

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

MINUTES OF MEETING

April 17, 2001

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 William Donald Schaefer, Vice-Chairman, T. Eloise Foster, Nancy S. Grasmick, Arthur N. Caple, Jr., G. Bruce Harrison, Morris L. Krome, Carl D. Lancaster, Frank P. Casula, William D. Brown, George Tydings, Trustees, and Peter Vaughn, Secretary. Agency staff members also attending were Margaret A. Bury, Retirement Administrator, Robert Feinstein, Jill Leiner, and Rachel Cohen, Assistant Attorneys General, J. Howard Pleines, Director of Legislation, Rick Harrison, Chief Financial Officer, Carol Boykin, Chief Investment Officer, Thomas Gigliotti, Chief Internal Auditor, Gary Scribner, Chief Information Officer, and Gwendolyn Mulkey, Executive Associate.

Richard Dunn, and Mark Miller, attorney for Mr. Dunn, Gene Fenwick, and Johnnie Clark, attorney for Mr. Fenwick, were also present.

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| Minutes | 1 | On motion made by Mr. Brown and seconded by Mr. Crome, the Minutes of the regular meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on March 20, 2001, were approved. |
| Esta Carter | 2 | <p>The Board considered the report of the Medical Board in connection with the claim of Esta Carter for disability benefits. The Medical Board report included a report by an Administrative Law Judge and related medical documentation. Ms. Carter appealed the Medical Board's decision that the medical evidence submitted did not prove that she is permanently incapacitated or unable to perform her job duties.</p> <p>The Claimant was unable to attend the Board Meeting and asked that her case be considered on the record. Ms. Jill Leiner, Attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board report. The Board deferred further consideration to executive session.</p> |

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Richard Dunn 3 The Board considered the report of Diane Goldsmith, the Administrative Law Judge in connection with the claim of Richard Dunn, for accidental disability benefits. The report included a report by the Medical Board and related medical documentation. The Medical Board denied Mr. Dunn accidental disability retirement benefits based on their determination that the reported accident did not cause the Claimant's disability. Mr. Dunn appealed the Medical Board's decision.

The Claimant and his Attorney, Mark Miller, appeared and asked that Mr. Dunn's request be approved by the Board of Trustees. Ms. Jill Leiner, Attorney for the Agency, addressed the Board and argued that the Board should accept the Administrative Law Judge's report. The Board deferred further consideration to executive session.

Gene Fenwick 4 The Board considered the report of Jana Corn Burch, the Administrative Law Judge in connection with the claim of Gene Fenwick, for accidental disability benefits. The report included a report by the Medical Board and related medical documentation. The Medical Board denied Mr. Fenwick accidental disability retirement benefits. Mr. Fenwick appealed the Medical Board's decision.

Johnnie Clark attorney for Mr. Fenwick addressed the Board and provided arguments in favor of granting accidental disability benefits. Ms. Jill Leiner, Attorney for the Agency, addressed the Board and argued that the Board should accept the Administrative Law Judge's report. The Board deferred further consideration to executive session.

On motion made by Arthur Caple and seconded by Nancy Grasmuck, the Board unanimously voted to meet in Executive Session to consider the appeals of Esta Carter, Richard Dunn, and Gene Fenwick. State Government Article Section 10-502(i) authorizes the Board to meet in closed session to exercise a quasi-judicial function. State Government Article Section 10-508(5) authorizes the Board to meet in closed session to consider the investment of public trust funds.

EXECUTIVE SESSION

The Board met in Executive Session at 10:55 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore to consider the appeals of Esta Carter, Richard Dunn, and Gene Fenwick. All of the persons present at the beginning of the meeting were present in Executive Session except the following: Jill Leiner, Richard Dunn, and Mr. Dunn's Attorney Mark Miller, Esq., Gene Fenwick and his Attorney Johnnie Clark. The Board adjourned its Executive Session at 11:05 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

Esta Carter

On motion made and duly seconded, the Board voted unanimously to accept the Medical Board's Report and denied Ms Carter's request for ordinary disability retirement benefits

