

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

MINUTES OF MEETING

April 19, 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, beginning at 9:00 a.m. There were present: William Donald Schaefer, Chairman; Nancy K. Kopp, Vice-Chair; David B. Hamilton; Morris L. Krome; William D. Brown; Carl D. Lancaster; Dr. A. 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; Harvey Raitzyk, Deputy Administrator; Deborah Bacharach, Robert Feinstein, Rachel Cohen, Carla G. Katzenberg, Jill Leiner, Assistant Attorneys General and Laura Burns, Staff Attorney; Steve Huber, Chief Investment Officer, Arthur Lynch, John Greenberg, Stephen McAlonan and Shinelle Davis, Investment Division; Margo Wheet, Chief Financial Officer, Jeannie Abramson, Finance Division; Howard Pleines, Director Legislation and Research, Sherlynn Matesky, Legislation and Research; Thomas Gigliotti, Chief Internal Auditor; Joseph Coale, Public Information Officer; Will Morrow, Project Manager; Dale Markle, Chief Information Officer, and Monica Bias, Executive Associate.

Also attending were Shawn S. Karimian, Deputy Secretary of Maryland Department of Housing and Community Development; Vanessa Bell, Interim Manager for Maryland Charity Campaign; Dean Kenderdine, Comptroller of Maryland; Anne Gawthrop, Department of Legislative Services; Robert Palumbi, MRTA; Thomas E. Patti, Harford County Government; Bill Anderson, MCEA; Joseph Thompson, EDS; Edgar Myers, Jr. and Hillary G. Davis, Esquire; Sylvia Price-Brooks; and Jack N. Pinkham, Sr.

Mr. Lee read a letter from the Board of Trustees, signed by Chairman Schaefer and Vice-Chairman Kopp recognizing 30 years of dedicated service to the State and the State Retirement Agency by Mr. Arthur Lynch. Mr. Lynch is retiring effective April 26, 2005.

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| Minutes | 1. On motion made by Ms. Hill, seconded by Mr. Brown, the Board approved the minutes of the March 15, 2005 regular meeting. |
| Maryland Charity Campaign | 2. Mr. Shawn Karimian, representing Mr. Victor L. Hoskins, Secretary of the Department of Housing and Community Development and statewide Maryland Charity Campaign Chair requested the Board's assistance in distributing information to retirees on the upcoming Charity Campaign. He noted that last year retirees contributed \$340,000, which was the third largest amount collected from State agencies. |

In response, Ms. Bury indicated that the Retirement Agency can (1) provide the names and addresses of new retirees and those who contributed in 2004, (2) place a message on the August advice slips if they are still being issued to retirees at that time, and (3) post information on the campaign on our website.

Mr. Karimian thanked the Board for its continued support of the Maryland Charity Campaign.

Investment
Committee
Recommendations and
Information Items

3. Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held April 8, 2005.

On motion made by Mr. Lancaster, and seconded by Dr. Moye, the Board accepted the recommendation from staff and Ennis Knupp to change the real estate policy benchmark to 50% REIT, and 50% NCREIF.

On motion made by Mr. Lancaster, and seconded by Mr. Hughes, the Board approved allowing staff to use futures in implementing Tactical Asset Allocation decisions. Staff also is to include procedures and reporting requirement in the Investment Policy Manual, which will be presented to the Board this summer.

On motion made by Mr. Lancaster, and seconded by Ms. Hill, the Board accepted the recommendation from staff to exercise the one-year contract extension with Ennis Knupp at a fee of \$500,000.

The Board accepted Mr. Lancaster's report.

Administrative
Committee
Recommendations and
Information Items

4. Major Morris L. Krome, Vice-Chairman of the Administrative Committee reported on the meeting held April 12, 2005.

Major Krome noted that while Mr. Lee may report that the Board's 2006 budget request was, overall, successful, he wished to note that our budget was cut about \$250,000. This continues a trend to do more with less, which impacts on the Trustees ability to deliver the services needed by the membership.

On motion by Major Krome, and duly seconded, the Board authorized an RFP for a salary study of the following Agency positions: Executive Director, Chief Internal Auditor, Deputy Chief Internal Auditor, Internal Audit staff, Retirement Administrator, Deputy Retirement Administrators, Chief Investment Officer, Managing Investment Directors (Strategy, Compliance, Portfolio Operations), Asset Investment Class Managers, Quantitative & Compliance Investment Analysts, and Investment Operations Specialists. The Board also agreed to seek legislation in the 2006 General Assembly to establish salaries for the affected positions if recommendations are outside the executive pay grades.

On motion made by Major Krome, seconded by Dr. Moye, the Board agreed concerning appeals for disability benefits (1) to permit the Executive Director to approve telephonic presentations if the claimant resides outside of Maryland or if there is good cause for the request; (2) to give claimants 20 days to request re-scheduling of their appeal date, with the Executive Director able to re-schedule outside the 20 day period for emergencies or unusual circumstances; (3) seek an additional full-time legal position from the Board of Public Works to process the growing number of appeals.

Chairman Schaefer asked Ms. Bacharach to opine if the Board could establish a subcommittee to deal with disability appeals, rather than seek legislation to deal with this issue.

On motion made by Major Krome, seconded by Mr. Brown, the Board, in accordance with its Performance Evaluation Policy, agreed to distribute a revised Discussion Guide accompanied by a letter from Chairman Schaefer to all Trustees stressing the importance of completing the guide and returning it promptly to the Retirement Agency by May 18, 2005.

Mr. Pleines presented the final report on legislation enacted by the General Assembly for 2005. Of primary interest was legislation not enacted, HB1049/SB623 – Teachers' and Local Employees' Retirement Enhancement Act of 2005. Mr. Lee noted that the General Assembly has made it very clear that they intend to study the issue of employee and teacher benefits during the 2005 Interim and introduce benefit improvements in 2006. The Retirement Agency must be prepared to implement those improvements.

