

Mr Caple indicated that Mr Huber presented a market overview and updated the Committee on staff projects, including working on the asset allocation policy and developing a strategy for alternative investments. Also, Mr Huber presented a list of manager reviews to be scheduled in 2004.

On a motion by Mr Caple, seconded by Mr O'Shea, the Board agreed to the following staff recommended changes for manager guidelines:

- For Brown Advisory, allow a 10% per security limit based on market value
- For T Rowe Price, allow up to 5% in private placements, including rule 144A eligible securities, as well as allowing Exchange Traded Funds
- For Relational Investors, allow limited options trading. Also restrict to the use of covered calls only.

Mr Caple advised that Mr Art Lynch had explained Relational's proposal to end its practice of using soft dollars to reimburse the firm for its share of the account's expenses, and instead the System would pay its pro-rata share of expenses directly as their other clients pay. The Board asked staff to come back with a recommendation on Relational's fees.

On motion made by Mr Caple and seconded by Major Krome, the Board renewed State Street's Securities Lending contract for one year.

Mr Caple noted that based on a new policy from Mr Huber to have investment staff more involved with the Investment Committee, staff made the following presentations. Ms Ray updated the Committee on fixed income market and fund performance, and reviewed the Fixed Income Brokerage memo. Mr Warmath recommended a review of a previous decision to allow W R Huff Asset Management Company to hold defaulted securities. Ms Willard provided an update on the Private Equity RFP, and Mr Greenberg updated the Committee on staff's monitoring of the mutual fund investigation.

The Board accepted Mr Caple's report.

On motion duly made and seconded, the Board voted unanimously to meet in Executive Session to consider various investment matters, including matters relating to the Optional Retirement Plan. State Govt Article, Sec 10-508(a)(5) authorizes the Board to meet in closed session to consider the investment of public funds, Sec 10-508(a)(7) authorizes the Board to meet in closed session to obtain legal advice, and Sec 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 9 20 a m in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider investment matters, including matters relating to the Optional Retirement Plan All of the persons present at the beginning of the meeting were present in Executive Session except Ms Carla Katzenberg, Ms Jill Leiner, Ms Eva M Nieberlein, Mr William Woodford, Mr Richard Burroughs, Mr Jerome Kuta, Mr Richard Crowther, and, Mr James Gleason The Board adjourned its Executive Session at 9 48 am 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

Audit Committee
Report and
Recommendations

3 Mr David Hamilton, Chairman of the Audit Committee, reported on the meeting held December 16, 2003

Mr Hamilton indicated that there is an immediate need for education and training on audit committee standards Because of the high costs for educational seminars on this topic, the Board may be required to consider contracting an outside auditor to perform this training

Mr Hamilton noted that the Sabanes-Oxley Act of 2002 provides the standard for audit committees within private industry and will be used as a guide for the Retirement Agency to follow

Mr Hamilton stated that there is a need to increase the current 3 member internal auditing staff, as well as to increase the frequency of audits of participating government units

The Board accepted Mr Hamilton's report

Executive
Director's Report

4 Mr Thomas Lee advised the Board that the Agency's budget hearing are scheduled as follows House - January 28, 2004 at 2 00p m, Senate - February 3, 2004 at 1 00p m

Mr Lee reminded the Trustees that the Executive Director performance evaluation forms due back to Ms Andrea Fulton by January 26, 2004

Mr Howard Pleines, at Mr Lee's request, advised the Board that six pension bills had been filed as of Monday, January 19 Four of these proposals dealt with some aspect of reemployment for service and disability retirees The two remaining bills permitted detention center officers to participate in the Law Enforcement Officers' Pension System, and eliminated the requirement that a surviving spouse of a retired judge be age 50 before receiving the 50% survivor benefit

Mr Pleines also noted that decisions from the Joint Committee on Pensions related to the re-employment of retirees and funding for the University of Maryland Medical System were being discussed, but were not finalized

The Board accepted Mr Lee's report

- Legislative Report 5 Mr Pleines' report was presented as a portion of Mr Lee's report
- Bonnie J Bondura 6 The Board deferred action on Ms Bondura's claim for accidental disability benefits at the request of Assistant Attorney General Carla Katzenberg
- Fred N Nefflen 7 The Board deferred action on Mr Nefflen's claim for accidental disability benefits, pending staff's determination if Mr Nefflen intends to appear before the Board to present his claim at a future meeting
- Eva M Neiberlein 8 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms Eva M Neiberlein 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 William L Woodford, attorney for Ms Neiberlein, appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations Carla Katzenberg, Assistant Attorney General 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
- Richard Burroughs 9 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr Richard D Burroughs 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 Jerome A Kuta, attorney for Mr Burroughs, appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations Carla Katzenberg, Assistant Attorney General 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

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| Medical Board | 10 | On motion made by Mr. O'Shea 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 | 11 | On motion made by Major Krome 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 <u>Exhibit A</u> . |

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to consider 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 10:50 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider the appeals of Eva Neiberlien and Richard D. Burroughs. All of the persons present at the beginning of the meeting were present in Executive Session except James C. DiPaula, Carl Lancaster, Robert Feinstein, Carla Katzenberg, Margo Wheel, Arthur Broadwick, Jeannie Abramson, Harvey Raitzyk, Gary Scribner, Joseph Coale, Eva Neiberlien, William L. Woodford, Esquire, Richard Burroughs and Jerome A. Kuta, Esquire. The Board adjourned its Executive Session at 10:55 a.m. 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.

Eva Neiberlien	The Board considered the appeal of Eva Neiberlien. Following a discussion, a motion made by Treasurer Kopp, seconded by Mr. Brown, the Board voted to adopt the Administrative Law Judge's Proposed Decision and <u>deny</u> Ms. Neiberlien's request for accidental disability benefits.
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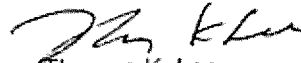
Richard Burroughs

The Board considered the appeal of Richard Burroughs. Following a discussion, a motion made by Mr. Brown, seconded by Mr. Caple, the Board voted to reject the Administrative Law Judge's report and grant Mr. Burroughs request for accidental disability benefits. The Board believed that Mr. Burroughs' disability was not the result of any pre-existing conditions but, rather, was the result of the work-related accident.

The Board approved the Executive Session minutes for the meeting held December 16, 2003.

There being no further business before the Board, the meeting adjourned at 11:00 a.m.

Respectfully submitted,



Thomas K. Lee
Secretary to the Board

TKL/mcb