

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

April 21, 2009

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 9:14 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	Theresa Lochte
James M. Harkins	T. Eloise Foster	Robert Schaefer	William D. Brown
Major Morris Krome	Sheila Hill	F. Patrick Hughes	John Douglass
Thurman W. Zollicoffer, Jr. (via phone)		R. Dean Kenderdine, Secretary	

Agency Staff members attending included:

Deborah Bacharach	Steve Cichelli	Melody Countess	Mansco Perry	Ira Greenstein
Dennis Krysiak	Howard Pleines	Fred Semko	Margaret Bury	Kenneth Reott
Patrice Sowah	Melissa Warren	Toni Voglino	Victoria Willard	Anne Budowski
Angela Jenkins	Janet Sirkis	Robert Feinstein	Brian Rowe	

Also attended by:

Bill Anderson	John Kenney	Melissa Moye	Robert Palumbi	Michael Rubenstein
Dylan Baker				

Present only during the disability appeals portion of the agenda included:

Carla Katzenberg	Jill Leiner	James E. Burdette	Joel Segall, Esq.	Janet Oronsaye
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Minutes 1. On a motion made by Chairman Kopp and seconded by Major Krome, the Board approved the minutes of the March 17, 2009 open session meeting.

Legislative Update 2. Mr. Howard Pleines provided a summary update on the 2009 enacted legislation awaiting the Governor's signature.

***HB446/SB593 State Retirement and Pension System – Board of Trustees – Attendance and Educational Training***

**Comments:** Provides that jury duty and investment/fiduciary training are excused absences related to attendance requirements for Board meetings. Trustees, with approval from the Chairman of the Board, may receive credit for their required investment/fiduciary training held anywhere in the continental United States. Training may be conducted by System investment managers/contractors. The bill also provides that elected trustees are to be given reasonable time during work to attend Board and committee meetings. The General Assembly added a reporting requirement on trustee/staff travel indicating the destination, duration and justification for the travel.

The report is due by September 1<sup>st</sup> of each year.

***HB448/SB178 State Retirement and Pension System – Investment Manager Service Fees***

**Comments:** Increases the current manager fee cap for externally managed investment assets from 0.3% to 0.5%. Also clarifies certain responsibilities of the CIO relating to alternative investments and real estate.

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Legislative Update

***HB466/SB179 State Retirement Agency – Monitoring of Telephone Calls – Quality Assurance***

**Comments:** Authorizes the Board of Trustees to adopt regulations to manage the monitoring and recording of telephone calls into member services staff for quality assurance and training purposes.

***HB473/SB226 State Retirement and Pension System – Participating Governmental Units***

**Comments:** Clarifies the definition of "local pension system" for participating governmental units transferring or withdrawing from a State system. Provides that existing employees of new participating governmental units must elect to participate by the PGU's entry date (July 1<sup>st</sup>).

***HB975/SB591 State Retirement and Pension System – Military Service Credit – Clarification and Simplification***

**Comments:** Alters the definition of "military service" as it relates to service credit for members of State or local retirement or pension systems to include active and inactive duty for training that interrupts a member's employment with the State or a political subdivision of the State. Required changes to comply with federal requirements related to military service credits.

***HB977/SB592 State Retirement and Pension System – Compliance with Federal Tax Provisions***

**Comments:** Prohibits the Board of Trustees from using forfeitures of benefits by a member or former member to pay benefit increases; requires use of forfeitures to reduce employer contributions. Provides State Retirement Agency may rollover payments to eligible retirement plans specified by the designated beneficiaries of a member of the System. Necessary to satisfy certain plan qualification issues and comply with the Pension Protection Act.

***HB745 Town of Sykesville Employees – Participation in the Employees' Pension System***

**Comments:** Requires employees of the Town of Sykesville who are employed by the Town on the date of entry into the Employees' Pension System (EPS) to join on that date. Provides for an employee of the Town of Sykesville to receive service credit in EPS equal to 75% of the employee's prior service with the Town.

***HB872 Employees' Pension System – Purchase of Service Credit – Washington Suburban Transit Commission***

**Comments:** Provides three members of the Employees' Pension System (EPS) who prior to enrolling in the EPS were employed by the Washington Suburban Transit Commission to purchase service credit for the period of time the members participated in the Montgomery County Government 401(a) Retirement Plan. The members will purchase service based on missed employee contributions, with normal interest, and employer contributions, with 7.75% interest, for the years/months to be purchased. The bill is in effect from July 1 through Dec. 31, 2009.

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Legislative Update

**HB1051 Employees' Pension System – Service Retirement Allowance – Creditable Service**

**Comments:** Provides two individuals who were employed by the City of Annapolis as contractual employees shall receive creditable service in the Employees Pension System for that contractual service during which time both employee and employer contributions were paid into the System.

