

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

MINUTES OF MEETING

February 15, 2005

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 9:00 a.m. There were present William Donald Schaefer, Chairman, Nancy K. Kopp, Vice-Chair, James C. DiPaula Jr., David B. Hamilton, Morris L. Krome, William D. Brown, Carl D. Lancaster, Dr. Melissa Moye, Patrick O'Shea, F. Patrick Hughes, John W. Douglass, James Harkins, Sheila Hill, Trustees, and Thomas K. Lee, Secretary. Agency Staff members also attending were Margaret A. Bury, Administrator, Deborah Bacharach, Robert Feinstein, and Jill Leiner, Assistant Attorneys General, Steve Huber, Chief Investment Officer, and Victoria Willard, Investments, Howard Pleines, Director Legislation and Research, Thomas Gigliotti, Chief Internal Auditor, Joseph Coale, Public Information Officer, and Monica Bias, Executive Associate.

Also attending were Dean Kenderdine, Comptroller's Office, Thomas E. Patti, Harford County Government, Amy Maloney, MSTA, Robert Palumbi, MRTA, Bill Anderson, MCEA, Patricia Street, and Dennis Gottesman, Esquire.

Prior to addressing the agenda, Comptroller Schaefer requested Mr. Joseph Coale to note the recent media reports on the System's progress with its investment program. Mr. Coale noted that a press release was issued to note the System's overall improvement under TUCS.

Major Krome requested that the minutes reflect the passing of Col. Thomas S. Smith, retired. As a Superintendent of the Maryland State Police, and a prior member of the Board of Trustees, the Board expressed its thanks for his outstanding service to the State, and expressed its condolences to Col. Smith's family. The Board also extended its sympathies to Ms. Margaret Bury and her family on the passing of her father.

Minutes 1 On motion made by Mr. Brown, seconded by Treasurer Kopp, the Board approved the minutes of the January 18, 2005 regular meeting.

Investment Committee Recommendations and Information Items 2 Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held February 11, 2005. Mr. Lancaster noted that the Investment Committee received a handout that detailed the process, criteria and timeline to be used for the upcoming manager and consultant searches.

Mr. Lancaster also noted that the Investment Committee had received a memorandum from Counsel that Preston Gates & Ellis LLP, Orrick, Herrington & Sutcliffe LLP, and Saul Ewing LLP are the three firms selected by the

Attorney General's Office to act as Special Investments Counsel for the Retirement System

On motion made by Mr Lancaster, seconded by Mr Hamilton, and with recommendation to approve from both the Corporate Governance Subcommittee and investment staff, the Board adopted the proposed Proxy Voting Policy as submitted

On motion made by Mr Lancaster, seconded by Treasurer Kopp, The Board agreed to advise ING that it may not change the investment options in its fund line-up for the Optional Retirement Program

On motion made by Mr Lancaster, seconded by Mr O'Shea, the Board approved the 2005 meeting schedule for the Investment Committee as follows January 14, February 11, March 11, April 8, May 13, June – no meeting, July 8, August 12, September 9, October 14, November 10, and December 9

The Board accepted Mr Lancaster's report

Administrative  
Committee  
Recommendations and  
Information Items

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Mr William D Brown, Chairman of the Administrative Committee, reported on the meeting held February 1, 2005

On motion made by Mr Brown, and seconded by Mr Hughes, the Board adopted a new regulation to clarify that only a member may claim credit for military service, and that the Retirement Agency is not to accept a military claim form until members have attained 10 years of creditable service

On motion made by Mr Brown, seconded by Major Krome, the Board agreed to support SB40 and SB59, and take no position on HB10, HB47, HB109, HB184, SB1, and SB21 Mr Brown noted that Mr Pleines would be making a report on 2005 legislation later in the meeting

On motion made by Mr Brown, and duly seconded, the Board accepted the proposed meeting dates for the Board meetings, the Administrative Committee meetings and the Investment Committee meetings (see attached) Also, Mr Brown noted that the Administrative Committee accepted the Statement of Deliverables from the Retirement Agency for 2005

Mr Brown concluded his report by noting that with the assistance of Ms Andrea Fulton, the performance evaluation for the Executive Director would be held in closed session. Exhibit A

The Board accepted Mr Brown's report

Audit  
Committee  
Recommendations and  
Information Items

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Mr David Hamilton, Chairman of the Audit Committee, reported on the meeting held January 18, 2005

Mr Hamilton noted that the Office of Legislative Audits has established a hotline for reporting fraud. Complaints are referred to the fraud units within the affected agencies or investigated by the Office of Legislative Audits

