

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

[REVISED]
MINUTES OF MEETING

September 16, 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 9:00 a.m. There were present William Donald Schaefer, Chairman, Nancy K. Kopp, Vice-Chair (arrived at 9:15am), James C. DiPaula, Nancy S. Grasmick, Arthur Caple, William D. Brown, Carl D. Lancaster, Morris L. Krome, David B. Hamilton (arrived at 9:28am), Ali A. Alemi (arrived at 9:18am), Trustees, and Thomas K. Lee, Secretary. Agency Staff members also attending were Margaret Bury, Retirement Administrator, Deborah Bacharach, Robert Feinstein, Carla Katzenberg, Rachel Cohen and Jill Leiner, Assistant Attorneys General, Victoria Willard, Acting Chief Investment Officer, Howard Plenes, Director of Legislation and Research, Thomas Gighotti, Chief Internal Auditor, Arthur Broadwick, Acting Chief of Finance, Jeanne Abramson, Acting Chief of Finance, Sara Miller, Acting Director, Human Resources, Harvey Ratzky, Deputy Retirement Administrator, Richard Gawrych, Director of Member Relations, Joseph Coale, Public Information Officer, Gary Scribner, Chief Information Officer, and Monica Bias, Executive Associate.

Also present were Dean Kenderdine, Steve Cummings, Ennis Knupp, Tom Scheibelhut, CEM, Robert Dezube, Bill Reimert and Katie Staub, Milliman USA.

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| Minutes | 1 | On motion made by Dr. Grasmick and duly seconded, the minutes of the regular meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on August 19, 2003 were approved. |
| Investment Committee Report and Recommendations | 2 | Mr. Arthur Caple, Chairman of the Investment Committee, reported on the meeting held September 12, 2003.

On motion made by Mr. Caple and seconded by Mr. Lancaster, the Board approved the Real Estate Registry.

On motion made by Mr. Caple and duly seconded, the Board accepted the Committee's recommendation to allow PIMCO to hold WorldCom securities distributed as part of the bankruptcy settlement for up to 12 months.

Mr. Caple reported that the Bridgewater Guidelines will be presented for approval in October 2003.

On motion made by Mr. Caple, and duly seconded, the Board accepted the Committee's recommendation to approve revised ranges for the Domestic Equity (43% - 53%) and Private Equity (0 - 3%) allocations. |

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On motion made by Mr Caple, and duly seconded, the Board approved formation of an ad-hoc committee to work with staff and EnnisKnupp to develop an RFP for a Private Equity consultant

On motion made by Mr Caple, and duly seconded, the Board approved the removal of Edgar Lomax and two real estate managers, JP Morgan and the LaSalle REIT account, from the watch list

Mr Brown asked Mr Caple if there had been any discussion at the Investment Committee meeting on the Grasso/NYSE situation and if the Council of Institutional Investors had taken a position Mr Caple responded that no action or discussion had been take by the Investment Committee

The Board accepted Mr Caple's report

Executive Committee Report and Recommendations 3

Mr William Brown, Chairman of the Executive Committee reported on the meeting held September 9, 2003

On motion made by Mr Brown and seconded by Dr Grasmick, the Board voted to accept the Executive Committee's recommendation to approve the amended regulation relating to Leaves of Absence

On motion made by Mr Brown and seconded by Mr Krome, the Board voted to accept the Executive Committee's recommendation that the following issues to simplify pension law be included in the Board's legislative proposals to the Joint Committee on Pensions eliminate optional membership, discontinue transfers from a retirement system to a pension system, discontinue plan selection within the retirement systems, eliminate the Local Fire and Police Plan, abolish the retirement system tier within the Law Enforcement Officers' Pension System, discontinue voluntary contributions, and, eliminate 130 day membership requirement for appointed officials The Board also approved the Committee's recommendation to discontinue transfer and option selections following a final six-month window for each

Mr Brown advised the Board that the Agency had identified about 20 retirees whose benefits had been underpaid The Retirement Agency was making corrections to those benefits and issuing payments for the monies owed

The Minutes of the Executive Committee meeting are shown as Exhibit A

The Board accepted Mr Brown's report

Executive Director's Report 4

Mr Thomas K Lee introduced to the Board Ms Sara Miller, who has been hired contractually to fill the position of Director, Human Resources on a temporary, part-time basis

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Mr Lee informed the Board that he had received notification from Mr Ray Nichols to appear before the Mandel Commission on Wednesday, September 17, 2003. Staff has prepared documentation for distribution to the Commission. Mr Brown expressed concern that the Mandel Commission was interested in placing health care under the Retirement Agency. Secretary DiPaula stated that this is not the case.

Mr Lee updated the Board on a request of the Agency to reduce its workforce by four permanent and two contractual positions. This reduction will be accomplished using current vacant positions.

