

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

MINUTES OF MEETING

January 17, 2006

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, William D. Brown, John W. Douglass, David B. Hamilton, James M. Harkins, Sheila Hill, F. Patrick Hughes, Morris L. Krome, Carl D. Lancaster, Dr. Melissa A. Moye, Patrick O'Shea, Trustees, and, Thomas K. Lee, Secretary.

Agency Staff members attending were Jeannie Abramson, Deborah Bacharach, Monica Bias, Ann Budowski, Margaret Bury, Rachel Cohen, Melody Countess, Robert Feinstein, Vanessa Garrett-Ingram, Thomas Gigliotti, John Greenberg, Steven Huber, Carla Katzenberg, Jill Leiner, Dale Markle, Vincent Marsiglia, Sherlynn Matesky, Howard Pleines, and Barbara Swain.

Also attending were Bill Anderson, Robert Dezube, Hassan Ghazi, Dean Kenderline, and Robert Palumbi. Appeal cases present were James J. Bowman, and Katie L. Taft.

Prior to the start of business, Treasurer Kopp, on behalf of the Board of Trustees, presented a resolution to Mr. Steve Huber thanking him for his outstanding service to the Board and the System during his two years of service as Chief Investment Officer.

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| Minutes | 1 | On motion made by Mr. Hughes, and seconded by Major Krome, the Board approved the minutes of the December 20, 2005 regular meeting. |
| Minutes | 2 | On motion made by Mr. Brown, and duly seconded by, the Board approved the <u>revised</u> minutes of the July 19, 2005 regular meeting to reflect Mr. Hughes' attendance on July 19, 2005 via telephone. |
| Investment
Committee
Recommendations and
Information Items | 3 | <p>Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held January 13, 2006.</p> <p>Mr. Lancaster reported on the following information items discussed at the Investment Committee meeting:</p> <ul style="list-style-type: none">• Mr. Huber formally announced his resignation and thanked the members of the Investment Committee for their support.• Mr. Huber introduced Liz Fisher who will be responsible for oversight of the Fixed Income asset class.• Ms. Bacharach presented information relating to conflicts of interest and recusal. |

- Staff reviewed the history of the System's Watch List Policy, followed by EnnisKnupp presenting a proposed manager monitoring approach to replace the Watch List. The Committee decided to retain the Watch List at this time.
- Ms. Margo Wheat provided an overview of the Compliance Unit's purpose and scope of duties.
- EnnisKnupp reviewed the System's Yearly Policy and Procedure Review with the Investment Committee.
- The Committee received the manager guidelines and side letters for the PIMCO Real Return mandate.
- Staff reported on each manager's maximum percentage and estimated maximum dollar amount that can be invested in Emerging Markets as well as the percentage actually invested in Emerging Markets as of December 31, 2005 and the dollar amount of investments in Emerging Markets as of December 31, 2005.

On motion made by Mr. Lancaster, and seconded by Major Krome, the Board approved Staff's recommendation to exercise the System's first one-year renewal option for the Custodial Contract with State Street.

On motion made by Mr. Lancaster, and seconded by Major Krome, the Board approved Staff's recommendation to renew the System's Securities Lending Contract with State Street Bank and Trust for one year.

Audit
Committee
Recommendations and
Information Items

- 4 Mr. F. Patrick Hughes, Chairman of the Audit Committee, reported on the meeting held December 20, 2005.

Mr. Hughes advised that Mr. Thomas Heseltine, Clifton Gunderson LLP, submitted a report to the Committee entitled "Written Communication to an Audit Committee" which contained the results of the Retirement Agency's financial audit for the year ended June 30, 2005.

Mr. Hughes reported that Mr. Gigliotti had received, and was reviewing technical proposals to perform reviews of 38 participating governmental units from pre-qualified bidders under a statewide Task Order for audit and financial services.

Mr. Hughes stated that Mr. Gigliotti informed the Audit Committee that both auditor trainees had taken other positions and the Retirement Agency had begun the recruiting process again. The Board noted its concerns with the difficulty in attracting and retaining qualified accountant auditors. At the appropriate time, Mr. Lee, with assistance from the Board, is to seek a meeting with the Governor, and his Budget Secretary, on the System's critical need to be able to offer higher compensation for these audit positions as well as other positions unique to the Retirement Agency.