Mr Hamilton noted that the firm of Abrams, Foster, Nole & Williams, P A, had been selected to conduct the financial statement audits. The Office of Legislative Audits will continue to conduct compliance audits of the Retirement Agency

Mr Hamilton advised the Board that the recent audit report for Prince George's County Public Schools indicated a number of systemic problems related to a new computer system. The school system has been working cooperatively with the Retirement Agency to resolve all of the identified reporting problems

The Board accepted Mr Hamilton's report

Executive  
Director's Report

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Mr Lee indicated to the Board that the Agency's budget hearings were held in both the House and Senate. While legislative staff recommended reductions to contractual employment, Mr Lee noted that legislators had provided positive feedback on the Agency's workload issues

Mr Lee indicated that the Agency is installing a new telephone system in the boardroom. This will make it easier for Trustees who are unable to appear in person at specific meetings, to participate by telephone

Mr Lee also noted that the Agency had received budget approval to obtain a court reporter to transcribe Board minutes, making the overall minutes more accurate and complete

The Board accepted Mr Lee's report



Committee Report 6 Mr William Brown indicated that the Board had taken final action on the time management recommendations and, therefore, with no additional recommendations, no further actions are required by the Board on this topic

2005 Meeting Dates 7 It is noted that the Board approved the dates for the monthly Board of Trustee meetings as part of the Administrative Committee Report Exhibit B

Legislative Report 8 Mr Howard Pleines reported on the large number of pension bills that have been introduced in the 2005 Maryland General Assembly He indicated that a total of 53 bills have been filed in the House and Senate (including 11 cross filed bills) There are several bills introduced to provide benefit enhancements to members of the employees, teachers and correctional officers systems Most will not pass because of the cost for these proposed enhancements One proposal from Senator Kasemeyer (SB466) which increases the benefit multiplier to 1.75% of salary for employees and teachers may be given strong consideration

Mr Pleines noted that the Board requested legislation has been introduced, and he anticipated that there would be little discussion in enacting these bills

Several other bills of interest were brought to the Trustees' attention SB305 would have, in part, established a task force to study creating a defined contribution plan as the primary pension benefit for the State Senator Kasemeyer withdrew this portion of SB305 prior to the public hearing It now relates only to studying the funding of retiree health care costs

HB886 would permit retired members to alter their type of retirement after the effective retirement date (proposed change from ordinary disability to service retirement) This would be a bad precedent allowing retirees to alter their retirement after their elections were made and benefits paid

Mr Pleines also noted that SB595/HB1335 would allow a former withdrawn member to receive a special disability benefit by redepositing monies withdrawn from the State Police Retirement System many years ago This legislation is similar to previous attempts to provide a former State Trooper, Mr Mark Fogg, with disability benefits, and it also should be opposed

The Board directed Mr Pleines to oppose HB886, SB595/HB1335, and if introduced, legislation to provide any benefits to Mr Fogg

Mr Pleines spoke on one additional bill for the Board's consideration HB619 states that "an external investment manager selected by the Board of Trustees may not invest any funds allocated to the manager in any stock, security, or other obligation of any company that does business with or in the Republic of Sudan" The Board's long standing practice has been to oppose any legislation that mandates investment decisions, thus impacting on its fiduciary responsibilities The Board confirmed that it will oppose HB619 and directed Mr Lee to submit written testimony stating the Board's reasons for opposing this legislation

The Board thanked Mr Pleines for his report

Medical Board Reports 9

On motion made by Mr Brown, seconded by Major Krome, the Board accepted 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 evidence provided by the claimants

Supplemental Medical Board Reports 10

On motion made and duly seconded the Board accepted the supplemental reports of the Medical Board in connection with application of members for ordinary, accidental and special disability retirement allowances, except for the report for Mr Ricky A Eilerman At the request of staff, approval of Mr Eilerman's disability request was held The Medical Board's conclusions were reached after its review of the evidence provided by the claimants Exhibit C

Patricia Street 11

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms Patricia Street for accidental disability benefits The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented

Ms Street, and her legal counsel, Mr Dennis Gottesman, appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations 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 Executive Session

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss the performance evaluation for the Executive Director, to obtain legal advice, to consult on pending litigation, and to consider a disability appeal. State Govt Article, Section 10-503(a)(1)(iii) authorizes the Board to meet in closed session to exercise a quasi-judicial function. Section 10-508(a)(7) authorizes the Board to meet in closed session to consult with counsel to obtain legal advice. Section 10-508(a)(8) authorizes the Board to meet in closed session to consult about pending or potential litigation. Section 10-508(a)(1) authorizes the Board to meet in closed session to discuss personnel matters, including performance evaluations.

