

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

October 16, 2012

The Board of Trustees for the Maryland State Retirement and Pension System met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, beginning at 10:09 a.m.

The Trustees present included:

Peter Franchot, Vice-Chairman, Presiding	Robert Hagans
David Blitzstein (via telephone)	James Harkins
Susanne Brogan (representing Chairman Nancy Kopp)	Sheila Hill (via telephone)
John Douglass (via telephone)	F. Patrick Hughes
T. Eloise Foster	Major Morris Krome
Kenneth Haines	Theresa Lochte

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary

Anne Budowski	Anne Gawthrop	A. Melissa Moye
Robert Burd	Michael Golden	Kenneth Reott
Margaret Bury	Ira Greenstein	Ben Robb
Melody Countess	Angie Jenkins	Janet Sirkis
Patricia Fitzhugh	Van Lewis	Toni Voglino

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Katzenberg, Jill Leiner and Melissa Warren.

Also attended by: Phillip Anthony, Nathan Bowen, John Kenney, Michael Rubenstein, Dana Tagalicod and Rick Norman.

Consent Agenda

On a motion made by Secretary Foster and seconded by Mr. Harkins, the Board approved the consent agenda, which included:

- › September 20, 2012 Open Meeting Board Minutes, as amended
- › October 2, 2012 Administrative Committee Report
- › Disability Reports from the Medical Board

2013 Board
Requested
Legislation

Ms. Anne Gawthrop presented the following 2013 legislative proposals for the Board's consideration to be presented to the Joint Committee on Pensions:

45-day Break in Service – Reemployment – The staff recommendation would amend provisions in each of the several systems that addresses reemployment of retirees to impose a 45-day break in service for any retiree reemployed by a participating employer in the System. In addition, it would provide a 45-day break in service for disability retirees who are reemployed by any participating employer in the System.

On a motion made by Secretary Foster and duly seconded, the Board voted to accept the staff recommendation. Mr. Douglass voted against the motion.

Overpayments – The staff recommendation would amend the law to allow the board to recover from the survivor benefit paid to a designated beneficiary of a deceased retiree, any improper payments made to that

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retiree but not discovered until after the retiree was deceased. In addition, it would clarify that the board is required to correct any error that results in a retiree or beneficiary receiving a benefit that differs from the benefit to which they are entitled. Current statute only requires a correction of the member's record.

On a motion made by Mr. Hughes, and seconded by Mr. Hagans, the Board voted to accept the staff recommendation.

Administrative Fees – Participating Governmental Units - The staff recommendation would repeal § 21-316(e)(6) that allows a participating governmental unit to deduct its administrative fees from its annual employer contributions.

On a motion made by Mr. Hughes and seconded by Secretary Foster, the Board voted to accept the staff recommendation. Ms. Brogan abstained and Mr. Harkins voted against the motion.

Unused Sick Leave - The current calculation required under the law is impossible for the agency to perform, and impossible to avoid confusion for members who are employed by participating employers who provide more than 15 days of sick leave per year. The staff recommendation would amend the law to clarify the calculation that the Agency actually performs.

On a motion made by Mr. Harkins and seconded by Ms. Lochte, the Board voted to accept the staff recommendation.

Cost of Living Adjustments - The staff recommendation would amend the COLA provisions under § 24-401 and Title 29, Subtitle 4 to reflect the Agency practice and computer programming used by the Agency to calculate COLAs each year. This proposed legislation would not make any substantive changes to the COLA calculations for any of the several systems.

On a motion made by Mr. Hughes and seconded by Mr. Harkins, the Board voted to accept the staff recommendation.

CIO Report

Dr. A. Melissa Moye informed the Board that the total fund returned 1.74% for the month of September 2012. Returns for all asset classes have been positive since the end of FY 2012, with a 3-yr return of 8.5%, a 5-yr return of 1.2% and a 10-yr return of 7.5%. Fiscal YTD net return for the total fund is 4.64% as of September 30, 2012, exceeding the benchmark and increasing fund assets to \$38.5 Billion.

