

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

MINUTES OF MEETING

May 18, 2004

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, Dr. Nancy S. Grasmuck, James C. DiPaula, Jr., Arthur Caple, William D. Brown, Carl D. Lancaster, Patrick O'Shea, F. Patrick Hughes, Morris L. Krome, David B. Hamilton, Trustees, and, Thomas K. Lee, Secretary. Agency Staff members also attending were Margaret Bury, Retirement Administrator, Deborah Bacharach, Principal Counsel, and Robert Feinstein, Carla Katzenberg, and Jill Leiner, Assistant Attorneys General, Steve Huber, Chief Investment Officer, Sherlynn Matesky and Howard Pleines, Legislation and Research, Thomas Gighotti, Chief Internal Auditor and Brian Feilinger, Margo Wheat, Chief Financial Officer and Jeannie Abramson, Joseph Coale, Public Information Officer, Gary Scribner, Chief Information Officer, and Shirley Hartnett.

Also attending were Dean Kenderdine, Comptroller's Office, Howard Freedlander, Treasurer's Office, Daniel Tompkins, Legislative Services, Mary Jo Neville, Maryland State Teachers Association, Robert Palumbi, Maryland Retired Teachers Association, Sue Estey, AFSCME, Charles P. Doukas, William L. Head, and, Bonnie J. Bondura and Michael E. Davey, Esquire.

- Election 1 Chairman Schaefer announced the results of the recent election to fill a vacancy on the Board to represent the various employee systems. Mr. John W. Douglass was elected as a retired member of the Legislative Pension Plan and the Employees' Pension System to serve on the Board of Trustees. Governor Schaefer noted approximately 20% of the membership participated in the election.

At the request of Chairman Schaefer, Mr. Coale noted that the Chapman trial is expected to begin approximately June 7, 2004. He anticipates high media interest and requested that questions from the media concerning the trial be directed to Mr. Thomas Lee.

- Minutes 2 On a motion made by Dr. Grasmuck, seconded by Mr. Brown, the Board approved the minutes of the meeting held April 20, 2004.

- Investment
Committee Report
and Recommendations 3 Mr. Arthur Caple, Chairman of the Investment Committee, reported on the meeting held May 14, 2004.

On a motion by Mr Caple, seconded by Dr Grasmick, the Board approved the Real Estate Registry as presented

Mr Caple advised that staff continues to work on preparing an RFP for the Optional Retirement Program (ORP) Mr Caple noted that the Board previously approved (a) retaining two of the four current providers TIAA-CREF and AIG-VALIC. (b) renewing the contracts of ING and American Century for the six month period commencing July 1, 2004 and ending December 31, 2004, and (c) issuance of an RFP for one or more providers It was also noted that staff has already met with all four of the ORP vendors and informed them of the Board's action plan The Investment Committee agreed that the fund line-up for providers is to include the following categories money market, stable value, core bond, balanced, large cap growth, large cap blend, large cap blend (passive), large cap value, international equity Four new categories are to be added mid cap, small cap, socially responsible fund, and lifestyle funds

On motion made by Mr Caple and seconded by Mr Lancaster, the Board approved the process for continuing revisions to the ORP

Following a discussion of confidentiality under the Public Information Act as it relates to the private equity investment program with Ms Bacharach, on motion made by Mr Caple, seconded by Mr Hughes, the Board agreed to approve the "State Retirement & Pension System Policy Disclosure of Information Regarding Private Equity Investments" presented to the Investment Committee and the Board of Trustees and the Confidentiality Agreement requested by Adams Street Partners by a vote of 6-5 Mr Caple, Mr O'Shea, Mr Hughes, Dr Grasmick, Secretary DiPaula and Mr Hamilton voted Yea and Major Krome, Comptroller Schaefer, Mr Lancaster, Mr Brown and Treasurer Kopp voted Nay Both Comptroller Schaefer and Major Krome expressed their concerns with not keeping the membership informed if certain investment information must be kept confidential

The Board accepted Mr Caple's report

Audit
Committee Report
and Recommendations

4 Mr David Hamilton, Chairman of the Audit Committee, reported on the meeting held April 20, 2004

Mr Hamilton indicated that there is a request under the statewide auditing service contract through the Department of Budget and Management to secure needed services for the required audits of all participating governmental units

Mr Hamilton noted that Mr Gighotti was conducting interviews for vacancies within the Audit Division However, filling positions is expected to continue to be difficult as the State is competing with the top five accounting firms for prospective employees

