

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

MINUTES OF MEETING

April 18, 2000

The Board of Trustees for the State Retirement and Pension System of Maryland met in the Boardroom of the Crestar Building, 120 East Baltimore Street, Baltimore, Maryland, at 9:00 a.m. There were present Richard N. Dixon, Chairman, William Donald Schaefer, Vice-Chairman, Frederick W. Puddester, Frank P. Casula, Morris L. Krome, Carl D. Lancaster, Arthur N. Caple, Jr., William D. Brown, Debra B. Humphries, George R. Tydings and G. Bruce Harrison, Trustees, Nancy S. Grasmick (via telephone) and Peter Vaughn, Secretary. Agency staff members also attending were Margaret A. Bury, Retirement Administrator, Harriet B. Granet, Jill Leiner, Robert Feinstein, Carla Katzenberg, Assistant Attorneys General, J. Howard Pleines, Director of Legislation, Carol Boykin, Chief Investment Officer, Sherlynn Matesky, Administrator, Thomas Gighotti, Chief Internal Auditor, Benjamin Robb, Information Officer.

Karl H. Goodman, attorney for Ferne Gruntman, Robert Shunaberry, and Richard J. Miller also attended.

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| Minutes        | 1 | On motion made and duly seconded, the Minutes of the regular meetings of the Board of Trustees for the State Retirement and Pension System of Maryland, held on March 21 and March 24, 2000, were approved.  |
| Ferne Gruntman | 2 | <p>Without objection from the Board, Chairman Dixon agreed to allow Ms. Gruntman's case to be heard first at the request of her attorney.</p> <p>The Board considered the report of Laurie Bennett, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Ferne Gruntman. Ms. Gruntman appealed the Medical Board's denial of accidental disability benefits. The Medical Board reasoned that they did not believe that her disability was the natural and proximate result of a work-related accident on January 6, 1989.</p> <p>The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Ms. Gruntman's disability was not the "natural and proximate result" of a work-related accident that allegedly occurred on January 6, 1989. Therefore, her application for accidental disability benefits should be denied.</p> |

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Mr Karl H Goodman, attorney for Ms Gruntman, presented his arguments opposing 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 The Board deferred further consideration to executive session

Robert Shinaberry 3 On motion made and duly seconded, the Board voted unanimously to defer Mr Shinaberry's case to a future meeting

Barbara Baker 4 The Board considered the report of the Medical Board in connection with the claim of Barbara Baker for ordinary and accidental disability benefits The Medical Board report included a report by an Administrative Law Judge and related medical documentation Ms Baker appealed the Medical Board's decision that the medical evidence submitted did not prove that she is permanently incapacitated or unable to perform her job duties

Ms Baker did not appear but asked that her case be considered by the Board on the record Ms Carla Katzenberg, 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

Richard Miller 5 The Board considered the report of Anita Earp Robinson, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Richard Miller Mr Miller appealed the Agency's denial of accidental disability benefits The Agency reasoned that they did not believe that his disability prevented him from filing an application for accidental disability in a timely manner

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Mr Miller's disability did not prevent him from submitting an application for accidental disability within the required 5 years from the date of the accident Therefore, his application for accidental disability benefits should be denied

Mr Miller presented his arguments opposing the Agency's position and the Administrative Law Judge's recommendations Mr Miller asked to play a tape recording from the ALJ hearing Ms Carla Katzenberg, attorney for the Agency, objected because the tape couldn't be authenticated, however, the Board agreed to hear the tape Ms Katzenberg then addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations The Board deferred further consideration to executive session

On motion made by Mr Lancaster and seconded by Mr Harrison, the Board unanimously voted to meet in Executive Session to consider the appeals of Ferne Gruntman, Barbara Baker and Richard Miller. State Government Article Section 10-502(t) 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. State Government Article Section 10-508(a)(3) authorizes the Board to meet in closed session to consider the acquisition of real property for a public purpose and matters directly related thereto. State Government Article Section 10-508(a)(5) authorizes the Board to meet in closed session to consider the investment of public funds. State Government Article Section 10-508(a)(1) authorizes the Board to meet in closed session to discuss personnel matters.

#### EXECUTIVE SESSION

The Board met in Executive Session at 9:35 a.m. in the Crestar Building to consider the appeals of Ferne Gruntman, Barbara Baker and Richard Miller, the investment of public funds, the acquisition of real property, consult with staff about pending or potential litigation, and to discuss personnel matters. All of the persons present at the beginning of the meeting were present in Executive Session except the following: Karl H. Goodman, Robert Shiraberry, Richard J. Miller. The Board adjourned its Executive Session at 10:25 a.m. and returned to regular session to complete the agenda.

#### REGULAR SESSION

Ferne Gruntman      On motion made by Mr Brown and seconded by Mr Caple, the Board voted unanimously to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Ms Gruntman's request for accidental disability retirement benefits.

Barbara Baker      On motion made by Ms Humphries and seconded by Mr Caple, the Board voted unanimously to accept the Medical Board's Report and denied Ms Baker's request for ordinary and accidental disability retirement benefits.

