

Revised 1/26/06 per approval at 1/17/06 BOT meeting

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

REVISED MINUTES OF MEETING
July 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, Cecilia Januszkiewicz, Dr. A. Melissa Moye, David B. Hamilton, Morris L. Krome, William D. Brown, Carl D. Lancaster, Patrick O'Shea, John W. Douglass, James Harkins, Sheila Hill, F. Patrick Hughes (via phone) Trustees, and, Thomas K. Lee, Secretary. Agency Staff members also attending were Kenneth Reott, Deputy Administrator, Deborah Bacharach, Robert Feinstein, Carla G. Katzenberg, and Jill R. Lerner, Assistant Attorneys General, Margo Wheat, Head of External Manager Compliance, Tracey Ray, Victoria Willard, John Greenberg, Paige Davis, Vincent Marsiglia, Chief Financial Officer, Howard Pleines, Director Legislation and Research, Sherlynn Matesky, Thomas Gigliotti, Chief Internal Auditor, Dale Markle, Chief Information Officer, and Monica Bias, Executive Associate.

Also attending were Dean Kenderdine, Comptroller's Office, Kevin Hughes, Department of Legislative Services, Robert Palumbi, Maryland Retired Teachers' Association, Randy Mickens, Maryland State Teachers' Association, Sue Esty, John Keenan, AFSME, Bill Anderson, MCEA, Robert Dezube, Hassan Ghazi, Milliman USA, Thomas C. Taylor Jr., Allen G. Windsor, Esquire, and Wallace C. Brenton III, John E. Kelly, Esquire.

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| Election Results | 1 | Chairman Schaefer announced that with more than 50.76% of the votes cast, Sheila Hill retained her seat on the Board. She will represent the various employee systems from August 1, 2005 through July 31, 2009. <u>EXHIBIT A</u> |
| Minutes | 2 | On motion made by Major Krome, and duly seconded, the Board approved the minutes of the June 21, 2005 regular meeting. |
| Administrative Committee | 3 | In accordance with a Resolution adopted by the Board of Trustees on November 9, 1982, the Board appoints the following trustees to serve on the Administrative Committee for the period August 1, 2005 through July 31, 2006: William D. Brown – Chairman, Morris L. Krome, Vice-Chairman, John W. Douglass, David B. Hamilton, James M. Harkins, Sheila Hill, and, Nancy K. Kopp. |
| Investment Committee | 4 | In accordance with State Personnel and Pensions Article, Section 21-115(a)(2), (b)&(d), the Board appoints the following trustees to serve on the Investment Committee for the period August 1, 2005 through July 31, 2006: Carl D. Lancaster, Chairman, Nancy K. Kopp, Vice-Chairman, William Donald Schaefer, F. Patrick Hughes, Sheila Hill, Cecilia Januszkiewicz, Morris L. Krome, Dr. A. Melissa Moye, Patrick A. O'Shea, and William D. Brown, Trustees. In addition, the three public members remain Robert W. Schaefer, Wayne H. Shaner, and Brian B. |