Executive
Director's
Report

- 5 Mr Lee's advised that Ms Jeannie Abramson would update the Board on its 2007 budget request in closed session since the Governor has not released the budget to date

Mr Lee noted that the Senate Budget Hearing is scheduled for Tuesday, January 24, at 1 00 p m in the Budget & Taxation Hearing Room The House is scheduled for Wednesday, February 1 at 1 00 p m The location is not known at this time

Mr Lee noted that the Joint Committee on Pensions will hold its decision meeting on Monday, January 23, at 1 00 p m in the Senate Budget & Taxation Hearing Room

Benefit Enhancement
Overview

- 6 Mr Robert Dezube and Mr Hassan Ghazi, Milliman USA, presented a benefit enhancement model indicating the impact on employer cost to improve benefits for the Employees' and Teachers' Pension Systems The model allows adjustments to the benefit multiplier, the employer contribution rate, a phase-in of that rate, and providing the enhancements with full retroactivity, retroactive from July 1, 1998, or prospective only

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss its 2007 budget request, pursuant to State Government Article, Section 10-503(a)(1)(i) which authorizes the Board to meet in closed session to carry out an executive function, and investment matters related to the management of assets, 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

EXECUTIVE SESSION

The Board met in Executive Session at 10 30a m in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider disability appeals There were present William Donald Schaefer, Chairman, Nancy K Kopp, Vice-Chair, William D Brown, John W Douglass, James M Harkins, Sheila Hill, F Patrick Hughes, Morris L Krome, Carl D Lancaster, Dr Melissa Moye, Patrick O'Shea, Trustees, and, Thomas K Lee, Secretary Agency Staff members attending were Jeannie Abramson, Deborah Bacharach, Monica Bias, Anne Budowski, Margaret Bury, Melody Countess, Robert Feinstein, Vanessa Garrett-Ingram, Thomas Gigliotti, John Greenberg, Steve Huber, Carla Katzenberg, Jill Leiner, Vincent Marsiglia, Howard Pleines, Barbara Swain and Dean Kenderdine

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

REGULAR SESSION

- 2006 Proposed Legislation 7 Mr Howard Pleines reported on the opening of the 2006 Session and that one pension bill has been introduced HB65 would permit one former withdrawn State Trooper to file for a special disability benefit The Board opposed similar legislation last year
- Medical Board Reports 8 On motion made by Mr Hughes, 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 9 On motion made by Mr O'Shea, and duly seconded, the Board accepted the supplemental reports of the Medical Board in connection with application 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**
- Roy M Davies 10 The Board noted considered the advice provided by Ms Bacharach in connection with the claim of Mr Roy Davies for accidental disability benefits The Board deferred consideration to Executive Session
- Kate L Taft 11 The Board considered the proposed decision of the Administrative Law Judge in connection with the claim of Ms Katie L Taft for accidental disability benefits The Administrative Law Judge's Proposed Decision, a report by the Medical Board, and all related documents submitted by the parties were presented
- Ms Taft appeared before the Board to oppose the Agency's position and the Administrative Law Judge's Proposed Decision Ms Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's Proposed Decision Following discussion, the Board deferred further consideration to Executive Session
- Ruby S Purnell 12 The Board considered the Proposed Decision of the Administrative Law Judge in connection with the claim of Ms Ruby S Purnell for accidental disability benefits The Administrative Law Judge's Proposed Decision, a report by the Medical Board, and all related documents submitted by the parties were presented
- Ms Purnell did not appear before the Board to oppose the Agency's position and the Administrative Law Judge's Proposed Decision Ms Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's Proposed Decision Following discussion, the Board deferred further consideration to Executive Session

Catherine Barksdale 13 The Board considered the Proposed Decision of the Administrative Law Judge in connection with the claim of Ms Catherine Barksdale for accidental disability benefits The Administrative Law Judge's Proposed Decision, a report by the Medical Board, and all related documents submitted by the parties were presented

Ms Barksdale and her attorney, Charles F Chester did not appear before the Board to oppose the Agency's position and the Administrative Law Judge's Proposed Decision Ms Barksdale's case was heard on the record Following discussion, the Board deferred further consideration to Executive Session

James J Bowman 14 The Board considered the Medical Board report and the Proposed Decision of the Administrative Law Judge in connection with the claim of Mr James J Bowman for disability benefits The Medical Board report, the Administrative Law Judge's Proposed Decision and all related documents submitted by the parties were presented

Mr Bowman appeared before the Board to oppose the Medical Board report, the Agency's position and the Administrative Law Judge's Proposed Decision Ms Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Medical Board report and the Administrative Law Judge's Proposed Decision 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 deliberate 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 11 45am in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider disability appeals There were present William Donald Schaefer, Chairman, Nancy K Kopp, Vice-Chair, William D Brown, John W Douglass, David B Hamilton, James M Harkins, Sheila Hill, F Patrick Hughes, Morris L Krome, Carl D Lancaster, Dr Melissa Moye, Patrick O'Shea, Trustees, and, Thomas K Lee, Secretary Agency Staff members attending were Deborah Bacharach, Monica Bias, Anne Budowski, Margaret Bury, Vincent Marsiglia, Howard Pleines, and, Barbara Swain

The Board ended its closed session at 12 30 p m and returned to regular session to complete the agenda

