

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

February 16, 2010

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 9:08 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	James Harkins	F. Patrick Hughes	Major Morris Krome
Theresa Lochte	Robert Schaefer	Harold Zirkin	Thurman Zollicoffer, Jr.
R. Dean Kenderdine, Secretary			

Agency Staff members attending included:

Anne Budowski	Robert Burd	Margaret Bury	Antionette Butcher	Steve Cichelli
Melody Countess	Shinelle Davis	Robert Feinstein	Patricia Fitzhugh	Michael Golden
Larry Jennings	Faina Kashtelyan	Dennis Krysiak	Michelle Lowery	Mansco Perry, III
Howard Pleines	Ken Reott	Brian Rowe	Michael Ruetz	Wayne Shaner
Janet Sirkis	Brian Topping	Toni Voglino	Margo Wheat	Vicky Willard

Assistant Attorneys General attending:

Deborah Bacharach	Kathy Brady	Melissa Warren
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Also attended by:

John Kenney	Melissa Moye	Robert Palumbi	Tom Kurowski	Dana Reed
Kathleen Wherthey	Suzanne Bernard			

Minutes 1. On a motion made by Mr. Brown and seconded by Mr. Hughes the Board approved the minutes of the January 19, 2010 open session meeting.

Investment Committee Meeting 2. At 9:10 a.m. the Board suspended its meeting in order for the Investment Committee to hold its meeting postponed from February 12, 2010.

At 10:20 a.m. the Investment Committee adjourned and the Board of Trustees resumed its regular meeting.

Investment Committee Report The Board received a recommendation from the Investment Committee to modify two existing asset class benchmarks as follows:

1. Private Equity: Change the primary private equity benchmark retroactively to the State Street Private Equity Index from the Russell 3000 Stock Index plus 300 basis points. The latter benchmark would become a secondary benchmark used to assess the long-term performance of the System's private equity program. This change will be made retroactive to the beginning of the System's private equity program.
2. Real Return: Change the asset class benchmark to 60% inflation-linked bonds, 20% Dow Jones-UBS Commodity Index, and 20% CPI + 500 basis points. The inflation linked bond component will be comprised of 65% Barclays Capital U.S. Government Inflation-Linked Bond Index and 35% Barclays Capital Global Inflation-Linked Bond Index Hedged. The CPI-based component of the benchmark will have a maximum total return of 8% to reflect the

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Investment
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mismatch that can arise between real return investments and CPI in a hyper-inflationary environment. This change will be made retroactive to July 1, 2009.

On motion duly made and seconded, the Board unanimously approved the Investment Committee's recommendation.

Administrative
Committee
Report

3. Mr. James Harkins, Chairman of the Administrative Committee, reported on the regular meeting of the Administrative Committee held on February 2, 2010.

Mr. Harkins reported that the Committee accepted staff's reports of the Administrative Expenses and Management Fees for the quarter ending December 31, 2009.

Mr. Harkins reported that the Committee accepted the staff report on MBE Performance for the quarter ending December 31, 2009. Mr. Harkins stated that the Agency continues its more aggressive approach to obtain greater minority participation with the Agency's procurements.

Mr. Harkins reported that the Committee received its regular update on the performance of the Member Services Unit through the month of December, noting that the Agency again succeeded in meeting its performance goals for both the abandonment rate and answering calls in December. Member Satisfaction surveys continue to show about 97% are satisfied with the services provided.

Mr. Harkins reported that MPAS Project Director, Steve Cichelli, advised the Administrative Committee that final milestone, Milestone 9, was received and accepted. Regression testing has ended, and staff was preparing to begin parallel testing of the Legacy output against MPAS output. Mr. Cichelli noted that this would be an extremely critical time as additional Agency staff will be assigned to complete the detailed testing of one million data points to determine if any differences in the results between the Legacy System and MPAS are areas that need correction, or are acceptable variances.

Mr. Harkins reported that Ms. Khushwant Babra, wife of the late Anoop Babra and her son, Amit Babra, appeared before the Administrative Committee seeking an administrative hearing related to the filing of an ordinary disability retirement claim and a revised beneficiary form naming Ms. Babra as her husband's sole primary beneficiary.

Ms. Babra appeared before the Board and asked that the Trustees accept the late-filed beneficiary form and ordinary disability retirement form which the Retirement Agency rejected as not properly completed nor timely filed prior to Mr. Babra's death. Ms. Babra stated that her husband's employer did not advise her of filing deadlines and, therefore, the forms were not submitted until after her family had dealt with her husband's death on May 31, 2009.

Ms. Rachel Cohen stated that the State Personnel and Pensions Article require that a disability retirement application must be completed and

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submitted to the Retirement Agency before the date that membership ends, in this case, before the member died. Therefore, Mr. Babra's membership ended May 31 and the disability application and other data cannot be accepted under State law.

On a motion made by Mr. Harkins and seconded by Mr. Brown the Board voted to accept Mr. Kenderdine's recommendation to issue a summary decision in accordance with the Administrative Procedures Act, State Government Article, Section 10-201, and Code of Maryland Regulation, 22.03.04.07D to reject the petition for an administrative hearing by Ms. Khushwant Babra. Mr. Douglass and Mr. Blitzstein opposed the motion.

Mr. Harkins reported that originally the Law Enforcement Officers' Pension System (LEOPS) was titled the Natural Resources Pension System as it had been designed and established solely for the law enforcement officers within the State Department of Natural Resources. The State opened that system to other State law enforcement personnel and renamed the system. COMAR, Title 22, Subtitle 02, still refers to the Natural Resources Pension System.

