

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

MINUTES OF MEETING

April 15, 2003

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 9:30 a.m.

There were present Chairman William Donald Schaefer, Vice Chairman Nancy K. Kopp, Secretary Dr. Nancy Grasmick, Arthur N. Caple, Jr., Debra Humphries, William D. Brown, Carl D. Lancaster, Major Morris L. Krome, G. Bruce Harrison, Secretary James DiPaula, Colonel Edward Norris, and Dr. Ali Alemi, Trustees, and, Dean Kenderdine, Acting Secretary, to the Board. Agency Staff members also attending were Margaret A. Bury, Retirement Administrator, Deborah Bacharach, Jill Leiner, Rachel Cohen and Robert Feinstein, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, Gary Scribner, Chief Information Officer, Mr. Ron Ruffo of MRTA, Michael Dresser of the Baltimore Sun, and Cathy Clevinger, Revenue Administrator.

Chairman's  
Discussion

- 1 Chairman Schaefer stated that the legislature passed SB721, which will reorganize the BOT. The Chairman expressed his concern that the bill's sponsors had not spoken with him, directly, about the bill. The Chairman also stated that it was his opinion that Senator Kasemeyer was intent on having the bill passed regardless of the many arguments against it. The Chairman also felt that Delegate James believed she was in a position of having to pass the bill as well, albeit amended, out of respect for Senator Kasemeyer. The Chairman stated it was his intention to ask Governor Ehrlich to veto SB721 and that he could do so as an individual or on behalf of the BOT.

Vice Chairman Kopp stated that although there are serious problems with the bill, and could not agree with the BOT requesting a veto. She regretted that the bill did not go to Summer Study. The Vice Chairman expressed her deep concern that the Superintendent of Education, the Superintendent of State Police, and one State Police Trustee were being eliminated in favor of individuals appointed by the Governor.

Major Krome stated that he did not think SB721 was in the best interests of the members of the System. He felt the reorganization would leave the BOT more susceptible to political pressures whereas there now exists a diligent BOT to combat a Governor or any other politician from using the System's \$20 billion (plus) assets.

Mr Harrison stated his opposition to SB721 saying that it was "a slap in the face to State Troopers". He felt the enactment of this bill would leave the System vulnerable to abuse of the System, if not under this administration, perhaps in the future, and thought it should have been sent for Summer Study.

Mr Caple also stated his objections to the bill in that it was not in the best interests of the members. He believes this whole process has been about the issue of control and the legislature attempting to exert control beyond what is necessary. He thought that a dialogue between the BOT and the legislative committee should have been held so that concerns could have been heard. He also believes this bill should have gone for Summer Study.

Mr Lancaster, after acknowledging the presence of Mr Michael Dresser from the Baltimore Sun, reminded the BOT that he had testified on March 6<sup>th</sup> on SB721 and at that time, stated his objections to certain parts of the bill. He expressed concern that a veto request would result in the BOT being perceived as obstructionist and not willing to make or accept changes. Mr Lancaster agrees with Vice Chairman Kopp that a veto request should not be made by the BOT.

Secretary DiPaula stated that he believes the bill was rushed through and has many flaws. He felt that it was appropriate for the Chairman to express his concerns about SB721 to Governor Ehrlich.

Dr Grasmick complimented the BOT on the way it conducts itself and stated that she is able to bring certain expertise and a unique perspective to the BOT, particularly on matters affecting retirees and their benefits.

Mr Brown commented that he is not in favor of asking for a veto on SB721, because the legislature "giveth" and the legislature "taketh away".

Chairman Schaefer stated that he feels the BOT has worked hard to improve itself and that recent newspaper articles have been more fair to the BOT. He also stated that this bill will serve to show that the legislature, and Senator Kasemeyer, were instrumental in reorganizing the Board. After listening to the discussion, the Chairman still feels asking the Governor for a veto is appropriate.

Mr Harrison made a motion, seconded by Dr Alemi, authorizing the Chairman to write to Governor Ehrlich requesting a veto of SB721. The vote was taken - there were nine votes in the affirmative, including Mr Tydings, Major Krome, Dr Alemi, Mr Caple, Corporal Harrison, Colonel Norris, Secretary DiPaula, Dr Grasmick and Comptroller Schaefer. There were four no votes, Mr Lancaster, Mr Brown, Ms Humphries, and Treasurer Kopp.

Minutes

2

On a motion made by Chairman Schaefer and seconded by Art Caple, the Minutes of the regular meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on March 18, 2003, were approved

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On a motion by Treasurer Kopp, seconded by Mr Caple, and unanimously passed, the Board agreed to meet in Executive Session at 10 15 a m in the 16<sup>th</sup> floor Board Room of the SunTrust Building, 120 E Baltimore Street for the purpose of considering personnel matters as authorized by State Government Article, Section 10-508(a)(1)

#### EXECUTIVE SESSION

Only the Board members present during the open session and Dean Kenderdine were present during the closed session. The Board took certain personnel actions during the closed session and adjourned the closed session at 11 30 a m. The Board returned to regular session to complete its agenda.

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#### REGULAR SESSION

On a motion by Mr Brown, and seconded by Mr Lancaster, the Board voted to ratify all actions taken during Executive Session.

On a motion by Mr Caple, and seconded by Dr Alemi, the Board approved the closed session minutes of March 18, 2003.

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Donald Petza

3

The Board considered the report of the Administrative Law Judge in connection with the claim of Donald Petza for accidental disability benefits. The report included a report by the Medical Board and all related documentation submitted by parties to the Administrative Law Judge.

Mr Petza presented his opposition to the Agency's position and the Administrative Law Judge's recommendation. Ms Jill Lerner, 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.

