

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

MINUTES OF MEETING

November 18, 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 Nancy K Kopp, Vice-Chair, James C DiPaula, Dr Nancy S Grasmick, Arthur Caple, William D Brown, Carl D Lancaster, Dr Melissa Moye, Patrick A O'Shea Morris L Krome, David B Hamilton, Trustees and, Thomas K Lee, Secretary Agency Staff members also attending were Margaret Bury, Retirement Administrator, Deborah Bacharach, Robert Feinstein, Carla Katzenberg and Jill Leiner, Assistant Attorneys General, Steve Huber, Chief Investment Officer, Vicki Willard, Investment Division, Howard Plemes, Director of Legislation and Research Sherlynn Matesky, Legislation and Research, Thomas Gighott, Chief Internal Auditor, Margo Wheat, Chief Financial Officer, Arthur Broadwick and Jeannie Abramson, Finance, Joseph Coale, Public Information Officer, Gary Scribner, Chief Information Officer, and Monica Bias, Executive Associate

Also present were Howard Freedlander, Deputy State Treasurer, Tom Iannuci, Cortez, Mary Jo Neville and Randy Mickens, Maryland State Teachers Association, Richard Crowther, MCEA, Anne Gawthrop, Legislative Services, Louise A Locke and Timmerman T Daugherty

Prior to discussing the agenda, Treasurer Kopp welcomed two new trustees, Dr Melissa Moye and Mr Patrick A O'Shea

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| Minutes                | 1 | On a motion by Mr Brown, seconded by Mr Caple, the Board approved the revised minutes of the meeting held September 16, 2003, and the minutes of the meeting held October 21, 2003   |
| Committee Appointment  | 2 | On motion by Mr Caple, seconded by Mr Brown, the Board accepted the recommendation of the Chairman and the Vice-Chairman to appoint Dr Melissa Moye, Mr Patrick O'Shea and Mr Kenneth Holt to the Investment Committee   |
| Committee Appointment  | 3 | On motion by Mr Caple, duly seconded, the Board accepted the recommendation of the Chairman and the Vice-Chairman to appoint Dr Melissa Moye and Mr Patrick O'Shea to the Real Estate Subcommittee, and <del>the recommendation that Secretary James C DiPaula be removed from that subcommittee</del> |
| Committee Appointments | 4 | On motion by Mr Caple, duly seconded, the Board appointed the following members to the Audit Committee Mr David B Hamilton - Chairman, Treasurer Nancy K Kopp, Secretary James C DiPaula, and Major Morris L Krome   |

Investment  
Committee  
Report and  
Recommendation

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Mr Arthur Caple, Chairman of the Investment Committee reported on the meeting held November 14, 2003

Mr Caple reported that Ms Suzanne Bernard from EnnisKnupp reviewed the System's Quarterly Fund Evaluation Report indicating that EnnisKnupp would review and report on the System's asset allocation structure and ranges in the Spring

Following a review of the Manager Fund History Report, and at the suggestion of the Treasurer, the Committee agreed to amend the report to include both the initial and current value of assets held

Ms Vicki Willard advised that W R Huff requested permission to stop liquidating System assets and to hold them for 12 months, including holding more than the 10% limit in one company, based on their belief that these holding would outperform during this time frame On motion by Mr Caple, duly seconded by Dr Grasmuck, the Board accepted the recommendation that W R Huff end the liquidation of System assets for the next 12 months Dr Moyer abstained

Mr Caple advised that EnnisKnupp had provided the Committee with a letter that confirmed their comfort with Bridgewater's management of the System's assets At the request of Treasurer Kopp, the letter is to be distributed to all Trustees

Ms Caple stated that the Committee had reviewed the Private Equity timeline presented by Ms Willard, and reminded the Board that the AdHoc Private Equity Subcommittee would be conducting a search for a consultant Without internal staff, the Board will be seeking a consultant to reduce the possibility that opportunities would be missed

Mr Caple also noted that Ms Willard reviewed the Directed Brokerage Report involving directing System business to minority firms and other firms with local staff to keep commissions in Maryland

Based on the ongoing concerns involving mutual funds, and the possible impact on the Optional Retirement Program and the Supplemental Retirement System Treasurer Kopp and Mr Caple indicated their interest in sharing a series of questions directed to mutual fund carriers with the Joint Committee on Pensions and other State organizations, such as the College Savings Fund

Mr Hamilton requested that the information that is returned from the various mutual fund carriers, or other data obtained on mutual fund carriers be shared with the Attorney General He also asked if legal staff could contact the Attorney General's securities division to determine if there are any investigations involving mutual fund carriers Ms Bacharach indicated that she would look into the possibility of obtaining this information

The Board accepted Mr Caple's report

Executive  
Committee Report  
and Recommendations

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Mr William Brown, Chairman of the Executive Committee reported on the meeting held November 4, 2003

Mr Brown stated that Ms Carol D Keckler requested the Retirement Agency eliminate or reduce a contribution deficiency that she believed resulted from errors in processing when she attempted to transfer service credits from the Employees' Pension System to the Correctional Officers' Retirement System Mr Lee recommended denying the request primarily because the law requires a contribution deficiency be established when transferring into a system that required a higher employee contribution On motion of Mr Brown, duly seconded, the Board adopted the motion to accept the Executive Director's recommendation that Ms Keckler's request to reduce or eliminate the employee contribution deficiency be denied

Mr Brown stated that Sgt Gregory Crosland requested to purchase previous employment with Baltimore City under the Comprehensive Employment and Training Act (CETA), claiming this service was Federal employment Legal counsel advised that CETA employment was not Federal employment (was employment with a local government) Therefore, the law does not permit this purchase under the State Police Retirement System On motion made by Mr Brown, and duly seconded, the Board adopted the motion to deny Sgt Crosland's request to purchase his previous employment under CETA