**HB1383/SB962 Town of University Park Employees – Participation in the EPS**

**Comments:** Requires employees of the Town of University Park who are employed by the Town on the date the Town joins the Employees' Pension System to join on that date. Provides for employees of the Town of University Park to receive service credit in EPS equal to 70% of the employee's prior service with the Town.

**HB1495/SB1019 State Police Retirement System – Reemployment of Retirees**

**Comments:** Permits retired State Troopers to be reemployed at the rank of TFC in contractual employment that is intended to last no more than four years without any earnings limitations. Permits retired troopers to serve as Maryland State Police Aviation Command Helicopter pilots who, along with the reemployed retired State Police Troopers would have death and disability benefits during the period of re-employment. Provides special death benefit to surviving spouse of pilot killed in service in September 2008. Bill sunsets in five years.

**HB1513 Employees' Retirement and Pension Systems – Reemployment of Retirees – Health Care Practitioners**

**Comments:** Eliminates restriction that a retired health care practitioner may only work as a contractual employee for four years. Bill sunsets in two years (sunset provision was added with the understanding that the Joint Committee on Pensions study re-employment issues during the 2009 Interim).

**SB65 State Retirement and Pension System – Line of Duty Death Benefits – Maryland Transportation Authority Employees**

**Comments:** *Emergency Bill* Extends the special death benefits of Chapter 519 of the Acts of 2008 retroactively to apply to one individual who was killed in the line of duty in April 2008.

**SB66 Supplemental Retirement Plans and Optional Retirement Program – Employing Institutions – Community Colleges**

**Comments:** Permits community colleges to select vendors for their supplemental retirement plans. Maryland Higher Education Commission would no longer have authority over the community colleges in this area.

Administrative  
Committee  
Report

3. Mr. Harkins, Chairman of the Administrative Committee, reported on the meeting held on April 7, 2009.

Mr. Harkins reported that Mr. Dennis Krysiak provided an outreach plan designed to ensure that the Agency is doing all it can to encourage Minority Business Enterprise participation in Agency business. The plan

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Administrative  
Committee  
Report

was accepted by the committee. Mr. Harkins reported that the plan has been reviewed and approved by the Governor's Office of Minority Affairs. The plan also provides a summary of the statutory requirements for the Agency regarding the State's Small Business Reserve Program (SBR) where the Agency must meet a 10% mandate to procure services/materials with qualified small businesses. The State further encourages the Agency to meet a 25% goal of utilizing minority businesses. Mr. Harkins reported that the Agency solicits vendors under the SBR Program first, and the MBE Program second.

Mr. Harkins reported that the Agency discovered a problem with the payroll reporting for certain members of the Employees' Pension System who are employed by the Maryland School for the Deaf. Ten-month employees of the School are being reported on the State's normal twelve-month salary scale, and for the two summer months they are reported as inactive. Mr. Harkins reported that the Agency receives a higher reported earnable compensation amount than is actually paid, and benefit amounts are higher when estimated and/or when paid to these individuals. Staff is currently auditing the accounts for both the active and retired employees of the School and will report back in June with recommendations to solve the payroll problems for the Committee to consider.

Mr. Harkins reported that the Agency received a letter from an outside actuary, Bolton Partners Inc., expressing concerns that new entrants into the System were disadvantaged in the current financial crisis as their liabilities for entrance are calculated under an actuarial value, while their incoming assets would be based on market value.

Mr. Harkins reported the Agency was unable to meet its abandonment rate or call waiting time goals for the second time in the 2009 Fiscal Year in the month of February. The increased calls associated with tax season, several recent mass mailings, and renewed field counseling seminars, make it more difficult to meet the goals at this time of year. The Agency anticipates that this trend could continue for the next few months as the volume of calls is expected to remain high and staff works to fill current counselor vacancies.

Mr. Harkins reported that the negotiations with Saber for a final contract settlement for MPAS-1 have been completed. The settlement will go before the Board of Public Works next month. MPAS-1 remains on track for implementation in July 2010.

Mr. Harkins reported that Mr. Dean Kenderdine advised that the Board Performance Evaluation Policy requires a self evaluation every two years - last evaluation completed in 2007. A Discussion Guide that has been used with each of the previous two self-evaluations is intended to identify (1) Trustee concerns over the performance or operation of the Board and/or its committees and (2) suggestions for improving Board performance. Mr. Harkins reported that Mr. Kenderdine noted that the Schaefer Center would be utilized again to collect and compile results of the Trustees' responses to the Guide as well as to facilitate the Trustees' discussion of the results.

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Administrative  
Committee  
Report

On a motion made by Mr. Harkins, and seconded by Mr. Hughes the Board accepted the current Discussion Guide for the Board's 2009 performance evaluation.

Mr. Harkins reported that Major Krome expressed his concern that the State Police Retirement System employer contribution rate faced significant increases in the future, noting that since the Board's study of corridor funding, he has been aware of a spike in the rates when the current amortization period for State Police ends in 2020. Increases to benefits, actuarial errors and a mature system - more retirees receiving benefits than active members contributing to the SPRS (2100 retirees to 1400 active members) - coupled with the current market performance could increase the SPRS employer rate to 40% next year and perhaps to 80% of salary over time.