Richard Dunn

On motion made by Mr Casula and seconded by Dr Grasmick, the Board rejected the a motion to accept the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law with the vote of 2 to 7 Ms Nancy Grasmick and Mr Frank Casula voted to accept the Administrative Law Judge's report Ms Eloise Foster, Mr Bruce Harrison, Mr Carl Lancaster, Mr Morris Krome, Mr William Brown, and Mr George Tydings and, Mr Arthur Caple voted no On motion made by Mr Brown and Seconded by Mr Tydings, the Board voted to reject the ALJ report and grant Mr Dunn Accidental Disability Benefits Ms Eloise Foster, Mr Bruce Harrison, Mr Carl Lancaster, Mr Morris Krome, Mr William Brown, and Mr George Tydings and, Mr Arthur Caple, yes and Dr Nancy grasmick and Mr Frank Casula voted no

Gene Fenwick

On motion made by Mr Brown and seconded by Mr Harrison, the Board adopted the Administrative Law Judges Proposed Findings of Fact and Conclusions of Law with the vote of eight to one Mr George Tydings voted no Mr Fenwick's request for accidental disability retirement benefits was denied

Executive Director's
Report

5 Mr Vaughn reported on the Attorney General's search for a replacement Harriett Granet Mr Vaughn noted that the Attorney General's office is advertising in the newspaper and throughout the state Resumes for the position are due on Friday, April 27, 2001, and will be evaluated at that time

Mr Vaughn introduced the new Chief Information Officer, Mr Gary Scribner Mr Vaughn noted that Mr Scribner began his employ with the Agency on April 9, 2001 and anticipates that in a few weeks the he will have information from Mr Scribner, making clear where the Agency is in the process of the System Development Project

Mr Vaughn informs the Board that the ballots for the upcoming Trustee elections for The State Police Retirement System and the Employee System, will be mailed April 30 The ballots must be received at the Agency on June 1, 2001 and the results of the election will be presented to the Board at the meeting on June 19, 2001

Mr Vaughn reminded the Trustees that financial disclosure forms had to be completed and returned to the Ethics Commission by April 30, 2001

Mr Vaughn informed the Board that as of March 30, 2001 the Retirement Agency has 84,000 retirees The Agencies pays \$105 million per month in benefits, a total of 1.3 billion per year Mr Vaughn also reported the Agency has broken the 80% barrier regarding the use of EFTs as opposed to checks for payment of retiree benefits Mr Vaughn noted that 82% of payments are by EFT and that this is due to regulation implemented by the Board in 1994

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Mr Vaughn reported the improvement of the agency's customer service stats, specifically, last year people were waiting on the phone up to 31 minutes. This year the highest call waiting period was 19 minutes. Mr Vaughn also notes the average time waiting to speak with a counselor since July of 2000 has gone down from 5 minutes to 2.5 minutes.

Finally, Mr Vaughn reported on the increase of ordinary and accidental disability claims increasing. From March 31, 2000 to March 31, 2001 (year to date) ordinary disability claims have increased approximately 25% and accidental disability claims have increased approximately 50%.

The Board accepted Mr Vaughn's report.

Audit Committee Report	6	Mr William D Brown, Chairman of the Audit Committee, reported on the Committee's meeting held on March 20, 2001. Mr Brown invited those attending to refer to the attached minutes.
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Executive Committee Report	7	Mr William D Brown, Chairman of the Executive Committee, reported on the Committee's meeting held on April 3, 2001. (Exhibit A)
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Mr Brown reported that Mr Vaughn recommended Dr Marlene Hartzman's request for a hearing on granting her the right to purchase non-public school employment at normal cost be denied. Mr Brown also advised the Board that Dr Hartzman worked for Montgomery county Schools in 1977, when she left to teach at the Development School of the Psychiatric Institute. Mr Brown stated that under state pension law she can not purchase that time back at normal cost. Mr Vaughn felt it to be in Dr Hartzman's best interest to reject her request for a hearing and permit her to go directly to court (if she chose to do so) as a hearing before the Board would produce the same results as the Executive Director. Mr Brown moved that the Board ratify Mr Peter Vaughn's decision to deny Dr Hartzman a hearing to consider whether she may purchase employment with the Development School of the Psychiatric Institute at normal cost. Motion was duly seconded and passed unanimously.