On a motion made by Mr. Harkins and seconded by Major Krome the Board voted to amend regulation 22.02.01 03 – Law Enforcement Annuity Factors – to remove the obsolete title of Natural Resources Pension System and replace it with the Law Enforcement Officers' Pension System.

Mr. Harkins reported that Mr. Kenderdine noted the Retirement Agency is working to fill a position that will be assigned to work on the remaining portion of the MPAS-1 project, as well as MPAS projects into the foreseeable future. With the high skill set and responsibilities required for this position, Mr. Kenderdine has asked that it be designated as a special appointment.

On a motion made by Mr. Harkins and seconded by Major Krome the Board voted to accept Mr. Kenderdine's request to make a position to work with MPAS a special appointment (PIN 061652).

Mr. Howard Pleines reported to the Committee on the following additional pension bills filed since the beginning of the 2010 legislative session.

- **SB317/HB775** – would establish the COLA for July 2010 as \$0.00 and requires the Board of Trustees to study the impact of a negative COLA and report back to the General Assembly.
- **SB354** – establishes a Pension Sustainability Trust Fund to which certain corporate taxes and appropriated funds are to be directed. Those assets would be used to pay a portion of the State's contributions for employees and teachers.
- **SB391/HB488** – would permit correctional case managers to participate in the Correctional Officers Retirement System. They currently are members of the Employees' Pension System.
- **HB 338** – permits employees of the Upper Shore Community Mental Health Center, whose positions are being abolished, to qualify for early service retirement at age 54 with 25 years of service. There is one known member who would be affected by this bill.

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- Joint Resolutions have been introduced in the Senate and House (1) to increase judges' salaries about 6% each year through FY2014, and (2) to reject the increases recommended by the Legislative compensation Commission for legislative salaries and benefits for the 2011-2014 term.

On a motion made by Mr. Harkins and seconded by Mr. Schaefer, the Board voted not to support or oppose any of the Bills reviewed.

Legislative Update

4. Mr. Howard Pleines noted that the various Board requested legislation was introduced in both the House and Senate. All Board bills are expected to receive favorable consideration. Additional 2010 pension legislation introduced are as follows.

HB509/SB896: provides for the suspension of special disability if reemployed as law enforcement officer.

HB635: permits retired judges to work for the State without an earnings limitation.

HB679: provides military service credits for service in any National Guard unit.

HB768/SB608: provides for recovery of overpayments from retirees of the School for the Deaf.

HB771/SB444: Extends the Commission to Study retiree health care costs until June 2012, with report due to General Assembly December 2011.

HB793: Seeks to alter makeup of Board of Trustees to reflect racial, ethnical, cultural, and gender diversity of the State.

HB807: provides military service credits for service in a reserve unit of the U. S. Armed Forces.

HB845/SB793: mandates the Board invest \$50 million over five years in specific venture capital investments.

HB908: establishes the Maryland Clean Energy Center as eligible to seek membership in the Employees' Pension System.

HB926: permits retiree organizations to obtain retiree names and addresses for two mailings per year.

SB480/HB619: permits deputy sheriff in Harford County to transfer EPS service to the Law Enforcement Officers' Pension System on a delayed basis.

SB709: permits Board to accept a late-filed disability retirement application from a surviving beneficiary.

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Legislative Update

SB829: adjusts the average salary used to calculate the earnings limitation for retirees of higher education to include all earnings for the same time period utilized to calculate the average final compensation for retirement.

SB862: defines placement agent and places limits on when a former Agency employee may act as a placement agent; requires disclosure of relationship involving placement agents.

On motion made by Mr. Harkins and duly seconded, the Board of Trustees voted not to take a position on all bills presented except HB845/SB793 and SB862. The Board opposes HB845/SB793 because as fiduciaries, the Trustees reject any mandates on their investment program. The Board is considering supporting SB862 if the sponsor agrees to amendments that the Agency is submitting.

Executive
Director's
Report

5. Mr. R. Dean Kenderdine's reported on recent Agency developments.

Mr. Kenderdine stated that the Agency's budget hearings were to be held in the Senate that afternoon beginning at 3:00 p.m. The House budget hearing was to be held Wednesday, February 16 at 1:00 p.m.

Mr. Kenderdine introduced Mr. Michael Golden, the Agency's new Director of External Affairs, to the Board.

Virgie Foster
Joint Remand
Request

6. Attorneys for Virgie Foster and the Agency requested a joint remand of the proposed decision to Administrative Law Judge Marlene Miller for the purpose of issuing a revised proposed decision indicating that she considered joint exhibit 1 in its entirety, including pages 190-193, and reflecting that at the administrative hearing, Jill R. Leiner represented the Retirement System and Ms. Virgie Foster appeared in person.

On a motion made by Mr. Brown and seconded by Mr. Hughes the Board voted to remand the proposed decision to Administrative Law Judge Marlene Miller for the purposes stated above.

Medical Board
And
Supplemental
Medical Board
Reports

7. On a motion made by Mr. Hughes and seconded by Mr. Zirkin, the Board of Trustees accepted all 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 documentation in the file.

CLOSED SESSION

The Board met in Closed Session at 12:14 p.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. approving the closed session minutes, in accordance with State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to discuss the matters related to the Milliman case; State Government Article §10-508(a)(7) and (a)(8), consulting with counsel relating to pending litigation.

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Assistant Attorneys General attending: Deborah Bacharach, Dana Reed and Kathleen Wherthey

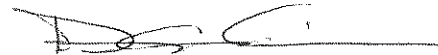
The Board ended its closed session at 12:45 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

The Board reported that during the closed session the Board approved the closed session minutes of the January 19, 2010 meeting.

- Adjournment 8. There being no further business before the Board, the meeting adjourned at 12:46 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/pws