

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

MINUTES OF MEETING

May 16, 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, Frederick W Puddester, Frank P Casula, Morris L Krome, Carl D Lancaster, Arthur N Caple, Jr, William D Brown, Debra B Humphries, Nancy S Grasmick, David B Mitchell, Ali A Alemi and G Bruce Harrison, Trustees, 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, Thomas Gighotti, Chief Internal Auditor, Patricia Scott, Administrative Officer, Sherlynn Matesky, Administrator and Benjamin Robb, Information Officer

T Eloise Foster, John A Schrufer, Jr, attorney for Virginia Buskirk, and Ms Buskirk, and Erin Danz, attorney for Denise Collins, and Ms Collins, and Gene Kalwarski and Fiona Liston of Milliman and Robertson also attended

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| Minutes | 1 | <p>On motion made by Mr Casula and seconded by Major Krome, the Minutes of the regular meetings of the Board of Trustees for the State Retirement and Pension System of Maryland, held on April 18, 2000, were approved</p> <p>On motion made and duly seconded, the Board voted unanimously to have Investment Committee Executive Session minutes available to Board members at the subsequent meeting</p> |
| Virginia Buskirk | 2 | <p>The Board considered the report of Judith Lewis-Frazer, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Virginia Buskirk Ms Buskirk 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 March 24, 1997</p> |

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Ms Buskirk's disability was not the "natural and proximate result" of a work-related accident that allegedly occurred on March 24, 1997. Therefore, her application for accidental disability benefits should be denied.

Mr John A Schrufer, Jr, attorney for Ms Buskirk, 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.

Denise Collins

3

The Board considered the report of Glendell L. Adamson, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Denise Collins. Ms Collins 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 an accident that occurred in the performance of duty.

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Ms Collins' disability was not the "natural and proximate result" of a work-related accident that allegedly occurred on July 14, 1995. Therefore, her application for accidental disability benefits should be denied.

Ms Erin Danz, attorney for Ms Collins, presented her arguments opposing the Agency's position and the Administrative Law Judge's recommendations. Ms Carla Katzenberg, 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.

Jacqueline Kessler

4

At the request of Ms Kessler, the Board voted unanimously to defer her case until the June 20, 2000 Board meeting to allow additional time for the submission of medical records.

On motion made and duly seconded, the Board unanimously voted to meet in Executive Session to consider the appeals of Virginia Buskirk and Denise Collins. State Government Article Section 10-502(i) 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.

EXECUTIVE SESSION

The Board met in Executive Session at 9 59 a m in the Crestar Building to consider the appeals of Virginia Buskirk and Denise Collins, and to consult with staff about pending or potential litigation. All of the persons present at the beginning of the meeting were present in Executive Session except the following John A. Schrufer, Jr., Virginia Buskirk, Erin Danz, and Denise Collins. The Board adjourned its Executive Session at 11 10 a m and returned to regular session to complete the agenda.

REGULAR SESSION

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

Denise Collins On motion made by Mr. Brown and seconded by Dr. Alemi, the Board voted to reject Administrative Law Judge's recommendation and grant Ms. Collins' request for accidental disability retirement benefits. Messrs. Dixon, Caple, Brown, Lancaster, Harrison and Ms. Humphries, Colonel Mitchell, Major Krome and Drs. Grasmuck and Alemi registered yea votes. Messrs. Puddester and Casula registered nay votes.

Executive
Director's Report

5 Mr. Vaughn then reported on the financial status of the System and informed the Board that the asset value of the fund was \$32.5 billion as of April 30, 2000, and that the fiscal year to date return was above 8%.

Mr. Vaughn informed the Board that notices would go out to employees who are required to make back payments to the Contributory Pension System due to SB363. The notice will advise that, if payment is made by June 30, there will be no penalty.

Mr. Vaughn then reported that the withdrawal from the System by Prince George's County for the 69 deputy sheriffs and corrections officers is complete. The cost of transfer to Prince George's County is \$2.3 million.

The Board reviewed and accepted the System's financial statements and investment performance comparisons for the period ending April 30, 2000 for the State Retirement and Pension System of Maryland.

The Board accepted Mr. Vaughn's report.

Mr Brown, Chairman of the Executive Committee, reported on the meeting held May 2, 2000 (Exhibit A)

Mr Brown informed the Board of expenditures that may exceed the administrative cap. The Agency has been notified by the Annapolis Data Center (ADC) of an amount due of \$70,000 more than budgeted. In addition, an anticipated credit from ADC would not occur this year. Mr Brown stated that the Committee would discuss ideas for better communication between the Agency and the ADC.