- Topping
- Audit Committee 5 On recommendation of the Chairman and the Vice-Chairman the Board of Trustees appoints the following trustees to the Audit Committee for the period of August 1, 2005 through July 31, 2006 F Patrick Hughes, Chairman, David B Hamilton, John W Douglass, Nancy K Kopp, and Morris L Krome
- Real Estate Subcommittee 6 On recommendation of the Chairman and the Vice-Chairman the Board of Trustees appoints the following trustees to the Real Estate Subcommittee of the Investment Committee for the period of August 1, 2005 through July 31, 2006 Nancy K Kopp, Chair, F Patrick Hughes, Carl D Lancaster, and Patrick A O'Shea
- Corporate Governance Committee 7 On recommendation of the Chairman and the Vice-Chairman the Board of Trustees appoints the following trustees to the Corporate Governance Subcommittee of the Investment Committee for the period August 1, 2005 through July 31, 2006 Dr A Melissa Moye, Chair, John W Douglass, Nancy K Kopp, and Carl D Lancaster
- Maryland Venture Capital 8 On recommendation of the Chairman and the Vice-Chairman the Board of Trustees recommend the following appointments to the Maryland Venture Capital Trust Morris L Krome, Carl D Lancaster, and Steve C Huber
- Investment Committee Recommendations and Information Items 9 Mr Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held July 8, 2005
- Mr Lancaster noted that the net gain in market value of the System produced an increase from \$30.17 billion as of June 30, 2004 to \$32.1 billion as of June 30, 2005
- Mr Lancaster reported on the following information items
- 1 The Investment Committee heard presentations from two transition managers, Barclays Global Investors and Frank Russell, that staff recommended adding to a pool of transition managers for use in future transactions
 - 2 Ennis Knupp updated the Committee on the impact of staff's tactical asset allocation positioning, indicating that staff's decisions, since the practice began in 2004, has added a total value of \$28 million to System assets
 - 3 Victoria Willard reviewed the draft to update the Investment Policy Manual, which will be discussed fully and considered for approved at the August Investment Committee meeting
 - 4 Mr Huber reviewed staff's fiscal year accomplishments, listing Board approved policies, vendor hiring, and staff initiatives

On motion made by Mr Lancaster, and seconded by Treasurer Kopp, the Board accepted Ennis Knupp's recommendation that the System take no action at this time to offset the component-level biases for its non-U S and global stock component

Mr Lancaster indicated that there were additional items to address during the closed session

The Board accepted Mr Lancaster's report

Executive
Director's Report

- 10 Mr Lee informed the Board that he continues to meet with legislators and employee groups to emphasize the limited capabilities of the Retirement Agency's current computer system and the need, therefore, to keep benefit enhancements simple. He noted that the Agency's focus was on implementation of pension enhancement only. The Board concurred, restating the importance of maintaining a clear message that the Trustees did not propose nor can they endorse any benefit enhancements that may be considered by the General Assembly. Chairman Schaefer stated that any discussions of benefit enhancements between the Agency and the General Assembly are to include Treasurer Kopp.

The Board accepted Mr Lee's report

Annual
Checklist

- 11 Mr Lee advised the Board that the agenda included a checklist of Board Policies and submission of other deliverables for the period January 1, 2005 to December 31, 2005 for their information.

Corridor Review
Subcommittee

- 12 Dr Moyer advised the Board that the Corridor Funding Sub-committee completed its work. Dr Moyer noted that a major concern of the subcommittee is that the current corridor rates do not cover normal annual costs. Therefore, while a variety of approaches to resolve funding issues, both with and without a corridor, were considered, the subcommittee agreed that it is paramount for the financial wellbeing of the System to return to full actuarial funding as quickly as possible.

- On motion made by Mr Brown, and duly seconded, the Board of Trustees agreed to recommend to the Joint Committee on Pensions, and the General Assembly, that legislation be introduced to eliminate the current corridor funding approach and return to full actuarial funding of the State Retirement and Pension System immediately.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to consider the following

- (1) issues related to allocation of funds to real return managers, pursuant to State Government Article, Section 10-508(a)(5) which authorizes the Board to meet in closed session to consider the investment of public funds, (2) decisions with respect to the selection of transition managers, pursuant to State Govt Art Section 10-508A)(14) which authorizes the Board to meet in closed session to discuss issues related to the award of a contract, and (3) consideration of the annual compensation for the Executive Director, pursuant to State Govt Art Section 10-508(a)(1)(i) which authorizes the Board to meet in closed session to discuss personnel matters.

EXECUTIVE SESSION

The Board met in Executive Session at 10 12 a m in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider investment matters, discuss a contract, and exercise an executive function. There were present William Donald Schaefer, Nancy K Kopp, Cecilia Januszkiewicz, Dr Melissa Moye, David B Hamilton, Morris L Krome, William D Brown, Carl D Lancaster, Patrick O'Shea, John W Douglass, James Harkins, Sheila Hill, Trustees, and, Thomas K Lee, Secretary. Agency Staff members also attending were Kenneth Reott, Deborah Bacharach, Robert Feinstein, Margo Wheel, Tracey Ray, Victoria Willard, John Greenberg, Paige Davis, Vincent Marsiglia, Howard Plenes, Sherlynn Matesky, Dale Markle, and Monica Bias. Ms Andrea Fulton, Director of Personnel Services and Benefits, Department of Budget and Management, was present only for the discussion of the Executive Director's salary.