Investment Committee  
Report and  
Recommendations

4

Mr Caple reported that the Edgar Lomax Company gave a presentation to the Committee. This company is on the "watch list." Our EnnisKnupp consultants plan to visit this company and report their findings back to the Committee.

3

Mr Caple also reported that an RFP will be issued to secure the services of a consultant to perform a diagnostic review of vendors for the Optional Retirement Program. Additionally, the consultant will evaluate current investment options as well as recommend expansion or changes to the types of options now offered.

Mr Caple reported that the System has been successful in recovering \$2 million from the class action suit against Cendant.

Mr Caple stated the March 2003 open and closed session minutes of the Investment Committee were approved.

Executive  
Committee Report 5

Mr Brown gave a report of Executive Committee's meeting held earlier that morning, April 15, 2003. The Committee has reviewed and accepted the administrative manager fees through 2003. The expenditures are well under budget and the fees are well under the cap. Mr Brown reported that the agency has again received a request from the Maryland Charity Campaign to assist in the mailing of pledge packets to retirees.

The Executive Committee has authorized Ms Bury to assist the Campaign again this year. Chairman Schaefer expressed his desire that the agency do what it can to support the Maryland Charity Campaign as this year will be a particularly difficult one for the Campaign's fundraising efforts.

Acting Executive  
Director's Report 6

Mr Kenderdine reported on the agency's campaign to require all retirees to receive their benefits by way of electronic transfer (EFT). Thus far, the agency has received in excess of 1700 applications for EFT and only 90 individuals have requested a waiver.

Mr Kenderdine called each Trustee's attention to the invitation from EnnisKnupp to attend their annual Client Conference in Chicago and asked that Trustees interested in attending notify him as soon as possible. Mr Kenderdine reminded the Trustees they are required to go through the System's official travel agency to book their travel arrangements.

Mr Kenderdine announced that the one day retreat for the Board of Trustees will be held on Friday, September 19<sup>th</sup> at agency headquarters.

Mr Kenderdine reported that the total asset valuation as of March 31, 2003, was \$24,011,143,000, with the following allocations: Domestic Stock - 44.5%, International Stock - 14.2%, Private Equity - 9.3%, Real Estate - 6.6%, Fixed Income - 34.3%. No rebalancing is required this month.

Mr Kenderdine reported that the agency has purchased four defibrillators, one for each floor that the agency occupies at 120 E Baltimore St. The purchase price of \$9100 includes the purchase of equipment and training of staff. Mr Kenderdine reported that the agency has revised its Emergency Response Plan to reflect the new threats we face from terrorism. He commended the agency's Human Resources Director, Rhonda Jones, for her work in preparing this plan and also acknowledged the assistance of Col Norris' Homeland Security staff who reviewed the agency's plan.

Mr Kenderdine gave an update on the work of Cortex. A meeting between Cortex officials and the agency's Cortex committee will be held Monday, April 21<sup>st</sup>. At that time, a work session will be conducted to review and refine the draft charters and policies that Cortex is preparing. The intent is to have the final draft of these documents presented to the Board at its May 20<sup>th</sup> meeting.

Audit Committee Report

7

No report was presented

Committee and Sub-Committee Reports and Recommendations

8

No reports were presented

2003 Proposed Legislation

9

Ms Matesky reported that a limited number of retirement bills were passed this session largely due to the state's budgetary problems. All legislation introduced at the request of the BOT passed. Three bills were referred to Summer Study on issues including re-employment and earnings limitation exemptions. Ms Matesky expressed her thanks to all agency staff for their support during the session.

Medical Board Rpts

10

On a motion by Ms Humphries and seconded by Mr Tydings, the Board accepted the Medical Board Reports in connection with applications of members for ordinary, accidental and special retirement allowances, with one exception. On the recommendation of Major Krome, and with the Board's concurrence, the case of Sgt Henry E Bowker was not approved and referred for further review. Sgt Bowker's case will be presented again at the May 20 meeting.

On a motion by Mr. Brown and seconded by Mr. Lancaster, the Board accepted the supplemental reports of the Medical Board in connection with applications of members for ordinary, accidental and special retirement allowances

On a motion by Mr. Brown, seconded by Dr. Alemi and unanimously passed, the Board met again in Executive Session at 1 04 p m in the 16<sup>th</sup> floor Board Room of the Sun Trust Building to discuss potential or pending litigation related to Syscom and the Royal Ahold class action matter, to obtain legal advice related to Syscom and Royal Ahold, and to discuss the Real Estate Registry and transition update, as authorized by State Government Article, Section 10-508(a)(7), 10-508(a)(8) and 10-508(a)(5)

The Board met again in Executive Session at 1 04 p m in the Boardroom of the SunTrust Building at 120 East Baltimore Street to discuss pending or potential litigation, to obtain legal advice, and to discuss investment of public funds

#### EXECUTIVE SESSION


All of the persons present at the beginning of the meeting were present in Executive Session except the following Jill Lerner, Rachel Cohen and Robert Feinstein, Assistant Attorneys General, Mr. Ron Ruffo of MRTA, and Michael Dresser of the Baltimore Sun. The Board took actions related to syscom, Froyal Ahold, and other investment related matters and adjourned the closed session at 2 30 p m

#### REGULAR SESSION

On a motion made by Mr. Caple and seconded by Mr. Lancaster, the Board voted to ratify all actions taken during Executive Session

On a motion made by Dr. Alemi and seconded by Major Krome, the Board voted unanimously to approve the March 18, 2003 Executive Session Minutes

There being no further business, the meeting adjourned at 2 40 p m

  
Dean Kenderdine  
Acting Executive Director