

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

MINUTES OF MEETING

December 19, 2000

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, at 9 30 a m There were present Richard N Dixon, Chairman, William Donald Schaefer, Vice-Chairman, Arthur N Caple, Jr., William D Brown, Carl D Lancaster, Frank P Casula, Morris L Krome, G Bruce Harrison, and Ali A Alemi, Trustees, and Peter Vaughn, Secretary Agency staff members also attending were Margaret A Bury, Retirement Administrator, Harriet B Granet, Robert Feinstein, Jill R Leiner and Carla G Katzenberg, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, J Howard Pleines, Director of Legislation, Thomas Gighotti, Chief Internal Auditor, and Shirley A Hartnett, Administrative Officer

Walter Reiter, attorney for Nancy B Lewis, Leatrice A Ayres, and Russell Neverdon, attorney for Ms Ayres, were also present

Minutes 1 On motion made by Mr Casula and duly seconded, the Minutes of the regular meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on November 28, 2000, were approved

2001 Meeting Dates 2 On motion made by Mr Schaefer and seconded by Mr Brown, the 2001 meeting dates listed below for the Board of Trustees were approved by the Board The meetings will be held in the Boardroom on the 16th floor of the SunTrust Building in Baltimore at 120 East Baltimore Street unless otherwise indicated The meetings are scheduled for the 3rd Tuesday of each month, beginning at 9 30 a m

January 16 *	July 17
February 20 *	August 21
March 20 *	September 18
April 17	October 16
May 15	November 20
June 19	December 18

* These meetings will be held in the Assembly Room on the 1st floor of the Louis L Goldstein Treasury Building in Annapolis

Strategic Planning Conference – September 6-7, 2001 at Rocky Gap

Mr Lancaster and Mr Harrison registered Nay votes on the location of the Strategic Planning Conference

Leatrice Ayres

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The Board considered the report of James W Power, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Leatrice A Ayres Ms Ayres appealed the Medical Board's denial of accidental disability benefits The Medical Board reasoned that, although Ms Ayres is disabled due to rheumatoid arthritis of both hands, the Medical Board did not believe her disability was the result of an "accident that occurred at a definite time and place" within the meaning of State Personnel and Pensions Article, Section 29-109 The Medical Board further determined that Ms Ayres' disability was not the natural and proximate result of the October, 1995 incident

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that since Ms Ayres had not established that her injury resulted from an "unusual strain or exertion," the October 1995 incident could not be characterized as an "accident" within the meaning of State Personnel and Pensions Article, Section 29-109 The Administrative Law Judge further concluded that Ms Ayres' disability is not the natural and proximate result of a work-related accident

Mr Russell Neverdon, attorney for Ms Ayres, presented his arguments opposing the Agency's position and the Administrative Law Judge's recommendations Ms Ayres also presented her arguments to the Board Ms Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations The Board deferred further consideration to executive session

Nancy Lewis

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The Board considered the report of Beverly Sherman Nash, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Nancy B Lewis Ms Lewis appealed the Medical Board's denial of accidental disability benefits The Medical Board reasoned that, although Ms Lewis is disabled due to L5-S1 herniated disc with residual post operative, the medical evidence submitted did not reflect that the work-related accident caused Ms Lewis' disability

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Ms Lewis failed to establish that her disability is the natural and proximate result of the work-related accident that occurred in May 1994

Mr Walter Reiter, attorney for Ms Lewis, presented his arguments opposing 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 The Board deferred further consideration to executive session

Leon Phillips

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At his request, Mr Phillips' case was deferred

On motion made by Mr Brown and seconded by Dr Alemi, the Board unanimously voted to meet in Executive Session to consider the appeals of Leatrice A Ayres and Nancy B Lewis, and to consult with staff about pending or potential litigation. State Government Article Section 10-502(1) authorizes the Board to meet in closed session to exercise a quasi-judicial function. State Government Article Section 10-508(a)(8) authorizes the Board to meet in closed session to consult with staff, consultants, or other individuals about pending or potential litigation.