Mr Lee indicated that information regarding Brown & Company and the submittal of the Chief Investment Officer candidate to the Board would be discussed in Closed Session.

The Board accepted Mr Lee's report.

Audit Committee Report

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Mr William D Brown, Chairman of the Audit Committee reported on the Committee's meeting held on August 19, 2003.

On motion made by Dr Grasmick and seconded by Mr Caple, the Board voted to accept the Disaster Recovery/Business Continuity Project. The Board received assurances that were the Retirement Agency building inaccessible for a period of one month, retirees monthly benefit checks would still be issued since all of the necessary member information, computer programs, and check-printing facilities are in Annapolis.

The Board accepted Mr Brown's report.

Experience Study Recommendations

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Mr Robert Dezube and Mr William Reimert of Milliman, USA, the System's Actuary, presented and requested approval of their recommended changes to the actuarial assumptions resulting from their review of the five-year System Experience Study.

During the presentation, Mr Lancaster expressed his concern about their recommendation to reduce the COLA (Cost of Living Adjustment) assumption to 3%. Mr Reimert responded that while the current COLA assumption has been 5%, the average annualized rate of inflation over the past 75 years was 3.05%.

Following discussion, on motion made by Vice-Chairman Kopp and duly seconded, the Board approved the Actuary's recommendations with Mr Lancaster registering a Nay vote.

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Further, Mr Lancaster pointed out to his colleagues that the documentation provided to the Board by Mr Dezube included on its page 6 a listing of the official, primary assumptions of 17 large pension funds and that the average COLA assumption of these 17 funds at 4.07% is greater than Mr Lancaster's suggested 4% COLA assumption if the Board felt an adjustment was necessary

Noting his displeasure that Mr Dezube was proposing the State contribute 0% to the State Police System while the troopers will contribute 8% of their salary, Mr Lancaster also expressed his opinion that this package was designed to accomplish only two things to change the numbers so that the Teacher's Systems would be within the "corridor" and to continue the annual reduction in the State's support for its Retirement and Pension Systems

- CEM 7 Mr Tom Scheibelhut, Managing Partner of Cost Effectiveness Measures (CEM) addressed the Agency responses to the CEM findings and discussed the peer selection and service level scoring processes

On motion made and duly seconded, the Board voted to meet in Executive Session to consider the candidate recommended by the Executive Director for the position of Chief Investment Officer and the Brown and Company contract dispute. State Govt Article, Section 10-508(a)(1) authorizes the Board to meet in closed session to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction. State Govt Article, Section 10-508(a)(7) authorizes the Board to meet in closed session to consult with counsel to obtain legal advice

EXECUTIVE SESSION

The Board met in Executive Session at 11:18am in the Board Room of the SunTrust Building at 120 East Baltimore Street. All persons present at the beginning of the meeting were present in Executive Session except Carla Katzenberg, Jill Leiner, Rachel Cohen, Joseph Coale, Arthur Broadwick, Tom Scheibelhut, Robert Dezube, Bill Reimert, Katie Staub, Victoria Willard, Jeannie Abramson, Gary Scribner, Thomas Gighiotti, Sara Miller, Arthur Broadwick and Harvey Raitzyk. The Board adjourned its Executive Session at 11:40am and returned to regular session at 11:50 to complete the agenda.

REGULAR SESSION

On motion made and duly seconded, the Board voted to ratify actions taken in Executive Session.

CONFIDENTIAL

Ronald G Butts 8 The Board considered the recommendation of the Medical Board in connection with the claim of Ronald G Butts, for accidental disability benefits. The Medical Board report, a report by the Administrative Law Judge, and all related documents in the record were presented.

Mr Butts and Ms Sharon Sirota Rubin, attorney for Mr Butts, appeared before the Board in opposition to the Medical Board's decision that it did not find any objective evidence to substantiate Mr Butt's claim for disability retirement, and that the Medical Board, therefore, cannot certify that Mr Butts is disabled from further performance of duty. Ms Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Medical Board's recommendations. Following discussion, the Board deferred further consideration to Executive Session.

Zbigniew Fedorowicz 9 The Board considered the recommendation of Administrative Law Judge Alan B Jackson in connection with the claim of Mr Zbigniew Fedorowicz, for accidental disability benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr Fedorowicz appeared before the Board and opposed 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. Following discussion, the Board deferred further consideration to Executive Session.

Manvinder Singh 10 The Board considered the recommendation of Administrative Law Judge Stephen J Nichols in connection with the claim of Mr Manvinder Singh, to transfer service credits.

Mr Singh appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations. Ms Rachel Cohen, 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.

