

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

MINUTES OF MEETING

June 20, 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, T Eloise Foster, 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, G Bruce Harrison, and, via telephone, Nancy S Grasmick and George R Tydings, 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, Blaine Hoffmann, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, Thomas Gighotti, Chief Internal Auditor, Patricia Scott, Administrator, Sherlynn Matesky, Administrator, Rick Harrison, Chief Financial Officer, and Francis Langston, Information Systems Officer

Rony Werthamer, attorney for Robert Shinaberry, Mary Catherine Nevins, Forrest Mays, attorney for Jacqueline Kessler, and Ms Kessler were also present

- Minutes 1 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 May 16, 2000, were approved
- Board Officers 2 On motion made by Mr Schaefer and seconded by Dr Alemi, the Board of Trustees, in accordance with State Personnel and Pensions Article, Section 21-105(1&2), unanimously re-elected the Officers of the Board of Trustees as shown below, for the period July 1, 2000 through June 30, 2001

Chairman	Richard N Dixon
Vice-Chairman	William Donald Schaefer
Secretary	Peter Vaughn

- Executive Committee 3 On motion made by Dr Alemi and seconded by Major Krome, the Board of Trustees, in accordance with the Resolution adopted on November 9, 1982, appointed the following members, Chairman and Vice-Chairman of the Executive Committee for the period July 1, 2000 through June 30, 2001
- William D Brown, Chairman
Morris L Krome, Vice-Chairman
Richard N Dixon
Nancy S Grasmick
Ali A Alemi
David B Mitchell
T Eloise Foster
- Investment Committee 4 On motion made by Major Krome and seconded by Mr Casula, the Board of Trustees, in accordance with State Personnel and Pensions Article, Section 21-115 (a)(2),(b)&(d), appointed the following officers and members of the Investment Committee for the period July 1, 2000 through June 30, 2001
- Board Members Arthur N Caple, Jr, Chairman
Carl D Lancaster, Vice-Chairman
Frank P Casula
Richard N Dixon
William Donald Schaefer
G Bruce Harrison
George R Tydings
T Eloise Foster
Debra B Humphries
- Public Members Robert H Patzwall, Jr
Wayne H Shaner
Robert W Schaefer (subject to Board of Public Works approval)
- Robert Shinaberry 5 The Board considered the report of Alan B Jacobson, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Robert Shinaberry Mr Shinaberry appealed the Medical Board's denial of accidental disability benefits The Medical Board reasoned that they did not believe that his disability was the natural and proximate result of a work-related accident on August 7, 1995
- The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Mr Shinaberry's disability was not the "natural and proximate result" of a work-related accident that allegedly occurred on August 7, 1995 Therefore, his application for accidental disability benefits should be denied

Mr Rony Werthamer, attorney for Mr Shinaberry, presented his 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

Mary Catherine
Nevins

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The Board considered the report of T Austin Murphy, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Mary Catherine Nevins Ms Nevins 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 Nevins' disability was not the "natural and proximate result" of a work-related accident Therefore, her application for accidental disability benefits should be denied

Ms Nevins presented her arguments opposing the Agency's position and the Administrative Law Judge's recommendations Ms Jill Leimer, 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

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The Board considered the report of Mary Shock, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Jacqueline Kessler Ms Kessler 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 allegedly occurred in the performance of duty on March 6, 1995

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

Mr Forrest Mays, attorney for Ms Kessler, presented his arguments opposing the Agency's position and the Administrative Law Judge's recommendations Ms Jill Leimer, 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

Christina Longley

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The Board considered the report of Ern H Leff, sitting as

Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Christina Longley. Ms. Longley 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 that occurred on December 21, 1995.

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

Ms. Longley did not appear at the Board meeting and asked that her case be heard on the record. 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.

On motion made and duly seconded, the Board unanimously voted to meet in Executive Session to consider the appeals of Robert Shinaberry, Mary Catherine Nevins, Jacqueline Kessler and Christina Longley. 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 11:15 a.m. in the Crestar Building to consider the appeals of Robert Shinaberry, Mary Catherine Nevins, Jacqueline Kessler and Christina Longley, 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: Rony Werthamer, Mary Catherine Nevins, Forrest Mays, and Jacqueline Kessler. The Board adjourned its Executive Session at 11:20 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION

Robert Shinaberry: The Board considered the record of Robert Shinaberry. Following a discussion, on motion made by Major Krome and seconded by Dr. Alemi, the Board voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Mr. Shinaberry's request for accidental disability retirement benefits. Colonel Mitchell abstained from the vote.