EXECUTIVE SESSION

The Board met in Executive Session at 10:25 a.m. in the SunTrust Building to discuss the appeals of Leatrice A Ayres and Nancy B Lewis and potential litigation. All of the persons present at the beginning of the meeting were present in Executive Session except Carla G Katzenberg, Walter Reiter, Leatrice A Ayres and Russell Neverdon. The Board adjourned its Executive Session at 11:15 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION

Leatrice Ayres

On motion made by Mr Brown and seconded by Major Krome, the Board voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Ms Ayres' request for accidental disability retirement benefits. Dr Alemi and Mr Harrison registered Nay votes.

Nancy Lewis

On motion made by Mr Brown and seconded by Major Krome, the Board unanimously voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Ms Lewis' request for accidental disability retirement benefits.

Salomon Brothers

On motion made by Dr Alemi and seconded by Mr Brown, the Board voted to ratify the action taken in Executive Session with regard to Salomon Brothers.

VALIC

A motion made by Mr Caple, seconded by Mr Casula, to accept the Investment Committee's recommendation to retain VALIC as an Optional Retirement Plan provider failed by a vote of 4 to 5. Messrs Dixon, Schaefer, Caple and Casula voted for the motion. Major Krome, Dr Alemi, and Messrs Brown, Lancaster and Harrison voted against the motion.

On motion made by Mr Brown and seconded by Mr Lancaster, the Board voted, 8 to 1, to terminate VALIC as a provider for the Optional Retirement Plan. Messrs Brown, Lancaster, Harrison, Schaefer, Caple and Casula and Major Krome and Dr Alemi voted for the motion. Mr Dixon registered a Nay vote.

- Annual Report 6 Mr Vaughn presented the System's Comprehensive Annual Financial Report for the year ended June 30, 2000 to the Board for approval Mr Vaughn reported on the results of the activities of the System
- On motion made by Mr Casula and duly seconded, the Board unanimously voted to accept and approve the System's Comprehensive Annual Financial Report for the year ended June 30, 2000
- Executive Director's Report 7 Mr Vaughn presented the Board with a list of the scheduled Spring 2001 Pre-Retirement Planning Seminars
- Mr Vaughn then advised the Board that Patricia Scott would be leaving the Agency, effective January 12, 2001
- The Board accepted Mr Vaughn's report
- Investment Committee Report 8 Mr Arthur Caple, Jr, Chairman of the Investment Committee, reported on the meeting held December 15, 2000
- Mr Caple began by advising the Board that Hakan Castegren and Jim Williams of Harbor International had made a presentation to the Investment Committee, reviewing their strategy and responding to questions regarding their fees Mr Caple noted discussions will continue with Harbor International concerning the lowering of their fees
- Mr Caple informed the Board that the Investment Committee had discussed the Statutory Limits on investment manager fees and non-dividend paying equities The Committee recognized there is a risk that the manager fee cap will be violated on December 31, 2000 The Committee agreed that most of the immediate solutions were likely to be imprudent and agreed to work with the investment staff to seek a solution by March 31, 2001 In addition, the Committee expressed a desire to see an increase for the non-dividend paying equity cap
- Mr Caple noted the proposed calendar of meeting dates for 2001 was approved
- Mr Caple advised the Board the Committee had approved the change in ownership of Brinson's private equity operation to Adams Street Partners On motion made by Mr Caple and seconded by Mr Harrison, the Board unanimously approved the change in ownership
- The benchmark review was postponed until the January Board meeting Chairman Dixon requested the Trustees receive the appropriate material in advance of the meeting for their review
- The Board accepted Mr Caple's report

Executive
Committee Report

9 Mr William D Brown, Chairman of the Executive Committee, reported on the regular meeting held December 5, 2000 Exhibit A

Mr Brown informed the Board the 2001 meeting dates for the Executive Committee had been approved

Mr Brown advised the Board that the Executive Committee recommended accepting and approving the revised contract with Brown & Company to audit the Strategic Systems Program On motion made by Mr Brown and seconded by Mr Schaefer, the Board unanimously accepted and approved the revised contract with Brown & Company

Mr Brown gave an updated report to the Board on the Strategic System Mr Brown stated the new system should be up and running by October 2001 However, Ms Tammy Kness of Syscom advised the Committee she is hopeful the new system will be operational in September