Richard Miller      On motion made by Mr Brown and seconded by Ms Humphries, the Board voted unanimously to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Mr Miller's request for accidental disability retirement benefits.

Executive  
Director's Report

6 Mr. Vaughn then reported on the financial status of the System and informed the Board that the asset value of the fund was \$33.7 billion as of March 31, 2000, and that the fiscal year to date return was 13.67%.

Mr. Vaughn reminded the Board that their Financial Disclosure Statements are due at the Ethics Commission by May 1<sup>st</sup>.

Mr. Vaughn then updated the Board on the backlog relief efforts that the Agency is undertaking and advised that funds are being reallocated within the Agency to meet temporary and overtime needs of the Administrative Division. He reported that the only outstanding issue that would be addressed in July would be the Data processing maintenance efforts of the existing system.

Mr. Vaughn then introduced Mr. Thomas Gigliotti, the Agency's new Chief Internal Auditor.

The Board reviewed and accepted the System's financial statements and investment performance comparisons for the period ending March 31, 2000 for the State Retirement and Pension System of Maryland.

The Board accepted Mr. Vaughn's report.

Investment Committee  
Report

7 Mr. Arthur Caple, Jr., Chairman of the Investment Committee, reported on the meetings held March 24 and April 14, 2000 (Exhibits A and B).

On motion made and duly seconded, the Real Estate Registry was approved as amended.

Mr. Caple reported on the presentation by Merrill Lynch on two domestic equity growth strategies that they offer.

Mr. Caple then reported on a proposal presented by Progress Investment Management Company regarding criteria to establish a new domestic equity minority fund of funds for the Agency.

On motion made by Ms. Humphries and duly seconded, the Board voted unanimously that Progress Investment Management Company set their criteria for the new minority fund of funds as (1) top performing domestic equity minority managers, (2) utilize the Maryland State law definition of minority, (3) employ managers with assets under management below \$1 billion, (4) graduate managers once their assets under management exceed \$1 billion and make a recommendation to the Board whether the manager should manage money directly for the System, (5) utilize Russell 3000 benchmark or another benchmark determined to be appropriate by the Chief Investment Officer, (6) utilize a separate account.

On motion made and duly seconded, the Board voted unanimously to adopt the Investment Committee's recommendation to (1) to adopt the definition of "minority" to be the legal definition set in Maryland law, (2) to increase minority brokerage target for internally managed fixed income to 5% of total transactions, (3) increase the target for externally managed equity to 10% for minority brokers and 5% for a combination of Maryland headquartered brokerage firms and national brokerage firms with Maryland offices

The Board accepted Mr Caple's report

Audit Committee  
Report

- 8 Mr Brown, Chairman of the Audit Committee, reported on the meeting held January 4, 2000, and informed the Board that the Committee is reviewing the internally managed investment portfolio and would deliver a full report at a later date

The Board accepted Mr Brown's report

2000 Proposed  
Legislation

- 9 Mr Howard Pleines reported on the final legislation for the year 2000 session of the General Assembly

Mr Pleines reported that 23 pension bills were passed by the General Assembly All Board sponsored bills were passed

Mr Pleines responded to a question by Mr Brown on House Bill 136 Mr Pleines stated that the bill was amended to eliminate the 5-year limitation for correctional officers only and that the Joint Committee on Pensions would study the issue in the summer session

The Board accepted Mr Pleines' report

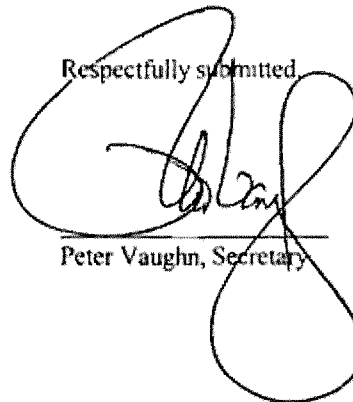
Default Order  
James Whetstone

- 10 Mr Vaughn informed the Board that he had received a Default Order for Failure to Appear in the case of James Whetstone for accidental disability benefits Mr Whetstone informed the Agency that he did not appear because he felt that he could not prevail When told that the case would be closed, Mr Whetstone agreed Therefore, in accordance with COMAR 22 03 04 11C(2), Mr Vaughn found no good cause to excuse the default and so informed the Board, as required in COMAR 22 03 04 11 D, that he would issue the Default Order terminating proceedings in this case

- Medical Board Reports 11 The Board, on motion made by Mr Casula and seconded by Mr Harrison, accepted and 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 12 The Board, on motion made by Mr Casula and seconded by Mr Harrison, unanimously accepted and approved the supplemental reports of the Medical Board in connection with applications of members for ordinary and accidental and special retirement 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 C.
- Other Business 13 Mr Caple reminded the Investment Committee members that there would be an Investment Committee meeting immediately following the Board meeting.

On motion made and duly seconded, the Board adjourned at 11 40 a m

Respectfully submitted,



Peter Vaughn, Secretary

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