Mr Brown advised the board of the selection of Financial Control Systems to continue to monitor the Agency's investment portfolio position and related income. Mr Brown stated that Financial Control was the only company to submit a bid and the cost is \$284,000 dollars. Mr Brown noted that Financial Control Systems is doing a fine job.

Mr Brown asked Marge Bury to give a strategic system update. Ms Bury reported that many deliverables remain which continues to have a major impact on the system. Ms Bury stated testing of the system should conclude on June 30, 2001 instead of the previously expected date of June 15, 2001.

Vice Chairman Schaefer asked Ms Bury what is being done to get the system up and running Ms Bury answered that the agency has tried to pull in other people to assist but that it is difficult because very few staff have the expertise to work on this project However everyone is working as diligently as possible to complete the project Ms Bury announces that that the Trustees will receive an invite on April 24 to come and see parts the new system functioning Ms Bury also states that she has stepped down as project director and Gary Scribner has taken over as project director

The Board accepted Mr Brown's report

Legislative
Update

- 8 Mr Howard Pleines gave a final report on the Senate and House Bills that were enacted during the 2001 Session of the General Assembly The bills that were not enacted, and those slated for further study were also shown in the report

Mr Caple commented on *SB 221(Senator Kasemeyer) Employees' and Teachers Pension and Retirement Systems Bill -- Re-employment of Retirees* SB 221 would extend the exemption to the earnings limitation offset to retirees of Employees' and Teachers Pension and Retirement Systems who are re-employed by a different employer at time of retirement Eliminating the earnings limitation after 10 years of retirement for retirees of the Pension Systems Mr Caple described SB 221 as a watered down version not in keeping with the original intent of the legislation Mr Caple also stated that he did not understand the rationale of the Legislature to oppose doing away with earnings limitation entirely

Mr Lancaster commented on *HB 442 (Delegates Malone and Moe) Teachers' Retirement and Pensions Systems -- HB 442 would allow the Re-employment of Retired Personnel which permits retired supervisors with experience as Principals to return to employment as a Principle without earnings limitation* Mr Lancaster Stated that he did not understand why all effort is devoted to Principals' with no effort being given to Assistant Principals' Mr Lancaster further queried how do you ever have Principals if you don't do anything to develop the Assistant Principle?

Dr Nancy Grasmuck stated that issue (developing Assistant Principals) is being addressed, but the Principle positions were a higher priority

(Exhibit B)

The Board accepted Mr Pleines' report

Medical Board
Reports

- 9 The Board, on motion made by Mr Brown and seconded by Mr Casula the Board unanimously accepted and approved the reports of the Medical Board in connection with applications of members for ordinary, accidental and special retirement allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants (Exhibit C)

EXECUTIVE SESSION

On a motion made and duly seconded the Board met for a second time in Executive Session at 11 05 a m in the Boardroom of the SunTrust Building at 120 East Baltimore to the to consider the Supplemental Medical Board Report. All of the persons present at the beginning of the meeting were present in Executive Session except the following Jill Leimer, Richard Dunn, and Mr Dunn's Attorney Mark Miller, Esq. The Board adjourned its Executive Session at 11 15 p m and returned to regular session to complete the agenda.

REGULAR SESSION

- Supplemental Medical Board Reports 10 The Board, on motion made by Mr Brown and seconded by Dr Grasmick, Medical Board voted unanimously to approve the supplemental reports with the exception of Daniel Thomas and Karen Alt. Mr Lancaster asked that these cases be held over until next month for further review.
- Deferred Medical Board reports 11 The Board, on motion made and duly seconded voted to approve the request of Jesse Graybill, granting him Special Disability Retirement Benefits. Major Morris Krome was the only dissenting vote (Exhibit D)
- Other Business 12 Mr Shaefer requested an update of the value of the Pension Portfolio considering today's market. Ms Boykin responded the current value of the pension's portfolio is 28.5 Billion. Ms Boykin informed the Board that in order to be fully funded, the value of the Pension's Portfolio would need to be 30.5 Billion. Ms Boykins' suggestion for the System is to hold course from the asset allocation perspective.

There being no further business before the Board, the meeting adjourned at 11 30 p m

Respectfully submitted,



Peter Vaughn, Secretary