

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

MINUTES OF MEETING

May 21, 2002

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, at 9 45 a m There were present William Donald Schaefer, Acting Chairman, Deputy Treasurer Charles G Williams, Secretary T Eloise Foster (arrived 10 00 a m ), Arthur N Caple, Jr (via tele-conference), William D Brown, Carl D Lancaster, David Rakes, Major Morris L Krome, G Bruce Harrison, Dr Ali A Alemi (arrived 10 03 a m ), Trustees, and, Peter Vaughn, Secretary Agency Staff members also attending were Margaret A Bury, Retirement Administrator, Deborah Bacharach Robert Feinstein, Jill Leiner, and Carla Katzenberg, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, Howard Pleines, Legislative Director, Thomas Gighotti, Chief Internal Auditor, Gary Scribner, Chief Information Officer, Rick Harrison, Chief Financial Officer, and Gwen Mulkey, Executive Associate

Colonel Mitchell requested that the record reflect the he regretfully was unable to attend the Board meeting because he was attending a conference in Denver, Colorado

Also present were, Mr David Wright, Ms Carrie Jackson, and Kenneth Nieman, Esq attorney for Paul Hendricks Also present were Ronald Ruffo, William Kahn, Principle Counsel of Contract Litigation unit of the Attorney General's office, and Dana Reed, Deputy Counsel of the Contract Litigation unit of the Attorney general's office

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| Minutes                              | 1 | On motion made by Major Krome and seconded by Mr Williams, the minutes of the meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on April 16, 2002, were unanimously approved as amended  |
| Minutes                              | 2 | On motion made by Mr Rakes and seconded by Mr Williams, the minutes the Executive Sessions of the Board of Trustees for the State Retirement and Pension System, held on November 15, 2001, December 18, 2001, January 15, 2002, February 8, 2002, and February 19, 2002 were approved  |
| Ad-Hoc Benefit Improvement Committee | 3 | Mr Brown expressed his concerns over creating the Ad-Hoc Committee especially in light of the Legislators letter to the Board concerning this issue Chairman Schaefer suggested that Treasurer Kopp be on the proposed Committee After further discussion, the Board, on motion made by Mr Brown and seconded by Mr Williams, voted to defer the establishment to the Ad-Hoc Committee on Benefit improvement until the July 2002 Board Meeting |

Carrie Jackson

4

The Board considered the report of D Harrison Pratt, the Administrative Law Judge in connection with the claim of Carrie Jackson, for accidental disability benefits. The report included a recommendation by the Medical Board and related medical documentation.

The Medical Board denied Ms Jackson's claim for accidental disability retirement benefits based on their determination that the reported accident was not the direct cause the Claimant's disability. Ms Jackson appealed the Medical Board's decision.

Ms Jackson 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. Following discussion, the Board deferred further consideration to Executive Session.

Maureen Morrison

5

The Board considered the report of Douglas Koteen, the Administrative Law Judge in connection with the claim of Maureen Morrison, for accidental disability benefits. The report included a recommendation by the Medical Board and related medical documentation.

The Medical Board denied Ms Morrison's claim for accidental disability retirement benefits based on their determination that the reported accident was not the direct cause the Claimant's disability. Ms Morrison appealed the Medical Board's decision.

As requested by Ms Morrison's Attorney, Ronald Kowitz, Esq., the case was 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. Following discussion, the Board deferred further consideration to Executive Session.

David Wright

6

The Board considered the report of Louis N Hurwitz, the Administrative Law Judge in connection with the claim of David Wright, for accidental disability benefits. The report included a recommendation by the Medical Board and related medical documentation.

The Medical Board denied Mr Wright's claim for accidental disability retirement benefits based on their determination that the reported accidents were not the direct cause the Claimant's disability. Mr Wright appealed the Medical Board's decision.

Mr Wright 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. Following discussion, the Board deferred further consideration to Executive Session.