Mr. Harkins reported that Mr. Kenderdine pointed out that all plans within the System face significant challenges with respect to future employer contribution rates.

Mr. Harkins reported that Brad Armstrong of GRS, via telephone, confirmed that this was a looming problem for the State Police as well as other State systems, even though the employee and teacher systems were under the corridor funding method that would prevent as large an increase in those rates.

Mr. Harkins reported that Mr. Armstrong stated that it was an appropriate time to conduct a study of The System's funding policy so that it could be completed while there is a greater opportunity to devise and implement appropriate responses to this situation.

The Administrative Committee recommended to the Board of Trustees that GRS complete a thorough study of projected employer contributions for the various systems within the State Retirement and Pension System of Maryland for both the State and Participating Governmental Units, with options to mitigate pending increases to those rates. The study should include a thorough review of the amortization policy, asset valuation method, and the corridor funding method now in place for the Employees' and Teachers' Systems.

Mr. Douglass commented that the study should extend the life expectancy 2-5 years.

Mr. Blitzstein agreed with Mr. Douglass and noted that a study is proactive and should include a stress test, looking creatively to finance these important obligations.

After discussion, the Board decided that inviting GRS to the June Board meeting to further discuss their recommendations would be appropriate.

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Executive  
Director's  
Report

4. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine reminded the Board to complete their 2008 financial disclosure statements by April 30<sup>th</sup> as required by State Ethics Law.

Mr. Kenderdine invited the Board to attend the Agency's May 7<sup>th</sup> Employee Appreciation program. The appreciation program will include a training component, service awards, and lunch. The program will be held on the 21<sup>st</sup> floor in our building.

Mr. Kenderdine announced the upcoming May 19<sup>th</sup> Board Education Session. The topics will include private equity, hedge funds, National Public Pension issues, and responsible investing. This session will be held at the InterContinental Harbor Court Hotel on Light Street.

Mr. Kenderdine announced that the Agency is planning to brief the legislature on the Terra Maria Fund. This will be an opportunity for the Agency to share with legislators recent developments in our Investment Program as well. More detailed information will be forthcoming.

At Mr. Kenderdine's request, Mr. Robert Feinstein provided a general investment status update.

Medical Board  
And  
Supplemental  
Medical Board  
Reports

5. On a motion made by Mr. Hughes, 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.

**FIRST CLOSED SESSION**

The Board met in a Closed Session (10:43 a.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street:

1. to approve the closed session minutes, State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to discuss a contract dispute, State Government Article §10-508(a)(7)&(8), to consult with counsel to obtain legal advice and with staff, consultants, or other individuals about pending or potential litigation; and,
3. to discuss the Executive Director's evaluation, State Government Article §10-508(a)(1), personnel matters.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	Theresa Lochte
James M. Harkins	T. Eloise Foster	Robert Schaefer	William D. Brown
Major Morris Krome	Sheila Hill	F. Patrick Hughes	John Douglass
Thurman W. Zollicoffer, Jr. (via phone)		R. Dean Kenderdine, Secretary	

Agency Staff members attending included: Deborah Bacharach Margaret Bury  
Also in attendance: John Kenney and Melissa Moye.

The Board ended its closed session and returned to regular session to complete the agenda at 11:30 a.m.

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**REGULAR SESSION**

- James E. Burdette    6.    The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. James E. Burdette for SPECIAL 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. Joel Segall, Mr. Burdette's attorney, appeared before the Board to oppose the Agency's 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.

- Janet E. Oronsaye    7.    The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Janet E. Oronsaye 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. Oronsaye presented herself 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.

**SECOND CLOSED SESSION**

The Board met in a Closed Session (1:30 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to discuss the appeals of James E. Burdette and Janet E. Oronsaye pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Nancy K. Kopp	David Blitzstein	Theresa Lochte	Robert Schaefer
William D. Brown	Major Morris Krome	Sheila Hill	F. Patrick Hughes

Agency Staff members attending included:

Deborah Bacharach    Margaret Bury    Janet Sirkis    Patrice Sowah    R. Dean Kenderdine

Also in attendance: John Kenney.

The Board ended its closed session at 1:46 p.m. and returned to regular session to complete the agenda.

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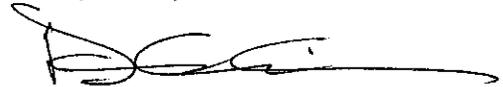
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**REGULAR SESSION**

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

- James E. Burdette    8.    The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Mr. James E. Burdette's request for special disability benefits.
- Janet E. Oronsaye    9.    The Board voted to **REJECT** the Administrative Law Judge's Proposed Decision and **GRANT** Ms. Janet E. Oronsaye's request for accidental disability benefits.
- Adjournment    10.    There being no further business before the Board, the meeting adjourned at 1:47 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/pws