

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

July 19, 2011

The Board of Trustees for the Maryland State Retirement and Pension System met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, beginning at 9:11 a.m.

The Trustees present included:

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

Agency Staff members attending included:

|                   |               |                |                 |                  |
|-------------------|---------------|----------------|-----------------|------------------|
| Anne Budowski     | Robert Burd   | Margaret Bury  | Melody Countess | Brian Feilinger  |
| Patricia Fitzhugh | Anne Gawthrop | Michael Golden | Ira Greenstein  | Dennis Krysiak   |
| Kenneth Reott     | Janet Sirkis  | Patrice Sowah  | Toni Voglino    | Victoria Willard |

Assistant Attorneys General present included:

|                   |             |              |                  |             |
|-------------------|-------------|--------------|------------------|-------------|
| Deborah Bacharach | Kathy Brady | Rachel Cohen | Carla Katzenberg | John Kuchno |
|-------------------|-------------|--------------|------------------|-------------|

Also attended by: Len Foxwell, Phillip Anthony, Dylan Baker, Michael Rubenstein, Randy Mickens, John Jones (Retired Teachers), and Gary Steinberg (Service Employees International Union).

- |                                |                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Career Development Recognition | 1. On behalf of the Board of Trustees, Treasurer Kopp, Chairman, Comptroller Peter Franchot, Vice-Chairman, and Mr. Dean Kenderdine recognized the participants of the Agency's Career Development Program. The following participants received certificates for their voluntary participation and completion of the Career Development classes facilitated by Anne Arundel Community College's Center for Workforce Solutions (AACC): |
|--------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

Winter 2011 Session

Angela Cook  
Mildred Green  
Shawann Hudson  
Terry Lynch-Plummer  
Mary Beth Podgurski  
Laquisha Redmond  
Tony Roberts  
Odessa Rose  
Lauren Smith  
Patrice Sowah  
David Toft

Summer 2011 Session

Roxanne Amos  
Lorin Barnes  
Susan Beasley  
Colleen Bower  
Sathy Kavanakudy  
Michelle Lowery  
Amy Lukas  
Toni Voglino  
Jennifer Warren (not present)

Dr. Laura Weidner, Dean of Workforce Development, congratulated the participants and offered comments on behalf of AACC. Laura Norton, Client Services Manager, Janis Seigel, Workforce Development Consultant, and Deborah Wyda, Lead Facilitator, were also present and recognized.

- |                       |                                                                                                                                                                                                                                                                                          |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Minutes               | 2. On a motion made by Ms. Hill and seconded by Ms. Lochte, the Board approved the minutes of the June 21, 2011 open session meetings.                                                                                                                                                   |
| Committee Assignments | 3. As mandated by Board Operations Policy and the State Personnel and Pensions Article § 21-115(a)(2), (b)&(d) the Board discussed the proposed committee assignments. On a motion made by Ms. Hill and seconded by Major Krome, the Board approved the following committee assignments: |

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July 19, 2011

**Administrative Committee**

James Harkins, Chairman  
Major Morris Krome, Vice-Chairman  
John Douglass  
Secretary T. Eloise Foster (or designee)  
Sheila Hill  
Treasurer Nancy K. Kopp (or designee)  
Theresa Lochte

**Investment Committee {SPP §21-115(a)(2), (b)&(d)}**

Harold Zirkin, Chairman  
F. Patrick Hughes, Vice-Chairman  
David Blitzstein  
William Brown  
Secretary T. Eloise Foster  
Comptroller Peter Franchot  
Sheila Hill  
Treasurer Nancy K. Kopp  
Major Morris Krome  
Robert Schaefer  
Thurman Zollicoffer  
*Public Advisors:*  
Larry E. Jennings, Jr.  
Wayner Shaner  
Brian Toppings

**Audit Committee**

F. Patrick Hughes, Chairman  
John Douglass, Vice-Chairman  
James Harkins  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin

**Securities Litigation**

Thurman Zollicoffer, Chairman  
Harold Zirkin, Vice-Chairman  
F. Patrick Hughes

**Corporate Governance**

Sheila Hill, Chairman  
Thurman Zollicoffer, Vice-Chairman  
David Blitzstein  
William Brown  
Comptroller Peter Franchot  
Treasurer Nancy K. Kopp

Treasurer Kopp mentioned her intention to an independent third party come in and review the Board's governance policies to ensure that they remain leading edge. The last time that was done was in 2004, with Cortex serving as a consultant.