Attachment A

Paul Hendricks

7

The Board considered the report of Eileen Sweeney, the Administrative Law Judge in connection with the claim of Paul Hendricks, for accidental disability benefits. The report included a recommendation by the Medical Board and related medical documentation.

The Medical Board denied Mr. Hendricks' claim for accidental disability retirement benefits based on their determination that the reported accident was not the direct cause of the Claimant's disability. Mr. Hendricks appealed the Medical Board's decision.

Kenneth Nieman, attorney for Mr. Hendricks appeared before the Board and 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. Following discussion, the Board deferred further consideration to Executive Session.

On motion made by Mr. Brown and seconded by Mr. Williams, the Board voted unanimously to meet in Executive Session to consider the following matters: deliberations regarding the disability appeals, advice and discussion with staff and counsel regarding pending or potential litigation. State Govt. Article, Section 10-503(a)(1) authorizes the Board to meet in closed session to exercise a quasi-judicial function. Section 10-508(a)(7) authorizes the Board to meet in closed session to obtain legal advice, and Section 10-508(a)(8) authorizes the Board to meet in closed session to consult with staff or other individuals about pending or potential litigation.

#### EXECUTIVE SESSION

The Board met in Executive Session at 11:17 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street to consider the appeals of Carrie Jackson, David Wright, Maureen Morrison and Paul Hendricks, and to consult with staff or other individuals about pending or potential litigation. All of the persons present at the beginning of the meeting were present in Executive Session except the following: Jill Leiner, Ronald Ruffo, Carla Katzenberg, Carrie Jackson, David Wright and Kenneth Nieman, Esq., Attorney for Paul Hendricks. The Board adjourned its Executive Session at 1:05 p.m. and returned to regular session to complete the agenda.

Carrie Jackson

The Board considered the record of Carrie Jackson Following a discussion, on motion made by Mr Lancaster and seconded by Mr Rakes, the Board voted unanimously to reject the Administrative Law Judge's Proposed Findings and grant Ms Jackson accidental disability benefits

David Wright

The Board considered the record of David Wright Following a discussion, on motion made by Major Krome and seconded by Mr Brown, the Board voted unanimously to reject the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and grant Mr Wright's request for accidental disability retirement benefits

Maureen Morrison

The Board considered the record of Maureen Morrison Following a discussion, on motion made by Major Krome and seconded by Dr Alemi, the Board voted unanimously to accept the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and deny Ms Morrison's request for accidental disability retirement benefits

Paul Hendricks

The Board considered the record of Paul Hendricks Following a discussion, on motion made by Major Krome and seconded by Secretary Foster, the Board voted to accept the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and deny Ms Morrison's request for accidental disability retirement benefits with a vote of nine to 1 Chairman Schaefer, Secretary Foster, Major Krome, Dr Alemi, Messrs Williams, Caple, Harrison, Rakes and Lancaster registered yea votes Mr Brown registered a no vote

Executive Director's Report

8

Mr Peter Vaughn introduced the new Public Information Officer Mr Joseph Coale Mr Vaughn stated that Mr Coale spent ten years as Crown Central Petroleum Corporation's Director of Corporate Communications, and had six years investment experience with Alex Brown Additionally, Mr Coale served as Executive Assistant to Governor Hughes and is well acquainted with the legislative process Mr Vaughn asked the Board to please join him in welcoming Mr Coale

Mr Vaughn reported that the Legislative auditors were currently on the premises for the Annual Financial Statement Audit of the System Mr Vaughn also stated that this is a Compliance Audit year

Mr Vaughn reported to the Board that the position reduction plan was submitted as directed to the Department of Budget and Management on May 3, 2002 Mr Vaughn stated that the Agency should know the outcome of the submitted reduction plan by June 15, 2002

Mr Lancaster requested that the Board be provided the details of the outcome of the results of the submitted reduction plan and also the individual positions that would be eliminated prior to the actual elimination Mr Vaughn agreed