Mr Brown then explained the case of St. Mary's College and their offer of a \$25,000 retirement incentive to longer tenured, higher paid faculty members, which may affect final salary. Mr Brown stated that Assistant Attorney General, Harnet Granet, would review the information and advise the Committee if the payment could be included in earnable compensation. Ms Granet will report back to the Committee at the June meeting.

Mr Brown then reported on a proposed regulation to alter the method of benefit recalculation to be fairer to the retiree who changes a beneficiary who is not deceased. Mr Brown asked the Board to decide whether to adopt the Actuary's recommendation to alter the recalculation of the joint and survivor options, Options 2 and 3. On motion made and duly seconded, the Board voted unanimously to approve the recommendation as stated.

Mr Brown next reported on a suggested legislative proposal that would treat any retiree who changes a beneficiary after the beneficiary has died, the same as a retiree whose spouse is still alive. Mr Brown also noted that there would be an actuarial cost to the proposal. Mr Lancaster stated that retirees should be treated equally and that the Board should support the legislative proposal. On motion made by Mr Lancaster and seconded by Mr Brown, the Board voted to approve a legislative proposal to alter the recalculation of joint and survivor options 2 and 3 so that the methodology will be the same for retirees whose spouses have died as for retirees whose spouses are still alive. Messrs Dixon, Mitchell, Caple Krome and Ms Humphries registered nay votes. Messrs Puddester, Brown, Lancaster, Casula and Harrison, and Drs Grasmick and Alemi registered yea votes.

Mr Brown then presented a proposed Payment Authorization Policy stating authorized individuals to sign vouchers for the payment of checks relating to refunds, deceased benefits, DROP payments and retirement benefits. On motion made by Mr Brown and seconded by Major Krome, the Board voted unanimously to approve the Payment Authorization Policy as presented.

Mr Brown then informed the Board of a proposed investment evaluation by William M. Mercer, Inc., at a cost not to exceed \$35,000, to identify additional investment products that the Board may wish to include in the Optional Retirement Program for Aetna and VALIC. On motion made by Mr Brown and duly seconded, the Board voted unanimously to reject the

proposed evaluation by William M Mercer, Inc. On motion made by Dr Grasmick and duly seconded, the Board voted unanimously to refer this issue to the Investment Committee

Mr Brown then recommended that the Board adopt the proposed policy relating to dual employment and members who participate in one or more Teachers' and/or Employees' Retirement or Pension Systems, earn credit in one or more System, or receive salary credit for earnable compensation reported for multiple positions. On motion made by Mr Brown and duly seconded, the Board voted unanimously to adopt the policy entitled Maryland State Retirement Agency Teachers' and Employees' Systems Rules for Individuals Working in Multiple Positions and/or Working for Multiple Employers

The Board accepted Mr Brown's report

On motion made by Mr Caple and seconded by Mr Puddester, the Board unanimously voted to meet in Executive Session. 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.

The minutes of the regular Investment Committee meeting held on May 12, 2000 are attached as Exhibit B.

EXECUTIVE SESSION

The Board met in Executive Session at 11:45 a.m. in the Crestar Building to consider the investment of public funds and the acquisition of real property. All of the persons present at the beginning of the meeting were present in Executive Session except the following: John A. Schrufer, Jr., Virginia Buskirk, Erin Danz, Denise Collins, Gene Kalwarski and Fiona Liston. The Board adjourned its Executive Session at 12:15 P.m. and returned to regular session to complete the agenda.

REGULAR SESSION

Earnings
Recovery
Limitation

7

The report of the Agency for offsets of certain retirees was accepted by the Board. The Board, on motion made by Mr Brown and seconded by Mr Caple, authorized the reduction of the pensions of affected retirees as provided for under the current law [State Personnel and Pensions Article Sections 22-406 (b)(2) and 23-407 (b)(2)]. The pensions offset are based on calendar 1998 earnings that will be offset from pension benefits paid in fiscal year 2000.

Medical Board
Reports

8

The Board, on motion made by Dr. Alemi and seconded by Mr. Caple, 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. Major Krome asked that the record reflect that he is strongly opposed to the approval for special disability retirement for Claude Keen.

Supplemental
Medical Board
Reports

9

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

10

There being no further business, on motion made and duly seconded, the Board adjourned at 12:20 p.m.

Respectfully submitted,


Peter Vaughn, Secretary

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