on the meeting held November 17, 2000

Mr Caple began by advising the Board that David Fisher of Capital International, Inc had made an excellent presentation to the Investment Committee

Mr Caple informed the Board that the Investment Committee, along with staff, will continue to monitor the Optional Retirement Plan, rather than have Mercer manager the Plan On motion by Mr Caple and seconded by Mr Brown the Board voted unanimously to adopt the motion as stated

Mr Caple next discussed the Benchmark Review and advised the Board that staff will continue a review of manager benchmarks and recommendations On motion made by Mr Caple and seconded by Ms Humphries, the Board approved the following benchmarks 1) Domestic Fixed Income - Salomon BIG Index for the asset class and Salomon BIG + 50 basis points for the managers, 2) High Yield - Merrill Lynch Master II Index for the asset class and Merrill Lynch Master II Index + 150 basis points for the managers, 3) International Equity - EAFE Index for the asset class and EAFE + 150 basis points for the managers except Harbor, who will have EAFE + 200 basis points to reflect their higher fee, 4) Convertible Bonds - First Boston Convertible Index for the asset class and First Boston Convertible + 150 basis points for the managers Messrs Dixon Schaefer Caple Tydings Casula and Krome, Ms Humphries, and Dr Alemi registered yea votes Messrs Brown, Lancaster and Harrison registered nay votes Messrs Harrison and Lancaster voted against the motion since they supported staff's recommendation to have a premium of 175 basis points for the convertible bond managers

Mr Caple informed the Board that staff reviewed 3 providers of proxy services and the Committee moved to change its provider from Proxy Monitor to Institutional Shareholder Services (ISS) for an additional cost of approximately \$14,000 per year

The Board accepted Mr Caple's report

Mr William D Brown, Chairman of the Executive Committee, reported on the regular meeting held November 14, 2000 Exhibit A

Mr Brown informed the Board of Patricia Scott's request for relief of the earnings limitation offset In 1999, Ms Scott was employed by University College, a participating employer Ms Scott claims that she verified with the Retirement Agency that University College was not a participating agency and that her earnings would not be offset The Agency acknowledged that a mistake could have been made in that regard, however, University College is a participating employer and the earnings must be offset On motion made by Mr Brown and seconded by Mr Caple, the Board voted unanimously to deny Ms Scott's request for earnings limitation waiver, and to direct staff to review Ms Scott's written statement and respond at a future Executive Committee meeting

Mr Brown informed the Board of Frank Burd's request for an extraordinary salary increase due to a cost of living increase and an increased mandatory work schedule Mr Brown stated that this salary increase of \$18 88 per month had been approved by Mr Vaughn under the authority granted to him by the Board

Mr Brown informed the Board that the contract extension with Brown & Company to audit the Strategic Systems Program was still under negotiation and that the Committee deferred this issue until the December meeting

Mr Brown then asked Mr Vaughn to update the Board on the Strategic System Mr Vaughn stated that he remained optimistic that the project would be completed on time and that Marge Bury, Retirement Administrator, had agreed to spearhead the management and testing of the new system Mr Vaughn stated that the Executive Committee had approved his request to ask the Board of Public Works for a budget amendment to pay for items that were not covered in the original contract 1) \$860,452 to integrate 2000 Legislation into the Strategic System, 2) \$1,480,000 for changes to the employer payroll processing order, 3) \$270,000 for changes to the screen design On motion made by Mr Brown and seconded by Mr Casula, the Board voted unanimously to request a budget amendment and Board of Public Works approval as stated

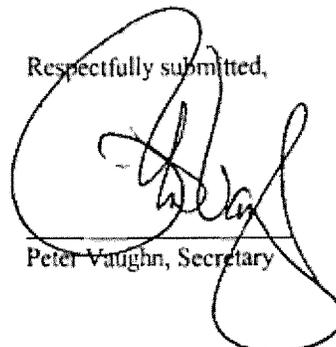
Mr Brown informed the Board that the Committee had again discussed the issue of whether to require Social Security numbers on the nomination petitions The Committee agreed that they would not change the election process by eliminating social security numbers because it would be almost impossible to determine legitimate signatures without the number and because most people did not mind giving them

The Board accepted Mr Brown's report

- Medical Board Reports 7 The Board, on motion made and duly seconded, unanimously approved the reports of the Medical Board in connection with applications of members for ordinary, accidental and special retirement allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants.
- Supplemental Medical Board Reports 8 The Board, on motion made and duly seconded, unanimously accepted and approved the supplemental reports of the Medical Board in connection with applications of members for ordinary, accidental and special retirement Leatrice Ayres allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants. The Supplemental Report of the Medical Board is shown as Exhibit B.
- Other Business 9 Mr. Lancaster discussed the National Education Association (NEA) letter and their request for Board support for the Johnson-Rangel school construction bill (HR4094), and moved that the Board support the bill. Following further discussion, on motion made by Dr. Alemi and seconded by Mr. Harrison, the Board voted unanimously to table the issue.
- Mr. Lancaster then asked Mr. Vaughn to elaborate on the authorization of the \$30,000 allotted to William Mercer to conduct a modified review of Optional Retirement Program (ORP) providers. Mr. Vaughn informed the Board that the Investment Committee had previously decided that the Agency would not need the services of Mercer to assist the Investment Committee. Mr. Vaughn stated that the FY2000 review, while not mandatory, would have occurred at about this time. Mr. Lancaster stated that the Board should authorize Mercer to conduct the FY 2000 review and not wait until next year. On motion made by Mr. Lancaster and seconded by Mr. Casula, the Board voted unanimously to authorize the Agency to contract with William M. Mercer Company to conduct a FY 2000 review of the 4 ORP providers, and submit the report and analysis to the Investment Committee.

There being no further business, on motion made and duly seconded, the Board adjourned at 12:20 p.m.

Respectfully submitted,



Peter Vaughn, Secretary