Mr Vaughn noted that the fiscal year to date investment returns thru March 31, 2002 yielded a negative 18 % Mr Caple stated the Mr Coale should prepare a statement regarding the negative return in anticipation of questions on that issue when the fiscal year closes

Executive  
Committee Report

9

Mr Vaughn informed the Board that the Agency was currently recruiting for the remaining vacancies in the Agency which were not part of the reduction plan

The Board accepted Mr Vaughn's report

Mr Brown, Chairman of the Executive Committee reported on the regular meeting held May 7, 2002 Attachment B

Administrative expenses and manager fees were reviewed and accepted

Mr Brown informed the Board that during the meeting Mr Ricky Harrison indicated that the Agency had received a "green-light" letter from the Department of Budget and Management indicating that the Retirement Agency would not be subject to the additional 5% budget cut for FY2002 Mr Harrison did remind the members that the Retirement Agency still is subject to the position reduction plan requested by DBM

Mr Brown reported that Mr Ricky Harrison advised the Executive Committee that, the Retirement Agency has been charged under State law with performing audits of boards of education, libraries and community colleges pertaining to the proper payment of employer contributions by the State for "teacher" members

Mr Brown noted that this year the cost to audit exceeded recovery, and stated that in effect we are subsidizing the general fund for their expenses The Executive Committee recommends to the Board of Trustees that the Executive Director write to the Budget and Pension Committees providing a background of the Retirement Agency's involvement with the audits, indicating the present recovery problems The letter is to request relief from the audit function or to provide for reimbursement of the audit costs to the System On motion made by Mr Brown and seconded by Major Krome, the Board voted unanimously to instruct the Executive Director to write the Budget and Pension Committees requesting relief from the audit function or provisions for reimbursement of the audit costs

Mr Brown stated that a discussion of the dedicated bond fund and a review of the internal accounting procedures were held The Executive Committee requested staff to prepare a report and any recommendations they may have

Mr Brown then informed the Board that during the Committee meeting, Mr Peter Vaughn stated that the Retirement Agency had received a request from Mr Antonio for a hearing after the Agency denied his request to suspend the retirement benefit He further stated that neither pension law nor current regulations permitted the benefit to be suspended while a retiree is re-employed The recovery of any overpayments occurs after the retiree receives the income and after the Retirement Agency verifies that the offset is required with their employer

The Executive Committee recommended to the Board of Trustees that it accept Mr Vaughn's letter denying a hearing to Mr Antonio. On motion made by Mr Brown and seconded by Major Krome the Board voted unanimously to accept Mr Vaughn's letter denying a hearing to Mr Antonio.

Mr Brown informed the Board that during the Committee meeting, Mr Harvey Raitzyk reported on the existing and potential backlogs within the Administrative Division of the Retirement Agency. He noted that the Agency is heading into its peak processing period of April into August, and assured the Committee that the Agency would shift employees to address backlogs that occur because of the peak processing time.

Mr Brown noted that Mr Howard Pleines addressed the issue of the failure of collective bargaining bills. At the April Board meeting, it had been suggested that the Retirement Agency's administrative costs as noted on the Agency's fiscal notes were responsible for the failure of most of these proposals. Mr Pleines informed the Committee that the prime reason for the unfavorable report was lateness and the cost to provide the added benefits.

Mr Harrison reiterated that these benefits were collectively bargained and should have been enacted by this Legislature.

Mr Brown reminded the Board that in April the Agency had presented a proposed Board policy for Offsetting Retirement Benefits Against Workers' Compensation Payments. He noted that the offset is taken when there is a special or accidental disability benefit that resulting from an on-the-job injury and the Worker's Compensation award is paid or payable on or after the retirement date.

Mr Brown stated that, as requested, staff mailed the policy to all Trustees for their comments. There was no feedback and, therefore, requested the Board to approve the new policy.