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Executive
Director's
Report

Mr. R. Dean Kenderdine introduced Angie Jenkins, the new Executive Assistant to the Board of Trustees.

Mr. Kenderdine presented the Board of Trustees with an updated June 30, 2012 Actuarial Valuation prepared by Gabriel Roeder Smith and Company (GRS), the System's actuary. Mr. Kenderdine reported that GRS will return to present the final valuation results at the November 20, 2012 meeting of the Board of Trustees in order for the FY14 contribution rates to be certified.

Mr. Kenderdine provided the Board with a letter from Maryland Retirees Chapter 1, an affiliate of the American Federation of State, County and Municipal Employees (AFSCME). The letter, which is intended for the recruitment of members, will be sent to all retirees of the Employees' System as well as LEOPS. The Agency will provide a list of names and addresses of Retirees to AFSCME's third party mail house vendor once the requisite confidentiality agreement with that vendor is secured. By statute the Board is required to review all such letters.

Mr. Kenderdine reported that the letter regarding the taxation of Accidental Disability benefits was mailed to approximately 2,300 affected retirees on or about October 5, 2012. As a result of the mailing, the Agency has received approximately 300 telephone calls. The calls are being handled exclusively by two Senior Benefits Counselors within the Members Services Unit. Mr. Kenderdine advised the Board that the General Assembly Leadership, Budget Committee Chairs and the Joint Committee Chairs were notified prior to the mailing.

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CLOSED SESSION

On a motion made by Vice-Chairman Peter Franchot and duly seconded, the Board voted to meet in a Closed Session (10:46 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to approve the closed session minutes, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to receive a litigation update, pursuant to State Government Article § 10-508(a)(7), and to consult with counsel to obtain legal advice;

The Trustees present included:

Peter Franchot, Vice-Chairman, Presiding	Robert Hagans
David Blitzstein (via telephone)	James Harkins
Susanne Brogan (representing Chairman Nancy Kopp)	Sheila Hill (via telephone)
John Douglass	F. Patrick Hughes
T. Eloise Foster	Major Morris Krome
Kenneth Haines	Theresa Lochte

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary

Anne Budowski	Michael Golden	Kenneth Reott
Margaret Bury	Angie Jenkins	Janet Sirkis
Melody Countess	Van Lewis	Toni Voglino
Patricia Fitzhugh	A. Melissa Moye	

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen, Carla Katzenberg, Jill Leiner and Melissa Warren.

Also attended by: John Kenney.

OPEN SESSION

The Board returned to open session at 10:56 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

Brian McCall

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Brian McCall for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Elliott Andalman, Esq., Mr. McCall's attorney, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. 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 Closed Session.

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Portia Brewer The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Portia Brewer for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. Portia Brewer appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. 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 Closed Session.

Carmela D. Crampton The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Carmela D. Crampton for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. Carmela D. Crampton appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. 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 Closed Session.

Bridget L. Simms The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Bridget L. Simms for DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

George Rose, Esq., Ms. Simms' attorney, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. 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 Closed Session.

CLOSED SESSION – APPEALS AND HEARINGS

On a motion made by Mr. Harkins and seconded by Mr. Haines, the Board voted to meet in a Closed Session (12:47 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to consider the disability appeals pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

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The Trustees present included:

David Blitzstein (via telephone)
Susanne Brogan (representing Chairman Nancy Kopp)
T. Eloise Foster
Kenneth Haines
James Harkins

Sheila Hill (via telephone)
F. Patrick Hughes
Major Morris Krome
Theresa Lochte

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary
Margaret Bury
Angie Jenkins
Janet Sirkis

Assistant Attorney General present included: Deborah Bacharach and Rachel Cohen

OPEN SESSION

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

Brian J. McCall

The Board voted to **REJECT** the Administrative Law Judge's Proposed Decision and **APPROVE** Brian J. McCall's request for accidental disability benefits.