The Board accepted Mr Hamilton's report

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| Audit Committee Charter | 5 | On motion made by Mr Hamilton, seconded by Secretary DiPaula, the Board adopted the Audit Committee Charter |
| Executive Director's Report | 6 | <p>Mr Thomas Lee advised the Board that staff was preparing an Agency Business Plan to present to the Trustees at the June meeting. He stated that his intent remains to shore up the Agency's infrastructure.</p> <p>Mr Lee indicated that the Agency was beginning the annual process to close the current fiscal year. He noted that there is an RFP for a business process review to indicate if the Agency is following best practices in completing its duties, with changes being made as needed. This will be one of the first steps towards developing a new data processing system for the future.</p> <p>The Board accepted Mr Lee's report.</p> |
| John S Kelly | 7 | The Board deferred action on Mr John S Kelly's claim for accidental disability benefits at the request of Mr Kelly who has obtained new legal counsel. His claim is being rescheduled for August. |
| Charles P Doukas | 8 | <p>The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr Charles P Doukas 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.</p> <p>Mr Doukas 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.</p> |
| Jill D Mullineaux | 9 | The Board deferred action on Ms Jill D Mullineaux's claim for accidental disability benefits at Ms Mullineaux's request due to the illness of her attorney. Her claim will be rescheduled for a future meeting. |
| William L Head | 10 | <p>The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr William L Head 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.</p> <p>Mr Head 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.</p> |

- Bonnie Bondura 11 The Board reconsidered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Bonnie Bondura 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. Bondura, appeared before the Board and again 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.
- Remand Richard Miller 12 Deborah Bacharach, Principal Counsel, advised the Board that the appeal of Richard Miller had been remanded to the Board by the Court of Special Appeals based on its finding that the Administrative Law Judge failed to make a decision regarding causation when reaching a decision on Mr. Miller's appeal. The Board deferred discussion on this issue until Executive Session.
- Medical Board Reports 13 On motion made by Treasurer Kopp, 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 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 Exhibit A.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to consider an investment matter and 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. The Board agreed to meet in Executive Session to consider the investment of public funds (Section 10-508(a)(5)), to consult with counsel to obtain legal advice (Section 10-508(a)(7)).

EXECUTIVE SESSION

The Board met in Executive Session at 11:06 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider investment matters. All of the persons present at the beginning of the meeting were present in Executive Session except James C. DiPaula Jr., F. Patrick Hughes, Robert Feinstein, Carla Katzenberg, Jill Leiner, Gary Scribner, Daniel Tompkins, Mary Jo Neville, Howard Frelander, Robert Palumbi, Charles P. Doukas, William L. Head, Bonnie J. Bondura and Michael E. Davey. The Board adjourned its Executive Session at 11:30 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION

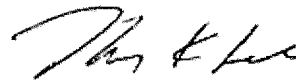
On motion made and duly seconded, the Board voted to ratify actions taken in Executive Session

- Charles P Doukas The Board considered the appeal of Charles P Doukas. Following a discussion, a motion made by Dr Grasmick, seconded by Treasurer Kopp, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Mr Doukas' request for accidental disability benefits
- William L. Head The Board considered the appeal of William L Head. Following a discussion, a motion made by Treasurer Kopp, seconded by Mr Caple, the Board voted to adopt the Administrative Law Judge's report and deny Mr Head's request for accidental disability benefits
- Bonnie J Bondura The Board considered the appeal of Bonnie J Bondura. Following a discussion, a motion was made by Mr Lancaster and seconded by Major Krome to approve accidental disability. The motion failed on a vote of 4-5 (Dr Grasmick, Mr Lancaster, Mr Brown and Major Krome voted Yea and Mr Hamilton, Treasurer Kropp, Mr Caple, Mr O'Shea and Chairman Schaefer voted Nay). Following a motion made by Treasurer Kopp and duly seconded, the Board voted to adopt the Administrative Law Judge's report and deny Ms Bondura's request for accidental disability benefits (Treasurer Kopp, Mr Caple, Mr O'Shea, Mr Hamilton and Chairman Schaefer voted Yea and Dr Grasmick, Major Krome, Mr Brown and Mr Lancaster voted Nay)
- Richard Miller On motion made by Mr Brown, seconded by Mr Hamilton, the Board decided to review the remanded appeal of Richard Miller without arguments

The Board approved the Executive Session minutes for the meeting held April 20, 2004

There being no further business before the Board, the meeting adjourned at 11:35 a.m.

Respectfully submitted,



Thomas K. Lee
Secretary to the Board

TKL/mcb