Mary Catherine

Nevins The Board considered the record of Mary Catherine Nevins. Following a discussion, on motion made by Major Krome and seconded by Mr. Casula, the Board voted unanimously to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Ms. Nevins' request for accidental disability retirement benefits.

Jacqueline Kessler The Board considered the record of Jacqueline Kessler. Following a discussion, on motion made by Mr. Casula and seconded by Mr. Brown, the Board voted unanimously to reject Administrative Law Judge's recommendation and grant Ms. Kessler's request for accidental disability retirement benefits.

Christina Longley The Board considered the record of Christina Longley. Following a discussion, 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. Longley's request for accidental disability retirement benefits.

Executive
Director's Report

9 Mr. Vaughn reported on the financial status of the System and informed the Board that the asset value of the fund was \$31.9 billion as of May 31, 2000, and that the fiscal year return should meet or exceed 8%.

Mr. Vaughn informed the Board that 1600 retirement applications had been received so far for July and that a total of 2200 applications are expected. These figures are comparable to prior years.

Mr. Vaughn then reported that, while the Agency had received several replies from Congressional offices agreeing to contact the IRS on the Agency's behalf, the IRS has not yet ruled on the State Police DROP plan.

Mr. Vaughn then stated that the annual COLA increase was 2.19%. All retirees who have been retired for one year will receive the increase in July.

Mr. Vaughn then informed the Board that, on June 2, 2000, the Attorney General had filed a motion to dismiss the Mark Fogg lawsuit.

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

The Board accepted Mr. Vaughn's report.

Executive
Committee Report

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Mr. William D. Brown, Chairman of the Executive Committee, reported on

the regular meeting held June 6, 2000 and a special meeting held June 14, 2000 (Exhibits A and B)

Mr Brown informed the Board that the Agency owes an additional \$40,000 to the Annapolis Data Center (ADC). This is due to the additional usage of the ADC facilities during Fiscal Year 2000 because of legislative changes to the System

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. The Executive Committee recommended that (1) that the Board treat the portion of the \$25,000 incentive payment that would reflect the individual increases as noted as earnable compensation and average final salary, (2) the Board reject the remaining portion of the incentive payment as a one-time bonus not to be included in earnable compensation or average final salary, and (3) the Board accept the extraordinary salary increases (portion over 20%) to be included in earnable compensation and average final salary. On motion made by Mr Brown and seconded by Dr Alemi, the Board voted unanimously to adopt the recommendation of the Executive Committee regarding St Mary's College as stated

Mr Brown then reported on the Committee's discussion regarding the transfer of service credit to and from the State Police Retirement System. The Committee asked Assistant Attorney General, Harnet Granet, to draft a legislative proposal to permit State Police members to transfer service credits on a delayed basis by paying an amount based on the employee contributions held in the former system plus normal interest. Ms Granet will report back to the Committee at their July meeting.

Mr Brown next informed the Board that the Agency had received 2 requests from Merchant Marines for service credit for the period August 16, 1945 through December 31, 1946, noting that the Agency currently grants credit for World War II service for active duty on December 7, 1941 through August 15, 1945. The Committee recommended that the Agency recognize and grant service credit for the period August 16, 1945 through December 31, 1946 as active military service. On motion made by Mr Brown and seconded by Dr Alemi, the Board voted unanimously to grant service credit for active military service from August 16, 1945 to December 31, 1946 to retirees and members of the System.

Mr Brown then stated that the Board of License Commissioners for Washington County had asked to join the Employees' Contributory System as a participating municipality. He further stated that the actuarial data had been prepared and that the 8 current employees of the Board of License Commissioners had approved participation. On motion made by Mr Brown and seconded by Dr Alemi, the Board voted unanimously to approve participation of the Board of License Commissioners for Washington County in the Employees' Contributory System.

Mr Brown then informed the Board of a proposed policy to change the

method of calculation relating to employees' accumulated contributions that are guaranteed under Option 4 for members who make full-cost purchases at retirement to protect their contributions. The Committee recommended that the Board adopt the policy as presented. On motion made by Mr. Brown and seconded by Major Krome, the Board voted unanimously to adopt the policy as presented.

Mr. Brown then informed the Board of Mr. Walter Hairston who requested that his earnings limitation offset be waived because he received a salary paid from grant funds, and because he claimed exemption under SB15 of 1999 that permits retirees to work as classroom teachers. Mr. Brown stated that the source of funds does not determine the earnings limitation, but that staff would determine when Mr. Hairston became a classroom teacher so that SB15 would be applied from that date. On motion made by Mr. Brown and seconded by Dr. Alemi, the Board voted unanimously to reject Mr. Hairston's request to waive his earnings limitation offset, and begin the offset of his benefits.