Portia Brewer

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Portia Brewer's request for accidental disability benefits.

**Carmela D.
Crampton**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Carmela D. Crampton's request for accidental disability benefits.

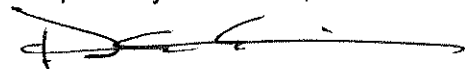
Bridget L. Simms

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Bridget L. Simms' request for disability benefits.

Adjournment

There being no further business before the Board, the meeting adjourned at 1:00 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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***ADMINISTRATIVE COMMITTEE REPORT
OF THE OCTOBER 2, 2012***

2013 Board
Requested
Legislation

Mr. Kenderdine opened the discussion by asking that the legislative proposal titled "Administrative Fees – Withdrawn Participating Governmental Units" be withdrawn from consideration. Staff has concluded that current statutes for the State budget can accommodate the concerns that led to this initiative.

Ms. Gawthrop presented the remaining five initiatives:

45-day Break in Service – Reemployment – The staff recommendation would amend provisions in each of the several systems that addresses reemployment of retirees to impose a 45-day break in service for any retiree reemployed by a participating employer in the System. In addition, it would provide a 45-day break in service for disability retirees who are reemployed by any participating employer in the System.

Mr. Haines made a motion to amend the staff recommendation so as to require a six-month break in service for retirees returning to the same employer and a 45-day break in service for retirees being reemployed with a different participating employer. Mr. Douglass seconded the motion. The motion failed on a vote of four to two.

Ms. Brogan made a motion to accept the staff recommendation. The motion was seconded by Mr. Romans. The motion was approved, with Mr. Douglass abstaining.

Overpayments – The staff recommendation would amend the law to allow the board to recover from the survivor benefit paid to a designated beneficiary of a deceased retiree, any improper payments made to that retiree but not discovered until after the retiree was deceased. In addition, it would clarify that the board is required to correct any error that results in a retiree or beneficiary receiving a benefit that differs from the benefit to which they are entitled.

Mr. Douglass made the motion to accept the staff recommendation. Major Krome seconded the motion. The motion passed unanimously.

Administrative Fees – Participating Governmental Units - The staff recommendation would repeal § 21-316(e)(6) that allows a participating governmental unit to deduct its administrative fees from its annual employer contributions.

Mr. Douglass made the motion to accept the staff recommendation. Major Krome seconded the motion. The motion passed with Mr. Harkins voting against, and Ms. Brogan abstaining.

Unused Sick Leave - The current calculation required under the law is impossible for the agency to perform, to avoid confusion for members who are employed by participating employers who provide more than 15 days of sick leave per year. The staff is recommendation would amend the law to clarify the calculation that the Agency actually performs.

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OF THE OCTOBER 2, 2012***

Mr. Douglass made the motion to accept the staff recommendation. Mr. Haines seconded the motion. The motion passed unanimously.

Withdrawing Participating Governmental Units and Defined Contribution Plans - The staff recommendation would clarify that in instances when a withdrawing participating governmental unit is offering its new employees and those that withdraw from the System a defined contribution plan as the local retirement plan, there will be no transfer of funds from the State defined benefit plan to the new local defined contribution plan.

Discussion of the recommendation resulted in the conclusion that there is uncertainty regarding the proper disposition of the employer's contributions into the State system. The recommendation was tabled by consensus of the committee.

2013 Proposed
Meeting Schedule

Chairman Harkins asked if the committee wished to continue the committee's meeting time at 9:30am. The committee agreed to maintain the current start time.

Mr. Haines made the motion to approve the proposed 2013 meeting schedule for the committee. Major Krome seconded the motion. The motion passed unanimously.

Member Service
Update

Ms. Anne Budowski updated the Committee on the performance of the Member Services Unit.

Ms. Budowski reported that the Agency continues to operate within the standards for average call wait time and call abandonment. The recent member satisfaction survey found 96.4% of respondents rating the service received as satisfactory or better.

Adjournment

There being no further business before the Committee, the meeting adjourned at 11:15 a.m.