

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

MINUTES OF OPEN SESSION

November 16, 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, beginning at 9:00 a.m. There were present William Donald Schaefer, Chairman, Nancy K. Kopp, Vice-Chair, James C. DiPaula, Jr., David B. Hamilton, James M. Harkins, Morris L. Krome, William D. Brown, Carl D. Lancaster, Dr. Melissa Moye, Patrick O'Shea, F. Patrick Hughes, John W. Douglass, Sheila Hill, Trustees, and, Thomas K. Lee, Secretary. Agency Staff members also attending were Harvey Raitzyk, Deputy Administrator, Deborah Bacharach, Robert Feinstein, Jill Leiner, Carla Katzenberg, and Laura Burns, Assistant Attorneys General, Margo Wheel, Chief Financial Officer, Arthur Broadwick, Finance Division, Steve Huber, Chief Investment Officer, Tracey Ray, Investment Division, Howard Pleines, Director Legislation and Research, Thomas Gigliotti, Chief Internal Auditor, Joseph Coale, Public Information Officer, Dale Markel, Chief Information Officer, Larry Martin, Will Morrow, Project Director, and Monica Bias, Executive Associate.

Also attending were Dean Kenderdine, Comptroller's Office, Thomas E. Patti, Harford County Government, Sue Esty, John Keenan, Sharron Bell-Kearson, AFSCME, Amy Malony, MSTA, David E. Fink, and Janice S. Gill.

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| Minutes | 1 | On motion made and duly seconded, the Board approved the minutes of the October 19, 2004 regular meeting. |
| Minutes | 2 | On motion made and duly seconded, the Board approved the minutes of the special meeting held on October 27, 2004. |
| Administrative Committee | 3 | On motion made by Chairman Schaefer, and duly seconded, the Board appointed Sheila Hill to the Administrative Committee. |
| Investment Committee | 4 | On motion made by Chairman Schaefer, and duly seconded, the Board appointed Sheila Hill to the Investment Committee. |
| Appointment | 5 | On motion made by Chairman Schaefer, and duly seconded, the Board appointed a work group to recommend the optimal level of Board/Committee time to ensure key responsibilities are addressed during each calendar year. The work group consists of William D. Brown, Chairman, James C. DiPaula, Jr., Nancy Kopp, Carl Lancaster, Dr. Melissa Moye, and John Por (staff). |
| Appointment | 6 | On motion made by Chairman Schaefer, and duly seconded, the Board appointed a committee to review Corridor Funding. The committee consists of Dr. Melissa Moye, Chair, James C. DiPaula, Jr., John Douglass, Nancy Kopp, Morris Krome, and Carl Lancaster. |

Investment
Committee
Recommendations and
Information Items

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Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held November 12, 2004

Mr. Lancaster noted that the Investment Committee received the following reports: the TUCS Universe Report for the quarter ended September 30, 2004, summaries of the capital markets in October and the investment performance for September, Ennis Knupp's investment report for the quarter ended September 30, 2004, and staff's *Broker Commission Report for the quarter ended September 30, 2004*, and manager fee payments authorized for September 2004

Mr. Lancaster stated that the Investment Committee received a report from Ennis Knupp with comments from both Ennis Knupp and staff, identifying a framework for discussion to consider establishing an Emerging Manager Program

Mr. Lancaster noted that the Investment Committee concurred with the following recommendation from staff and Ennis Knupp: change the domestic equity investment benchmark from the Russell 3000 Index to the Wilshire 5000 Index, change the benchmark for the passive international equity portfolio managed by State Street Global Advisors from the EAFE to the MSCI All-country ex-U.S. Index, invest in the enhanced equity index investment category by transferring \$1.3 billion from the Russell 3000 Index portfolio managed by State Street Global Investors, and invest \$300 million in micro/small capitalization international equity. The Committee also adopted the following asset class targets: domestic equity – 40%, international equity – 13%, global equity – 10%, private equity – 2% (total equity of 65%), fixed income – 28%, real Return strategies – 2%, and real estate – 5%. The Board is to take action on these policy items in December after staff presents its implementation proposals to the Investment Committee

Mr. Lancaster indicated there were several additional items to be held for executive session