### EXECUTIVE SESSION

The Board met in Executive Session at 10:20 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider the Executive Director's performance evaluation, to obtain legal advice and consult on pending litigation, and to consider a disability appeal. There were present William Donald Schaefer, Chairman, Nancy K. Kopp, Vice-Chair, James C. DiPaula Jr., David B. Hamilton, Morris L. Krome, William D. Brown, Carl D. Lancaster, Dr. Melissa Moye, Patrick O'Shea, F. Patrick Hughes, John W. Douglass, Sheila Hill, Trustees, and Thomas K. Lee, Secretary. Agency staff also attending were Margaret A. Bury, Deborah Bacharach, Howard Pleines, Thomas Gigliotti, Joseph Coale, Jeannie Abramson, Andrea Fulton, and Monica Bias.

The Board ended its closed session at 10:42 a.m. and returned to regular session to complete the agenda.

### REGULAR SESSION

On motion made and duly seconded, the Board voted to ratify actions taken in Executive Session.

Minutes

On motion made and duly seconded, the Board approved the minutes of the January 18, 2005 closed session meeting.

Patricia Street

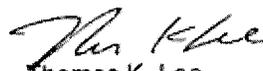
The Board considered the appeal of Patricia Street. Following a discussion, a motion made by Mr. Hamilton, and duly seconded, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Street's request for disability benefits. Treasurer Kopp and Mr. Douglass were recorded as voting against the motion.

Robyn A. Grolnic

Mr. Lee noted that staff's request to remand the disability case of Robyn A. Grolnic back to the Office of Administrative Hearings be withdrawn.

There being no further business before the Board, the meeting adjourned at 10 55 a m

Respectfully submitted,

  
Thomas K Lee  
Secretary to the Board

TKL/mcb

**ADMINISTRATIVE COMMITTEE  
OF THE  
BOARD OF TRUSTEES  
STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND**

**MINUTES OF THE FEBRUARY 1, 2005 MEETING**

The Administrative Committee met on Tuesday, February 1, 2005, beginning at 9 30 a m in the conference room of the Anne Arundel County Library, 5 Harry Truman Parkway, Annapolis Maryland

William D Brown, Chairman, Morris L Krome, Vice-Chairman, David B Hamilton, Howard Freedlander, representing Treasurer Kopp, John Douglass, James Harkins, and Shirley Hill were present Also attending were Thomas K Lee, Executive Director, Margaret Bury, Deborah Bacharach, Will Morrow, Margo Wheel, Jeannie Abramson, Thomas E Patti, Harford County Government, Sherlynn Matesky, and Howard Pleines

The Administrative Committee discussed the following matters

On motion made and duly seconded, the Administrative Committee voted unanimously to conduct the Executive Director's performance evaluation, discuss possible litigation and the Agency's budget in Executive Session State Government Article, 10-508(a)(1) authorizes the Board to meet in closed session to discuss personnel issues, §10-508(a)(7) authorizes the Board to meet in closed session to consult with counsel to obtain legal advice, §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, and § 10-502(a)(1)(i) authorizes the Board to meet in closed session to discuss the Agency's budget and implementation of budget proposals

**EXECUTIVE SESSION**

The Board met in Executive Session at 9 25 a m in the conference room of the Anne Arundel Public Library, 5 Harry S Truman Parkway, Annapolis, Maryland, to consider a personnel issue, potential litigation and budget issues Those persons present in Executive Session for discussion of the Executive Director's performance evaluation were William D Brown, Morris L Krome, David B Hamilton, Howard Freedlander, representing Treasurer Kopp, John Douglass, James Harkins, Shirley Hill, Thomas K Lee, and Andrea Fulton, Department of Budget and Management For the other discussions Margaret Bury, Deborah

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Bacharach, Will Morrow, Margo Wheet, Jeannie Abramson, Thomas E Patti, Sherlynn Matesky, and Howard Pleines were also present

The Board ended its closed session at 10 44 a m and returned to regular session to complete the agenda

**REGULAR SESSION**

**A Minutes of the Administrative Committee held December 7, 2004**

On motion made by Major Krome, and duly seconded, the minutes of the December 7, 2004 Administrative Committee were approved