Mr. Brown then stated that the Committee recommended the deferral of the implementation of the Law Enforcement Officers' Pension System Deferred Optional Retirement Program (LEOPS) until the agency receives a favorable ruling from the IRS. On motion made by Mr. Brown and seconded by Dr. Alemi, the Board voted unanimously to defer the implementation of the LEOPS as stated.

Mr. Brown informed the Board that the final step to the 2000 legislative process, assigning chapter numbers to enacted pension legislation, had been completed. He also stated that a tentative 2000 Interim schedule had been prepared consisting of 3 meetings by the Joint Committee on Pensions from September through November. The Joint Committee will consider 3 bills that did not pass in the 2000 Session: the re-employment of retired former members, pre-funding of retiree health insurance subsidy, and accuracy of benefit estimates processing.

Mr. Brown next informed the Board that the Agency needed to rent an additional 7,300 square feet of office space at their current location to accommodate the 8 new positions granted under the FY2001 budget, and for the anticipated 11 new positions under the 2002 budget. On motion made by Mr. Brown and seconded by Col. Mitchell, the Board voted unanimously to authorize the Agency to rent the additional 7,300 square feet of office space.

Mr. Brown then updated the Board on the progress of the Strategic Systems Development Program. The Committee recommended that the Board approve the revised Strategic System Project (SSP) plan and seek approval of the Board of Public Works subject to the following conditions: (1) that the Steering Committee monitor the contract closely to ensure that vendors meet their deadlines, and take legal action, including revocation of the vendor's bond, if deadlines are not met, (2) that the Steering Committee make monthly progress reports to the Executive Committee, (3) that the Agency adhere to the project's revised completion date of October 2001. On motion made by Mr. Brown and seconded by Major Krome, the Board voted unanimously to

approve the revised SSP plan and seek the approval of the Board of Public Works as stated

The Board accepted Mr Brown's report

Investment
Committee Report

- 11 Mr Arthur Caple, Jr, Chairman of the Investment Committee, reported on the special meeting held June 8, 2000 Mr Caple noted that, in the future, minutes would be distributed to the Board after they have been approved

The Committee recommended Mr Robert Schaefer to replace Mr Howard P Colhoun, whose term ends June 30, 2000, as a public member of the Investment Committee effective July 1, 2000 for a three-year term On motion made by Mr Caple and seconded by Mr Casula, the Board voted unanimously to appoint Mr Schaefer to the Investment Committee as stated (Exhibit C)

Mr Caple then recommended that the Board send a letter to Relational apologizing for certain statements made in a recent report by Board member Carl Lancaster Following a discussion, on motion made by Mr Caple and seconded by Dr Alemi, the Board voted not to send an apology letter to Relational Messrs Schaefer, Brown, Lancaster, Casula and Harrison, Major Krome, Col Mitchell and Ms Foster registered nay votes Messrs Dixon, Caple Tydings, Ms Humphries and Dr Alemi registered yea votes

Earnings
Limitation
Recovery

- 12 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

Disability Offset

- 13 The reports of the Medical Board for offsets of disability retirees were accepted by the Board The Board, on motion made by Mr Schaefer and seconded by Mr Brown, authorized the reduction of the pensions of affected retirees as provided for under the current law (State Personnel and Pensions Article), effective July 1, 1990 The offsets are based on calendar 1999 earnings that will be offset from pension benefits paid in fiscal year 2001

Medical Board
Reports

- 14 The Board, on motion made by Mr Brown and seconded by Mr Schaefer, 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

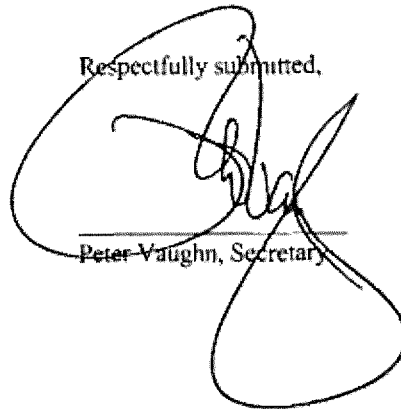
15 The Board, on motion made by Ms Humphries and seconded by Mr Schaefer, unanimously accepted and approved the supplemental reports of the Medical Board in connection with applications of members for ordinary and accidental and special retirement allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants. The Supplemental Report of the Medical Board is shown as Exhibit D

Other Business

16 Mr Dixon informed the Board that future Board meetings would be held at 9 30 a m rather than 9 00 a m

There being no further business, on motion made and duly seconded, the Board adjourned at 12 25 p m

Respectfully submitted,



Peter Vaughn, Secretary

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