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

July 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 9:10 a.m.

The Trustees present included:

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

Agency Staff members attending included:

Deborah Bacharach	Margaret Bury	Steve Cichelli	Rachel Cohen	Melody Countess
Robert Feinstein	Anne Budowski	Dennis Krysiak	Mansco Perry	Howard Pleines
Kenneth Reott	Brian Feilinger	Charles So	Janet Sirkis	Patrice Sowah
Toni Voglino	Melissa Warren	Victoria Willard		

Also attended by:

Bill Anderson	Robert Palumbi	Michael Rubenstein	Len Foxwell	Dylan Baker
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Shaka A. Rasheed, Managing Director, J.P. Morgan Asset Management

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

Carla Katzenberg     Jill Leiner

- |                          |    |  |
|--------------------------|----|--|
| Minutes                  | 1. | On a motion made by Mr. Hughes and seconded by Mr. Hill, the Board approved the minutes of the June 16, 2009 open session meeting.   |
| Administrative Committee | 2. | On a motion made by Treasurer Kopp and seconded by Ms. Hill the Board, in accordance with the Board Operations Policy revised and adopted October 16, 2007, appointed the following members and officers to the Administrative Committee to serve for the period of August 1, 2009 through July 31, 2010: <ul style="list-style-type: none"><li>▪ James Harkins, Chairman</li><li>▪ Morris L. Krome, Vice Chair</li><li>▪ Nancy K. Kopp (or designee)</li><li>▪ John Douglass</li><li>▪ T. Eloise Foster (or designee)</li><li>▪ Sheila Hill</li><li>▪ Theresa Lochte</li></ul>  |
| Investment Committee     | 3. | On a motion made by Mr. Harkins and seconded by Ms. Hill the Board, in accordance with State Personnel and Pensions Article, Section 21-115 (a)(2), (b)&(d), appointed the following members and officers to the Investment Committee to serve for the period of August 1, 2009 through July 31, 2010: <ul style="list-style-type: none"><li>▪ Robert Schaefer, Chairman</li><li>▪ William D. Brown, Vice Chair</li><li>▪ Nancy K. Kopp</li><li>▪ Peter Franchot</li><li>▪ T. Eloise Foster</li><li>▪ David S. Blitzstein</li><li>▪ Sheila Hill</li><li>▪ F. Patrick Hughes</li><li>▪ Morris L. Krome</li><li>▪ Harold Zirkin</li><li>▪ Thurman Zollicoffer, Jr.</li></ul> |

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- Audit Committee
4. On a motion made by Mr. Brown and seconded by Mr. Harkins the Board in accordance with the Board Operations Policy revised and adopted October 16, 2007, appointed the following members and officers to the Audit Committee to serve for the period of August 1, 2009 through July 31, 2010:
- F. Patrick Hughes, Chairman
  - John Douglass, Vice Chair
  - James Harkins
  - Morris L. Krome
  - Theresa Lochte
  - Harold Zirkin
- Corporate Governance Sub-Committee
5. On a motion made by Mr. Hughes and seconded by Ms. Hill the Board, in accordance with the Board Operations Policy revised and adopted October 16, 2007, appointed the following members and officers to the Corporate Governance Subcommittee, of the Investment Committee, to serve for the period of August 1, 2009 through July 31, 2010:
- Sheila Hill, Chairman
  - Thurman Zollicoffer, Jr., Vice-Chairman
  - Nancy K. Kopp
  - Peter Franchot
  - David S. Blitzstein
  - William D. Brown
- Securities Litigation Committee
6. On a motion made by Mr. Harkins and seconded by Ms. Hill, the Board in accordance with the Securities Investigation Policy of the System's Investment Policy Manual, adopted June 2009, the Board appointed the following members and officers to the Securities Litigation Committee to serve for the period August 1, 2009 through July 31, 2010:
- Thurman Zollicoffer, Jr., Chairman
  - Harold Zirkin, Vice-Chairman
  - F. Patrick Hughes
  - Robert W. Schaefer
- Administrative Committee Report
7. Mr. James Harkins, Chairman of the Administrative Committee, reported on the Administrative Committee's special meeting held June 26, 2009.
- Mr. Harkins reported that the special meeting was held to address the issue of the over payment of benefits to approximately fifty retired employees of the Maryland School for the Deaf (MSD).
- Mr. Harkins reported that the Administrative Committee had been briefed in April that ten-month employees of MSD had had annual earnable compensation reported to the Agency incorrectly (at a higher rate) for years. This higher compensation resulted in a higher average final compensation at retirement and, consequently, a higher monthly retirement benefit than should have been paid.
- Mr. Harkins reported that Staff presented three options to address the retiree overpayment issue:
1. Recalculate the retirement payments for all of the impacted retirees and beneficiaries and revise these retirement payments prospectively, beginning with the January 2010 benefit payment, and seek a legislative

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Administrative  
Committee  
Report

- remedy so that no offset is necessary to recover the overpaid retirement payments;
2. Recalculate the retirement payments prospectively, beginning with the July 2009 benefit payment, and seek recovery of the entire overpaid retirement benefits; and,
  3. Seek legislation to continue to pay the pension benefits based upon the reported (12-month) salary for those in payment status as of June 30, 2010.