**B. Administrative Expenses**

Administrative expenses and Investment Manager Fees through December 31, 2004 were accepted

**C. Agency 2006 Budget**

Discussion of budget and implementation issues

**D. Military Service Credit Regulation**

Ms Sherlynn Matesky indicated that staff is proposing a new regulation to clarify that only a member may claim credit for military service (not former members or retirees) and that the Agency is not to accept a claim for military service credit until the member attains 10 years of creditable service

**Action Item:** On motion made by Major Krome, and duly seconded, the Administrative Committee recommends that the Board approve the new regulation to clarify procedures for claiming military service credit

**E. Legislation – Overview of Bill Review Process**

Mr Howard Pleines advised the Administrative Committee that unless otherwise directed, staff intended to follow procedures that have been in place for several years to inform Trustees of legislative proposals impacting on the System and the Retirement Agency All pension bills will be distributed electronically when received Trustees will receive a document titled "Quick Glance" to give an up-to-date look at where each bill stands Weekly, a status report, which will contain more detail on each pension bill, will be sent to each Trustee

Mr Pleines noted that these documents will inform the Board of a bill's progress through both the House and Senate Staff will seek the Board's guidance in taking a position for each proposal

**F. 2005 Legislation – Status Report**

Mr Howard Pleines advised the Committee that through Monday afternoon, few pension bills had been introduced. The bills, the majority of which were discussed at the January Board meeting, deal with Deferred Retirement Option Programs (HB47, SB1, and SB21), reemployment (HB10 and SB40), procurement (HB109), health insurance (HB184), and review of teacher benefits (SB59). The Agency asked for confirmation of positions for each.

Mr Pleines noted several bills that are anticipated, but have not been introduced to date. Senator Lawlah intends to reintroduce a bill for Mark Fogg, a withdrawn former member of the State Police Retirement System (SPRS). Her proposal would reinstate Mr Fogg into the SPRS to receive a deferred retirement. Senator Colburn also is submitting a proposal to permit a withdrawn former SPRS member to receive a special disability retirement. Finally, Mr Pleines noted that there could be a proposal to establish a special benefit similar to the legislative plan for the desk officers of the Senate and the House (6 members).

Ms Hill noted that she was aware of several proposals. One would establish a DROP for Correctional Officers. Two proposals from prior years are to be reintroduced, (1) extending membership in the Correctional Officers' System to dietary, maintenance, and warehouse correctional officers, and (2) extending membership in the Law Enforcement Officers' Pension System to parole and probation officers.

**Action Item:** On motion made by Major Krome, and duly seconded, the Administrative Committee recommends the following:

- Support – SB40 and SB59
- No Position – HB10, HB47, HB109, HB184, SB1, and SB21

**G. 2004 Evaluation – Executive Director**

The performance evaluation for the Executive Director was held in closed session.

**H. Proposed Board of Trustees 2005 Meeting Dates**

Mr Brown noted that the proposed meeting dates for the Board and its primary committees were discussed by the Committee. Except as otherwise noted, Board meetings are to remain on the 3<sup>rd</sup> Tuesday of each month, Administrative Committee meeting continue on the 1<sup>st</sup> Tuesday with Investment Committee meeting on the 2<sup>nd</sup> Friday.

**Action Item:** The Administrative Committee recommends to the Board of Trustees that it adopt the proposed meeting dates for the Board, the Administrative Committee and the Investment Committee. Also, the Committee accepted the Statement of Deliverables for 2005.

EXHIBIT A

**Adjournment**

There being no further business, Mr Brown adjourned the meeting at 11 22 a m

  
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J Howard Pleines

PROPOSED BOARD OF TRUSTEES MEETING DATES FOR 2005

(1 <sup>st</sup> Tuesday, unless noted)* <u>ADMINISTRATIVE</u>	(2 <sup>nd</sup> Friday, unless noted*) <u>INVESTMENT</u>	(3 <sup>rd</sup> Tuesday) <u>FULL BOARD</u>
N/A	1/14/05	1/18/05
2/01/05	2/11/05	2/15/05
3/01/05	3/11/05	3/15/05
4/12/05*	4/08/05	4/19/05
N/A	5/13/05	5/17/05
6/07/05	Education Session	Education Session
N/A	7/08/05	7/19/05
8/02/05**	8/12/05	8/16/05
9/06/05**	9/09/05	9/20/05
10/11/05*	10/14/05	10/18/05
N/A	11/10/05*	11/15/05
12/06/05	12/09/05	12/20/05

\*\* Agency Budget Discussions and Approval