

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

MINUTES OF MEETING

January 18, 2005

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, 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, James Harkins, Sheila Hill, Trustees, and Thomas K. Lee, Secretary. Agency Staff members also attending were Margaret A. Bury, Administrator, Deborah Bacharach, Robert Feinstein, Carla Katzenberg, and Laura Burns, Assistant Attorneys General, Steve Huber, Chief Investment Officer, Howard Pleines, Director Legislation and Research, Thomas Gigliotti, Chief Internal Auditor, Joseph Coale, Public Information Officer, Dale Markel, Chief Information Officer, and Monica Bias, Executive Associate.

Also attending were Dean Kenderdine, Comptroller's Office, Thomas E. Patti, Harford County Government, Sue Esty, AFSCME, Randy Mickens, MSTA, Robert Palumbi, MRTA, William Anderson, MCEA, and Lois Ndlovu.

Prior to dealing with the agenda, Chairman Schaefer asked Mr. Lee to read a letter received from a recent retiree, Ms. Mary Fredric. Ms. Fredric indicated that facing a sudden termination and anticipating a difficult time to retire, she received outstanding service from the Retirement Agency staff, specifically from Ms. Laura Burns. Chairman Schaefer complimented Mr. Lee on the excellent work of his staff, noting it was gratifying when any individual took time to recognize a job well done.

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| Minutes | 1 | On motion made by Mr. Brown, seconded by Dr. Moye, the Board approved the minutes of the December 21, 2004 regular meeting. |
| Investment
Committee
Recommendations and
Information Items | 2 | Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held January 14, 2005.

Mr. Lancaster noted that the Investment Committee received a report from Mr. Huber highlighting the numerous policies, vendor hiring and initiatives approved in 2004, as well as the plans for 2005.

On motion made by Mr. Lancaster, seconded by Mr. DiPaula, the Board approved the renewal of its securities lending contract with State Street for one year beginning February 13, 2005. |

The Board accepted Mr. Lancaster's report.

Executive
Director's Report

- 3 Mr Lee reminded the Board that the Joint Committee on Pensions was meeting at 2 00 p m in Annapolis for its decision meeting, including decisions on which Board requested legislation to sponsor for 2005 Staff will advise the Trustees of those decisions

Mr Lee indicated that the Agency had established a Board Portal specifically for the Trustees Any requests for additional data to be placed on the site should be directed to Mr Coale

At Mr Lee's request, Mr Coale advised the Board that an article had appeared in the Sun related to increasing investments in venture capital While the information was not necessarily inaccurate, Mr Coale noted that the writer definitely slanted the piece towards increasing such investments in public pension systems

The Board accepted Mr Lee's report

Committee Report

- 4 After additional discussion of the recommendations sent to the Board related to time management, on motion made by Mr Lancaster, seconded by Ms Hill, the Board adopted the committee's recommendations as follows
- 1 The current delineation of duties between the Board and staff should be maintained
 - 2 Continue scheduling monthly meetings, recognizing that one of the summer meetings might be postponed or rescheduled due to lack of quorum or other valid reasons
 - 3 The Board should direct staff to organize the meeting materials in such manner that information for decision-making is separated from additional non-essential information, ensure that information in the meeting materials is presented in such a manner that best facilitates decision-making, and ensure that meetings materials are issued to board members a week prior to board meetings
 - 4 To ensure that all board members have input to and participation in all investment decisions, the Board should expand the membership of the Investment Committee to all Board members that desire to participate
 - 5 To maximize the effectiveness of board meetings, the Board should give strong consideration to setting and enforcing time limits on presentations by vendors, potential vendors and appeals, the Board should also issue guidelines as to the areas and topics to be covered by vendors' presentations
 - 6 The staff should immediately prepare an annual Board and Committee meeting plan covering the schedule and the topics to be discussed along with their time allocation that will reflect the recommendations adopted by the Board
 - 7 Key decisions, when appropriate, may be addressed by the Board at two consecutive meetings, the first meeting reserved for general discussion and information with formal action occurring at the second meeting

- 8 Recurring investment issues, when appropriate, should be discussed in depth only once a year, without exception reporting occurring at appropriate frequencies throughout the year
- 9 When appropriate, written staff reports and recommendations should be preferred to unstructured discussions

Following the vote, members of the Board wished to clarify Item #4 of the Committee's recommendations. The Board members agreed that the Investment Committee would not automatically become a Committee of the Whole. Rather, anyone who wished to be appointed to the Investment Committee still needed to be recommended by the Board Chairman and approved by the Board in order to officially become a member of the Investment Committee.

Legislative Report 5 Mr Howard Pleines reported on the opening of the 2005 Maryland General Assembly. He indicated that only five pension bills had been introduced so far. The bills dealt with familiar issues: reemployment of retired teachers, extending eligibility for the DROP programs, and eliminating certain restrictions on reemployment of disabled law enforcement personnel. Mr Pleines stated that the Agency would continue to provide a detailed report on the status of all pension legislation as well as a more frequent "quick glance" update on the status of these bills.

Medical Board Reports 6 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.

Supplemental Medical Board Reports 7 On motion made and duly seconded the Board accepted 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. **EXHIBIT A**

Appeal of Lois Ndlovu 8 The Board considered the recommendations of the Medical Board and the Proposed Recommendations of the Administrative Law Judge in connection with the claim of Ms Lois Ndlovu for disability benefits. The Medical Board Report, the Proposed Decision of the Administrative Law Judge, and all related documents submitted by the parties were presented.

Ms Ndlovu appeared before the Board and opposed the Agency's position and the Medical Board's recommendations. Ms Laura Burns, attorney for the Agency, addressed the Board and argued that the Board should adopt the Medical Board's Report and the Proposed Recommendations of the Administrative Law Judge. 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 obtain legal advice, to consult on pending litigation, to consider a contract, and a disability appeal. State Govt Article, Section 10-503(a)(1)(iii) authorizes the Board to meet in closed session to exercise a quasi-judicial function. Section 10-508(a)(7) authorizes the Board to meet in closed session to consult with counsel to obtain legal advice. Section 10-508(a)(8) authorizes the Board to meet in closed session to consult about pending or potential litigation. Section 10-508(a)(14) authorizes the Board to meet in closed session to discuss a contract.

EXECUTIVE SESSION

The Board met in Executive Session at 10:25 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 also attending were Margaret A. Bury, Deborah Bacharach, Howard Pleines, Thomas Gigliotti, Joseph Coale, Jeannie Abramson, and Monica Bias.

The Board ended its closed session at 10:52 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.


Minutes: On motion made and duly seconded, the Board approved the minutes of the December 21, 2004 closed session meeting.

Lois Ndlovu: The Board considered the appeal of Lois Ndlovu. Following a discussion, a motion made by Treasurer Kopp, and seconded by Mr. O'Shea, the Board voted to accept the Medical Board's Report and the Proposed Recommendations of the Administrative Law Judge and deny Ms. Ndlovu's request for disability benefits. Mr. Lancaster abstained.

Corridor Work Group: Dr. Moye noted that since Milliman USA needed additional time to develop a model for the Corridor Work Group's use, the January 25 meeting would be rescheduled in February.

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