The Executive Committee recommends to the Board of Trustees that it approve the Agency's new policy statement, Workers' Compensation Offset of Disability Retirement Benefits. On motion made by Mr Brown and seconded by Major Krome the Board voted to approve the Board policy to administer Workers' Compensation Offset of Disability Retirement Benefits with a vote of eight to two. Chairman Schaefer, Secretary Foster, Major Krome, Dr Alemi, Messrs Caple, Brown, Rakes, and Williams registered yea votes. Messrs Lancaster and Harrison registered nay votes.

Mr Brown stated that the Strategic System Update would be given by Mr Scribner during Executive Session.

Mr Brown advised the Board that the Annapolis Data Center is retiring a Cobol compiler as of July 1, 2002. Rather than wait for the need to change an impacted program, the Agency is converting those programs in the existing system that are deemed critical to current operation.

The Board accepted Mr Brown's report.

Medical Board Reports

- 10 The Board, on motion made by Mr Harrison and seconded by Mr Williams the Board unanimously accepted and approved the reports of the Medical Board in connection with applications of members for ordinary and accidental retirement allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants.

Attachment C

Supplemental Board Reports

- 11 The Board, on motion made by Mr Brown and seconded by Mr Harrison the Board voted unanimously accepted and approved the Supplemental report of the Medical Board in connection with applications of members for ordinary and accidental retirement allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants.

Attachment D

Other Business

- 12 Mr David Rakes gave the following report of the Minority Participation Policy Sub-Committee meeting.

Mr Rakes stated that the Sub-Committee held its first, planning meeting on Friday, May 18, 2002. Attending were Dr Alemi, Mr Caple, Ms Foster (via phone) and Ms Humphries, with Mr Rakes serving as Chair.

There was some initial discussion on the Committee's charge. The Committee agreed that it would address the most challenging issue at this point - that of crafting an MBE policy as their focus.

Mr Rakes reported that the Agency had done quite well with its MBE initiatives. However, the conclusion was that there is still a need to codify the long time practice, and thus institutionalize the program. This can be done rather simplistically and still conform to State and Constitutional standards. Moreover, any MBE policy must also conform to the pension fund's overall economic goals.

Mr Rakes informed the Board that the Committee plans to have a draft policy before the full board no later than October 15, 2002, to allow for maximum discussion. Mr Rakes stated that as work progresses over the Summer, the Board will be kept apprised.

The Board accepted Mr Rakes report.

Attachment E

Mr Brown expressed concerned about the phone system Mr Caple and Mr Lancaster agreed Mr Lancaster further voiced his displeasure at seeing the duct tape and asked that a wireless system be installed Major Krome stated that he would provide Mr Vaughn with information regarding and 800 number conference call system The Board directed staff to replace the conference phone system Mr Vaughn stated that he would address the matter

Mr Brown requested that in future meetings, executive Session would be held at the end of the Board meetings Chairman Schaefer agreed

On motion made by Mr Williams and seconded by Mr Brown, the Board voted unanimously to meet in Executive Session to receive Advice and discuss with staff or other individuals regarding pending or potential litigation Section 10-508(a)(8) authorizes the Board to meet in closed session to consult with staff or other individuals about pending or potential litigation

#### EXECUTIVE SESSION

The Board met in Executive Session at 2 00 p m in the Board Room of the SunTrust Building at 120 East Baltimore Street to consider the appeals of Carrie Jackson, David Wright, Maureen Morrison and Paul Hendricks, and to consult with staff or other individuals about pending or potential litigation All of the persons present at the beginning of the meeting were present in Executive Session except the following Jill Lerner, Ronald Ruffo, Carla Katzenberg, Carrie Jackson, David Wright and Kenneth Nieman, Esq, Attorney for Paul Hendricks The Board adjourned its Executive Session at 2 15 p m and returned to regular session to complete the agenda

On motion made by Major Krome and seconded by Dr Alemu, the Board voted unanimously to ratify actions taken in Executive Session

Adjournment

13

There being no further business, the meeting adjourned at 2 17 pm

Peter Vaughn  
Secretary to the Board

ghm