On motion made by Mr. Brown, and seconded by Mr. Lancaster, and as amended by motion from Mr. Harkins, and seconded by Mr. Hamilton, the Board directed staff to review the provisions of the enhancement bills and to recommend a course of action to allow the Agency to implement benefit enhancements as of July 1, 2006.

On motion made by Major Krome, and seconded by Ms. Hill, the Board approved Dorchester County's participation in the State's pick-up program. **Exhibit A**

The Board accepted Major Krome's report.

Executive
Director's Report

5. Mr. Lee advised the Board that the annual education seminar is to be held May 17, 2005. The agenda should deal equally with investment and administrative issues.

Mr. Lee advised the Trustees that Mr. Brown was the only member of the Teachers' Systems to submit the necessary signatures to be placed on the ballot for trustee. Therefore, no election is needed for the Teachers' Systems. For the various employee systems, three active

members met the requirements to be placed on the ballot: Ms. Sheila Hill, Mr. Joseph C. Bryce, and Mr. Barry N. Chapman. One additional member submitted signatures, but he did not have the necessary 500 valid voter signatures.

Mr. Lee reminded the Trustees that ethics forms were due to the State Ethics Commission no later than May 2, 2005.

Mr. Lee stated that in accordance with current Board regulations, he has granted the Motion to Vacate Default Judgement for failing to appear to Ms. Ruby Purnell. Ms. Purnell's case will be returned to the Office of Administrative Hearings with the notice to re-schedule.

The Board accepted Mr. Lee's report.

Medical Board Reports

6. On motion made by Mr. Harkins, 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 by Dr. Moye, 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 B

Mordecia Hanks, Jr.

8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Mordecia Hanks, Jr. 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. Hanks 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.

Edgar L. Myers, Jr.

9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Edgar L. Myers, Jr. for disability benefits. The report by the Medical Board, the Proposed Decision of the Administrative Law Judge, and all related documents submitted by the parties were presented.

Mr. Myers appeared before the Board with his attorney, Hillary G. Davis, who opposed the Medical Board's Report and the Proposed Decision of the Administrative Law Judge. Ms. Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's report and the Proposed Decision of the Administrative Law Judge. Following discussion, the Board deferred further consideration to Executive Session.

- Mark J. Solomon 10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Mark J. Solomon 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. Solomon addressed the Board telephonically to oppose the Agency's position and the Administrative Law Judge's recommendations. Ms. Laura Burns, 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.

- Christine M. Franklin 11. At the request of Patricia Cleary, attorney for Ms. Christine Franklin, the Board postponed her appeal for accidental disability benefits.

- Sylvia Price-Brooks 12. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Sylvia Price-Brooks 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. Price-Brooks 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.

- Jack Pinkham, Sr. 13. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Jack Pinkham, Sr. 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. Pinkham 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, potential litigation, the award of contracts, and to consider disability appeals. Section 10-503(a)(1)(iii) authorizes the Board to meet in closed session to carry out a quasi-judicial function. Section 10-508(a)(5) authorizes the Board to meet in closed session to consider the investment of public funds. Section 10-508 (a) (7) and (8) authorizes the Board to meet in closed session to obtain legal advice and to consider pending litigation. Section 10-508(a)(14) authorizes the Board to meet in closed session to discuss a matter relating to a bid or proposal before the contract is awarded.

EXECUTIVE SESSION

The Board met in Executive Session at 12:06 p.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; Morris L. Krome; William D. Brown; Carl D. Lancaster; Dr. A. Melissa Moye; Patrick O'Shea; F. Patrick Hughes; John W. Douglass; Sheila Hill, Trustees; and, Thomas K. Lee, Secretary. Agency staff also attending was: Margaret A. Bury; Deborah Bacharach, Robert Feinstein; Rachel Cohen; Margo Wheet; Jeannie Abramson; Howard Pleines; Steve Huber, Arthur Lynch, John Greenberg, Stephen McAlonan; Thomas Patti; and Monica Bias.

The Board ended its closed session at 12:46 p.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.

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| Minutes | On motion made and duly seconded, the Board approved the minutes of the March 15, 2005 closed session meeting. |
| Mordecia Hanks, Jr. | The Board considered the appeal of Mordecia Hanks, Jr. Following a discussion, on a motion made by Mr. Hughes, and seconded by Mr. Brown, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Mr. Hanks' request for accidental disability benefits. |
| Edgar L. Myers, Jr. | The Board considered the appeal of Edgar L. Myers, Jr. Following a discussion, a motion made by Mr. Brown, seconded by Mr. Hughes, the Board voted to remand the case to the Medical Board. |
| Mark J. Solomon | The Board considered the appeal of Mark J. Solomon. Following a discussion, a motion made by Mr. Hughes, and seconded by Mr. O'Shea, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Mr. Solomon's request for accidental disability benefits. |
| Christine M. Franklin | The Board <u>postponed</u> Christine M. Franklin's appeal. |

Sylvia Price-Brooks

The Board considered the appeal of Sylvia Price-Brooks. Following a discussion, a motion made by Mr. Hughes, and seconded by Mr. O'Shea, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Price-Brooks' request for accidental disability benefits.

Jack Pinkham, Sr.

The Board considered the appeal of Jack Pinkham, Sr. Following a discussion, a motion made by Mr. Hughes, and seconded by Mr. O'Shea, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Mr. Pinkham's request for accidental disability benefits.

There being no further business before the Board, the meeting adjourned at 12:50 p.m.

Respectfully submitted,



Thomas K. Lee
Secretary to the Board

TKL/mcb