Randy Tarburton 11 The Board considered the recommendation of Administrative Law Judge T Austin Murphy in connection with the claim of Mr Randy Tarburton, for special disability benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

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Mr Tarburton and Mr Michael E Davey, attorney for Mr Tarburton, appeared before the Board and opposed 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

Suzanne Reardon 12 The Board considered the recommendation of Administrative Law Judge Kenneth Watson in connection with the claim of Ms Suzanne Reardon, for accidental disability benefits The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented

Ms Reardon and Mr Brian Markovitz, attorney for Ms Reardon appeared before the Board and opposed 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

Sobeida Toatley 13 The Board considered the recommendation of Administrative Judge Law Thomas G Welshko in connection with the claim of Ms Sobeida Toatley, for accidental disability benefits The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented

Mr Michael E Davey, attorney for Ms Toatley appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations Ms Toatley did not appear Ms Jill Leimer, 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

Medical Board Reports 14 On motion made and duly seconded, the Board accepted and approved the reports of the Medical Board in connection with applications of members for ordinary, accidental and special disability retirement allowances The Medical Board's conclusions were reached after its review of the evidence provided by the claimants Treasurer Kopp suggested to the Secretary for the Board, that consideration should be made to condense the Medical Board Reports for future meetings

Supplemental Medical Board Reports 12 On motion made and duly seconded, the Board unanimously voted to accept the supplemental reports of the Medical Board in connection with applications of members for ordinary, accidental and special disability 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 B.

CONFIDENTIAL

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session, to consider the following matters deliberations regarding the disability appeals State Govt Article, Section 10-503(a)(1)(iii) authorizes the Board to meet in closed session to exercise a quasi-judicial function

EXECUTIVE SESSION

The Board met in Executive Session at 1 42pm in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider the appeals of Ronald G Butts, Zbigniew Fedorowicz, Manvinder Singh, Randy Tarburton, Suzanne Reardon and Sobesida Toatley All of the persons present at the beginning of the meeting were present in Executive Session except James C DiPaula, Nancy Grasmick, Carl Lancaster, Robert Feinstein, Jill Leiner, Rachel Cohen, Carla Katzenberg, Victoria Willard, Thomas Gighott, Arthur Broadwick, Jeannie Abramson, Sara Miller, Harvey Raitzyk, Richard Gawrych, Joseph Coale, Gary Scribner, Ronald Butts, Zbigniew Fedorowicz, Manvinder Singh, Randy Tarburton, Suzanne Reardon, Michael Davey, Brian Markovitz, Sharon Sirota Rubin, Dean Kenderdine, Steve Cummings, Tom Scheibelhut, Robert Dezube, Bill Reimert and Katie Staub The Board adjourned its Executive Session at 1 57pm and returned to regular session to complete the agenda

REGULAR SESSION

On motion made and duly seconded, the Board voted to ratify actions taken in Executive Session

Ronald G Butts The Board considered the appeal of Ronald G Butts Following a discussion, on motion made by Dr Alemi and seconded by Major Krome, the Board voted to accept the Medical Board's Proposed Decision and deny Mr Butts' request for ordinary and accidental disability benefits Mr Brown registered a Nay vote

Zbigniew Fedorowicz The Board considered the appeal of Zbigniew Fedorowicz Following a discussion, on motion made by Dr Alemi and seconded by Treasurer Kopp, the Board voted to adopt the Administrative Law Judge's Proposed Decision on Motion for Summary Decision and deny Mr Fedorowicz's request for accidental disability benefits

Manvinder Singh The Board considered the appeal of Manvinder Singh Following a discussion, on motion made by Mr Brown and seconded by Mr Hamilton, the Board voted to adopt the Memorandum Opinion and Proposed Ruling on Motion for Summary Decision and deny Mr Singh's request for transfer of service credit

Randy Tarburton

The Board considered the appeal of Randy Tarburton. Following a discussion, on motion made by Major Krome and seconded by Mr. Brown, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Mr. Tarburton's request for special disability benefits. Mr. Hamilton registered a Nay vote.

Suzanne Reardon

The Board considered the appeal of Suzanne Reardon. Following a discussion, on motion made by Mr. Brown and seconded by Dr. Alemu, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Reardon's request for accidental disability. Mr. Caple abstained.

Soberda Toatley

The Board considered the appeal of Soberda Toatley. Following a discussion, a motion made by Dr. Alemu and seconded by Mr. Caple, to remand the case back to the Administrative Law Judge for further consideration failed by a vote of 2-4. On motion made by Mr. Brown and seconded by Mr. Hamilton, the Board voted 4-2 to adopt the Administrative Law Judge's Motion for Summary Decision and deny Ms. Toatley's request for accidental disability benefits. Mr. Caple and Dr. Alemu registered Nay votes.

Hubert Kitchen

Following a discussion and having received Advice of Counsel, on motion made and duly seconded, the Board voted to accept the Administrative Law Judge's Motion for Summary Decision and deny Mr. Kitchen's request for accidental disability benefits.

There being no further business before the Board, the meeting adjourned at 2:00pm.

Respectfully submitted,


Thomas K. Lee
Secretary to the Board

TKL/mcb