Audit
Committee
Recommendations and
Information Items

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Mr. David Hamilton, Chairman of the Audit Committee, reported on the meeting held October 19, 2004

Mr. Hamilton indicated that the legislative auditors had informed the Audit Committee that the Office of Legislative Audits would not make any adjustments to the financial statements based on their audit. In order to have a better understanding of the legislative auditors' functions, that group is to make a presentation to the Audit Committee in the future

Mr. Hamilton stated that there are three Task Order RFPs under the statewide contract for audit services in process: Internal Control Assessment, which should be completed by January; Audits of Participating Governmental Units, concentrating on the 10 largest and/or those that have not been audited for the longest period of time – Allegany County Commissioners, Anne Arundel Schools, Carroll County Schools, Dorchester County Schools, Queen Anne's County

Schools, St Mary's County Commissioners, Somerset County Schools, Washington County Schools, Worcester County Schools and Commissioners, and, Risk Assessment/Risk Management, which is to be completed by March 2005

Mr Hamilton indicated that the Retirement Agency continues with its efforts to hire additional internal auditors

Mr Hamilton concluded his remarks by noting that Mr Gigliotti had issued a final report on the audit of Service Retirement Processing There is only one area of concern involving certification of unused sick leave, which is to be clarified in the future following the PGU audits

The Board accepted Mr Hamilton's report

Executive
Director's Report

- 9 At the request of Mr Lee, Mr Arthur Broadwick notified the Board that the legislative auditors had completed their report on the System's financial statements and found that they were good, and that there were no instances of non-compliance On motion made by Mr Hamilton and seconded by Mr DiPaula, the Board accepted the legislative auditors' findings

Also at Mr Lee's request, Mr Howard Pleines notified the Trustees that the Joint Committee on Pensions was delaying its decision meeting on Board proposed legislation until January 18, 2005

Mr Lee introduced Mr Will Morrow to the Board Mr Morrow has accepted the position of IT Project Manager, replacing Mr Gary Scribner

The Board accepted Mr Lee's report

Medical Board
Reports

- 10 On motion made 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

Diane Lavendoski

- 11 On motion made and duly seconded, the Board remanded Ms Diane Lavendoski's appeal back to the Office of Administrative Hearings because the exhibit list attached to the Administrative Law Judge's decision does not include all the documents that were admitted into evidence

Gertrude L Taylor

- 12 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms Gertrude L Taylor 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 Taylor's attorney, David E Fink, 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

Gregory L Schroeder 13 The Board agreed to postpone Mr Schroeder's appeal while he obtains new legal assistance His previous attorney has decided that he no longer would represent Mr Schroeder

Janice S Gill 14 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms Janice S Gill 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 Gill 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

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to consider investment matters and disability appeals State Govt Article, 10-508(a)(5) authorizes the Board to meet in closed session to consider the investment of public funds, while 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 11 07 a m in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider investment matters and disability appeals There were present William Donald Schaefer, Chairman, Nancy K Kopp, Vice-Chair, James C DiPaula Jr, David B Hamilton, Morris L Krome, William D Brown, Carl D Lancaster, Dr Melissa Moye, Patrick O'Shea, F Patrick Hughes, John W Douglass, Sheila Hill, Trustees, and, Thomas K Lee, Secretary Agency Staff members also attending were Harvey Raitzyk, Deborah Bacharach, Steve Huber, Tracey Ray, Howard Pleines, and Monica Bias, Executive Associate

The Board ended its closed session at 11 14 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

Gertrude L Taylor

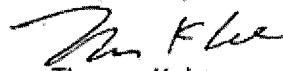
The Board considered the appeal of Gertrude L Taylor. Following a discussion, a motion made by Mr Hughes and seconded by Mr Hamilton, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms Taylor's request for disability benefits.

Janice S Gill

The Board reconsidered the appeal of Janice S Gill. Following a discussion, on a motion made by Mr Brown, seconded by Major Krome, the Board voted to reject the Administrative Law Judge's Report and grant Ms Gill's request for accidental disability benefits.

There being no further business before the Board, the meeting adjourned at 11:16 a.m.

Respectfully submitted,



Thomas K Lee
Secretary to the Board

TKL/mcb