The Board accepted Mr Brown's report

Audit Committee
Report

10 Mr William D Brown, Chairman of the Audit Committee, reported on the regular meeting held on November 28, 2000

Mr Brown referred the Board to the Minutes of the Committee's meeting, noting there were no items requiring Board action other than the revised contract with Brown & Company This contract was voted on and approved under the Executive Committee report

Earnings
Limitation
Recovery

11 The report of the Agency for offsets of certain retirees was accepted by the Board The Board, on motion made by Mr Harrison and seconded by Mr Schaefer, unanimously authorized the reduction of the pensions of affected retirees as provided for under the current law (State Personnel and Pensions Article) The offsets are based on calendar 1999 earnings and will reduce pension benefits paid in fiscal year 2001

Medical Board
Reports

12 The Board, on motion made by Mr Casula and seconded by Mr Schaefer, unanimously approved the reports of the Medical Board in connection with applications of members for ordinary and accidental retirement allowances The Medical Board's conclusions were reached after its review of the evidence provided by the claimants

Supplemental
Medical Board
Reports

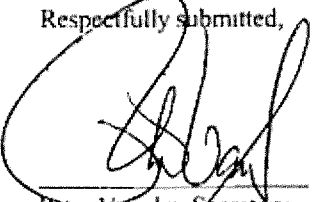
13 The Board, on motion made by Mr Casula and seconded by Mr Schaefer, unanimously accepted and approved the supplemental reports of the Medical Board in connection with applications of members for ordinary and accidental retirement allowances The Medical Board's conclusions were reached after its review of the evidence provided by the claimants The Supplemental Report of the Medical Board is shown as Exhibit B

Other Business

- 14 On motion made by Mr Casula and seconded by Mr Schaefer, the Board voted unanimously to approve the request of the Commissioners of Somerset County to institute an employer pick-up program in accordance with Section 414(h)(2) of the Internal Revenue Code, to enable their members' mandatory contributions to be treated as pre-tax contributions for Federal income tax purposes (Exhibit C)

There being no further business, on motion made and duly seconded, the Board adjourned at 11:40 a.m.

Respectfully submitted,



Peter Vaughn, Secretary

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STATE RETIREMENT AND PENSION SYSTEM
OF MARYLAND

MINUTES OF MEETING

December 27, 2000

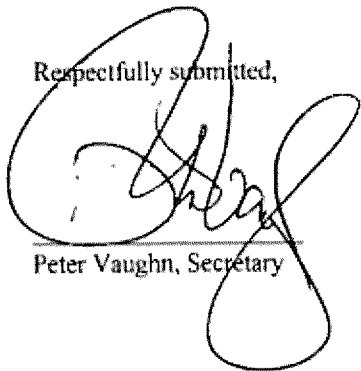
The Board of Trustees for the State Retirement and Pension System of Maryland met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, at 12:05 p.m. There were present Richard N. Dixon, Chairman, G. Bruce Harrison, Frank P. Casula, and by telephone William Donald Schaefer, Vice-Chairman, Arthur N. Caple, Jr., Morris L. Krome, David B. Mitchell, T. Eloise Foster and Nancy S. Grasmick, Trustees, and Peter Vaughn, Secretary. Agency staff members also attending were Harriet B. Granet, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, Patricia Scott, Administrator.

(MOTION)

1. On motion made by Mr. Casula and seconded by Mr. Caple, the Board voted to rescind the vote taken at the December 19, 2000 meeting to terminate VALIC as a provider for the Optional Retirement Program for the State of Maryland and accept the Investment Committee's recommendation to retain VALIC. Messrs. Dixon, Schaefer, Casula, Caple, Col. Mitchell, Dr. Grasmick and Ms. Foster registered yea votes. Mr. Harrison and Major Krome registered nay votes. The Board will review VALIC's actions over the next several months to ensure that they follow through on commitments made to the Committee regarding participant's investments and choices.

There being no further business, on motion made and duly seconded, the Board adjourned at 12:10 p.m.

Respectfully submitted,


Peter Vaughn, Secretary