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- Audit Committee 4. Mr. F. Patrick Hughes, Chairman of the Audit Committee, reported on the Audit Committee's July 13, 2011 meeting.

Mr. Hughes reported that the Audit Committee:

- received an update on audits of Local Education Agencies (LEA's);
- received an update on Internal Audit's risk assessment of investment operations;
- discussed actions to be taken for placement agents, and;
- discussed the results of recently completed audits.

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Mr. Hughes reported that he was pleased with the Internal Audit Division.

Mr. Blitzstein asked if the Audit Committee has evaluated the Governmental Accounting Standards Board (GASB) proposed changes affecting pension system accounting.

Mr. Hughes responded by saying, the Audit Committee believes that the Finance Division is responsible for evaluating and implementing the new GASB changes.

Mr. Kenderdine added that Gabriel Roeder Smith & Company (GRS) is currently reviewing the GASB changes and how they will affect the system.

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Mr. Hughes concluded his report by indicating that he has provided a detailed written report. See Attachment A.

- Executive Director's Report 5. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine opened the results of the Retired Teachers' Election. Treasurer Kopp announced the results that declared Theresa Lochte as the winner of the election.

| Candidate Name    | Electronic | Mail | Total |
|-------------------|------------|------|-------|
| Elaine M. DiAiso  | 2,623      | 10   | 2,633 |
| Theresa M. Lochte | 6,367      | 15   | 6,382 |
|                   | 8,990      | 25   | 9,015 |

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Mr. Kenderdine reported that the cyber security consultant request for proposals (RFP) is expected to be completed by July 31<sup>st</sup>. Efforts to enhance data protection are proceeding as the Blue Coat (internet email security) software has been purchased and will be installed by August 1<sup>st</sup>. This program will prevent transmission of sensitive member data via personal email accounts just as the current Code Green software prevents such data transmission via Agency email accounts.

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Mr. Kenderdine reported that the pension reform implementation project is moving forward well.

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Mr. Kenderdine reported that the Sustainability Commission has completed its work. He made copies of the report available for Trustees.

**BOARD OF TRUSTEES FOR THE  
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July 19, 2011

Mr. Kenderdine reported that the Commission recommends further consideration of a cash balance plan option and consideration of reform to COLAs for current retirees should recently enacted reforms not fully achieve expected results. In this regard, the Commission recommends that an Attorney General's opinion be sought on the matter. In addition, the Commission recommended that the Board and General Assembly work together in order to find an alternative to the corridor funding method and the new provision for pension reform savings reinvestment, as the economic conditions improve.



Mr. Kenderdine provided the General Assembly's Joint Committee on Pensions meeting schedule.



Mr. Blitzstein commented on, and recommended, the case-study report from the National Institute on Retirement Security entitled, *Lessons from Well-Funded Public Pensions: An Analysis of Plans that Weathered the Financial Storm*.

CIO Report      6. Mr. Robert Burd reported on the portfolio's performance.

Mr. Burd reported preliminary results as of June 30, 2011:  
One year net increase 20%; market value - \$37.5 billion, a \$5.7 billion increase from 2010.

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

**CLOSED SESSION**

The Board met in a Closed Session in the Boardroom of the SunTrust Building at 120 East Baltimore Street:

1. to approve the closed session minutes, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function, and;
2. to discuss securities litigation, pursuant to State Government Article §10-508(a)(7)&(8), receiving advice of counsel, and receiving advice from staff related to pending litigation;
3. to the search for Chief Investment Officer, pursuant to State Government Article § 10-508(a)(1), a personnel issue.