On motion by Mr Brown, and duly seconded, the Board agreed to accept the benefit adjustments resulting from the salary increases, in excess of 20% for Alfred Boyd Jr and Robert Ellis

The Board accepted Mr Brown's report The Minutes of the Executive Committee meeting are shown as Exhibit A

Audit Committee  
Report and  
Recommendations

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Mr William D Brown, Chairman of the Audit Committee, reported on the Committee meeting held on October 21, 2003

Mr Brown noted that the Audit Division was finalizing the review of the use of the Maryland and National Death Matches

The Audit Division was beginning to audit both service and disability retirements, evaluating controls and assessing timeliness and efficiency in processing applications

Mr Brown also noted that the auditing staff had two vacancies, which were a big concern for the Agency

The Board accepted Mr Brown's report

Executive  
Director's Report

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Mr Thomas Lee indicated the success of the recent training session held by EnnisKnupp in Chicago, requesting that all in attendance complete the evaluation form in order to develop future training sessions. He also noted that Secretary DiPaula had approved exceptions to the hiring freeze, allowing the Agency to fill the vacant positions of benefit counselor, deputy administrators, and other staff vacancies to address the growing backlog of benefit estimates.

At Mr Lee's request, Mr Howard Pleines informed the Board that the Chairman and Vice-Chairman sent a request to Senators Mikulski and Sarbanes asking for modifications to HR743, The Social Security Program Protection Act of 2003. The letter requested that certain tax reporting requirements, involving earnings not covered by Social Security, that would be placed on the Maryland Retirement Agency be removed from the proposal.

Treasurer Kopp advised the Trustees that Ali Alemi had submitted a letter of resignation that Mr Lee read into the record (Exhibit B). Mr Lee indicated that a new election would be held with notification to the membership of the various employee systems through a special newsletter, notices to employers, notice on the Agency website, and a message on the retiree advice slip.

The Board accepted Mr Lee's report.

Cortex

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Treasurer Kopp stated that while it had been the intent of the Board to finalize its decisions concerning Cortex's study of Board governance, policies and procedures, the rescheduling of the annual retreat delayed such action. As a result, Mr Tom Iannucci, representing Cortex, again reviewed the basic results of the study. Treasurer Kopp, Dr Moye and Secretary DiPaula will form a group to develop a timeline to implement the rollout of the recommendations from the Cortex study that the Board accepts to ensure that these agreed to recommendations are followed. Mr Iannucci reminded the Board that the governance policy would be a flexible living document that will need to be studied and amended over time.

Timmerman Daugherty 10

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Timmerman Daugherty, 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 Louise Locke, attorney for Mr Daugherty 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.

Ronald Smith

11 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr Ronald Smith, 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 Smith requested that his appeal be heard on the record and did not appear before the Board to oppose 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.

Yvonne Taylor

12 The Board considered the recommendation of the Medical Board in connection with the claim of Ms Yvonne Taylor for disability benefits. The Medical Board report included a report by an Administrative Law Judge and related medical documentation.

Ms Taylor, whose appeal had been deferred from the October Board meeting, failed to respond to the Retirement Agency's notices of the appeal, and did not appear before the Board and oppose the Medical Board's report. Ms Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's report. Following discussion, the Board deferred further consideration to Executive Session.

Medical Board Reports

13 On motion made by Mr Lancaster, and duly seconded, the Board accepted 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.

Supplemental Medical Board Reports

14 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 C.

Prior to going into Executive Session, Treasurer Kopp recognized the loss of the Chairman of House Appropriations, Delegate Howard P Rawlings. Treasurer Kopp recognized the great contributions that Delegate Rawlings made to the City, the State, and to the Nation.

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 that is not subject to the Opening Meetings Act.

#### EXECUTIVE SESSION

The Board met in Executive Session at 11:30am in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider the appeals of Timmerman Daugherty, Ronald Smith, and Yvonne Taylor. All of the persons present at the beginning of the meeting were present in Executive Session except Dr. Nancy Grasmick, Robert Feinstein, Arthur Broadwick, Jeanne Abramson, Gary Scribner, Tom Iannucci, Carla Katzenberg, Jill Leiner, Richard Crowther, Mary Jo Neville, Randy Mickens, and Sherlynn Matesky. The Board adjourned its Executive Session at 11:40am and returned to regular session to complete the agenda.

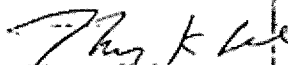
#### REGULAR SESSION

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

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| Timmerman Daugherty | The Board considered the appeal of Timmerman Daugherty. Following a discussion, on motion made by Dr. Grasmick, and seconded by Secretary DiPaula, the Board voted to adopt the Administrative Law Judge's Proposed Decision and <u>deny</u> Mr. Daugherty's request for accidental disability benefits. |
| Ronald E. Smith     | The Board considered the appeal of Ronald Smith. Following a discussion, a motion made by Mr. Lancaster, and seconded by Mr. Caple, the Board voted to adopt the Administrative Law Judge's Proposed Decision and <u>deny</u> Mr. Smith's request for accidental disability benefits.                    |
| Yvonne Taylor       | The Board considered the appeal of Yvonne Taylor. Following a discussion, on motion made by Dr. Grasmick, and seconded by Mr. Caple, the Board voted to accept the Medical Board report and <u>deny</u> Ms. Taylor's request for disability benefits.  |

There being no further business before the Board, the meeting adjourned at 11:45am.

Respectfully submitted,



Thomas K. Lee  
Secretary to the Board

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