The Board ended its closed session at 10 45 a m and returned to regular session to complete the agenda.

REGULAR SESSION

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| Medical Board Reports | 13 | 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 | 14 | 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 B |
| Earnings Limitation Recovery Report | 15 | In accordance with State Personnel and Pensions Article, Sections 22-406(b)(2) and 23-407(b)(2), pensions of retirees who exceeded their earnings limitation in calendar 2004 are to be offset from pensions paid in fiscal year 2006. On motion made by Mr Brown, and seconded by Major Krome, the Board approved the offset of calendar 2004 earnings. |
| Thomas C Taylor | 16 | The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr Thomas C 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. |

Mr Taylor, with his attorney, Allen G Windsor, appeared 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.

Gregory L Schroeder 17 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr Gregory L Schroeder 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 Schroeder did not appear before the Board, having his case submitted for the record 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

Christine M Franklin 18 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms Christine Franklin 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 Franklin did not appear before the Board, having her case submitted for the record 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

Linda L Bowman 19 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms Linda L Bowman 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 Bowman did not appear before the Board, having her case submitted for the record 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

Wallace C Brenton III 20 The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr Wallace C Brenton, III 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 Brenton, and his attorney, John E Kelly, 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 disability appeals, pursuant to State Government Article, Section 10-503(a)(1)(iii) which authorizes the Board to meet in closed session to carry out a quasi-judicial function

EXECUTIVE SESSION

The Board met in Executive Session at 12:12 p.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider disability appeals. There were present William Donald Schaefer, Nancy K. Kopp, David B. Hamilton, Dr. Melissa Moye, Morris L. Krome, William D. Brown, Patrick O'Shea, James Harkins, Sheila Hill and John Douglass, Trustees, and Thomas K. Lee, Secretary. Agency staff also attending was Kenneth Reott, Deborah Bacharach, Howard Pleines, and Monica Bias.

The Board ended its closed session at 12:25 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.

- Minutes On motion made by Major Krome, seconded by Mr. Brown, the Board approved the minutes of the June 21, 2005 closed session meeting.
- Thomas C. Taylor The Board considered the appeal of Thomas C. Taylor. Following a discussion, on a motion made by Mr. Douglass, and seconded by Ms. Hill, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Mr. Taylor's request for accidental disability benefits. Mr. Hamilton and Mr. O'Shea voted against the motion.
- Gregory L. Schroeder The Board considered the appeal of Gregory L. Schroeder. Following a discussion, on a motion made by Ms. Hill, seconded by Mr. Brown, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Mr. Schroeder's request for accidental disability benefits.
- Christine M. Franklin The Board considered the appeal of Christine M. Franklin. Following a discussion, on a motion made by Major Krome, and seconded by Mr. Brown, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Franklin's request for accidental disability benefits.
- Linda L. Bowman The Board considered the appeal of Linda L. Bowman. Following a discussion, on a motion made by Mr. Hamilton, and duly seconded, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Bowman's request for accidental disability benefits.

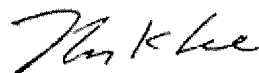
Wallace C Brenton III The Board considered the appeal of Wallace C Brenton, III. Following a discussion, on a motion made by Ms Hill, seconded by Mr Brown, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Mr Brenton's request for accidental disability benefits. Mr Harkins recused himself from this case.

Proposed Default Order On motion made by Mr Hamilton, seconded by Ms Hill, the Board
Darby Butts adopted the Default Order of the Administrative Law Judge for Darby J Butts dated April 7, 2005.

Compensation Increase On motion made and duly seconded, the Board approved a 4% increase in annual compensation to Mr Thomas K Lee. The adjusted annual compensation is to equal \$134,521.

There being no further business before the Board, the meeting adjourned at 12:25 p.m.

Respectfully submitted,



Thomas K Lee
Secretary to the Board

TKL/mcb