Mr. Harkins reported that following discussion and a failed motion to take no action to recover or reduce benefits, the Committee voted to accept staff's recommended option 1.

Earnings Limitation  
Recovery Report –  
BCPSS Retirees

8. On motion made by Ms. Hill, and seconded by Ms. Lochte, the Board approved the Earnings Limitation Recovery Report and authorized the Agency to reduce the FY10 benefits of the affected retirees.

Executive  
Director's  
Report

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

Mr. Kenderdine reported that the MPAS project continues to progress on schedule and within budget.

Debbie Bacharach reported on the status of the Securities Litigation RFP process, which is being handled through the Attorney General's Office. Contract bids have been received and are in the process of being reviewed by a review committee.

Comptroller Franchot inquired about the recent news regarding CalPERS alleging losses as a result of incorrect bond ratings; specifically, if the System has any losses due to bond ratings that were incorrect. To which, Mr. Blitzstein added and proposed that a loss analysis be conducted to determine if the System has any related losses.

Treasurer Kopp requested, that before we conduct a loss analysis, to have legal provide an overview and status of the CalPERS lawsuit.

Major Krome requested legal to provide an open litigation report.

Annual Checklist

10. Mr. Kenderdine presented for review the Implementation of the Board of Trustee's Policies and Submission of Other Deliverables Annual Checklist for the period of January 1, 2009 through December 31, 2009.

CIO Report

11. Mr. Mansco Perry, III provided a portfolio performance update, as well as an update on the transition to the System's asset allocation.

Mr. Perry expressed his appreciation to his staff as well as the Agency's Legal division for all of their collective the hard work. Their efforts, of completing a significant number of investments over the past several months, were commendable.

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- Medical Board    12.    On a motion made by Major Krome and seconded by Mr. Brown, the Board  
    And                      of Trustees accepted all the reports of the Medical Board in connection with  
    Supplemental        applications of members for ordinary, accidental and special disability  
    Medical Board        retirement allowances. The Medical Board's conclusions were reached after  
    Reports                its review of the documentation in the file.

**FIRST CLOSED SESSION**

The Board met in a Closed Session (11:14 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 overpayment issues, State Government Article §10-508(a)(7)&(8), to consult with counsel about pending or potential litigation;
3. to discuss fund managers, State Government Article §10-508(a)(5), the investment of public funds;
4. to discuss the Board's Self Evaluation, State Government Article §10-503(a)(1), the exercise of an administrative function;
5. to discuss the selection of an actuarial audit service provider, State Government Article §10-508(a)(14), to consult with staff about a potential contract.

The Trustees present included:

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

Agency Staff members attending included

Deborah Bacharach	Margaret Bury	Rachel Cohen	Melody Countess
Anne Budowski	Dennis Krysiak	Howard Pleines	Brian Rowe
Mansco Perry, III	Patrice Sowah	Melissa Warren	Brian Feilinger
Kenneth Reott	Toni Voglino		

Also in attendance: Len Foxwell.

The Board ended its closed session and returned to regular session to complete the agenda at 1:15 p.m.

**REGULAR SESSION**

- Phillip J. Davidson    13.    The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Phillip J. Davidson 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. Hillary Galloway Davis, Mr. Davison's attorney, 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.

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July 21, 2009

- Sharon M. O'Neil 14. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Sharon M. O'Neil for 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. Dennis Gottesman, Ms. O'Neil'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.

- Donald J. Bacoat 15. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Donald J. Bacoat for 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. Bacoat represented himself and appeared before the Board via telephone 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.

**SECOND CLOSED SESSION**

The Board met in a Closed Session (2:30 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to discuss the appeal of Phillip J. Davidson, Sharon M. O'Neil, and Donald J. Bacoat pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Nancy K. Kopp	William D. Brown	Robert Schaefer	Sheila Hill
Major Morris Krome	Theresa Lochte	Harold Zirkin	John Douglass

Agency Staff members attending included:

Deborah Bacharach   Margaret Bury   Rachel Cohen   Patrice Sowah   R. Dean Kenderdine

The Board ended its closed session at 2:40 p.m. and returned to regular session to complete the agenda.

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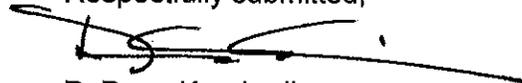
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**REGULAR SESSION**

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

- Phillip J. Davidson 16. The Board voted to ADOPT the Administrative Law Judge's Proposed Decision and DENY Phillip J. Davidson's request for accidental disability benefits.
- Sharon M. O'Neil 17. The Board voted to ACCEPT the Administrative Law Judge's Proposed Decision and DENY Sharon M. O'Neil's request for disability benefits.
- Donald J. Bacoat 18. The Board voted to ACCEPT the Administrative Law Judge's Proposed Decision and DENY Donald J. Bacoat's request for disability benefits.
- Adjournment 19. There being no further business before the Board, the meeting adjourned at 2:40 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/pws

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