The Trustees present included:

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

Agency Staff members attending included:

|                   |               |                |                 |                 |
|-------------------|---------------|----------------|-----------------|-----------------|
| Anne Budowski     | Robert Burd   | Margaret Bury  | Melody Countess | Brian Feilinger |
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MINUTES OF MEETING**

July 19, 2011

Assistant Attorneys General present included:

Deborah Bacharach    Rachel Cohen    Carla Katzenberg    John Kuchno

Also attended by: Len Foxwell

**REGULAR SESSION – APPEALS AND HEARINGS**

- Robin V. Johnson    8.    The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Robin V. Johnson 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. Robin V. 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 recommendations. Following discussion, the Board deferred further consideration to Closed Session.

- Charles E. Gaither    9.    The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Charles E. Gaither 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. Charles E. Gaither did not appear 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.

- Rhonda L. Romney    10.    The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Rhonda L. Romney 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. Rhonda L. Romney and her attorney, Mr. Michael J. McAuliffe, 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.

**BOARD OF TRUSTEES FOR THE  
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MINUTES OF MEETING**

July 19, 2011

**CLOSED SESSION – APPEALS AND HEARINGS**

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

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

The Trustees present included:

|                   |                    |                |                 |
|-------------------|--------------------|----------------|-----------------|
| Peter Franchot    | William Brown      | James Harkins  | Sheila Hill     |
| F. Patrick Hughes | Major Morris Krome | Theresa Lochte | Robert Schaefer |
| Harold Zirkin     |                    |                |                 |

Agency Staff members attending included:

Margaret Bury      Patrice Sowah      Janet Sirkis

Assistant Attorneys General attending: Deborah Bacharach and Rachel Cohen.

**REGULAR SESSION**

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

- |                    |     |                                                                                                                                                                                  |
|--------------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Robin V. Johnson   | 11. | The Board voted to <b><u>ACCEPT</u></b> the Administrative Law Judge's Proposed Decision and <b><u>DENY</u></b> Robin V. Johnson's request for accidental disability benefits.   |
| Charles E. Gaither | 12. | The Board voted to <b><u>ACCEPT</u></b> the Administrative Law Judge's Proposed Decision and <b><u>DENY</u></b> Charles E. Gaither's request for accidental disability benefits. |
| Rhonda L. Romney   | 13. | The Board voted to <b><u>ACCEPT</u></b> the Administrative Law Judge's Proposed Decision and <b><u>DENY</u></b> Rhonda L. Romney's request for accidental disability benefits.   |
| Adjournment        | 14. | There being no further business before the Board, the meeting adjourned at 11:54 a.m.                                                                                            |

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/pws



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MINUTES OF MEETING**

July 19, 2011

**ATTACHMENT A  
Audit Committee Meeting of July 13, 2011  
Chairman's Report**

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**D. The Committee discussed the results of recently completed audits.**

- Investment Manager Fee Disbursements
  - The audit evaluated controls over manager fee disbursements and compliance with contractual terms and State statute.
  - No significant issues were noted.
  
- Earnings Limitation Compliance
  - The audit assessed the Agency's compliance with statute related to the earnings limitations for reemployed retirees.
  - The audit found that retirees' benefits were not always offset as required, due to a computer programming error.
  - Corrective legislation is needed to address an error in current statute regarding reemployed contractual State Police retirees. Current statute subjects most contractually employed State Police retirees to an earnings limitation.
  - The Agency will continue its current practice of not subjecting contractually employed State Police retirees to an earnings limitation.

**E. The Committee was provided with a listing of audits in progress**

- The Committee will receive reports for these audits when they are issued.

**F. Other Business**

- The Audit Committee will hold its next meeting on August 16<sup>th</sup>, 2011, following the Board of Trustees meeting.