

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

MINUTES OF MEETING

December 18, 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 Richard N. Dixon, Chairman, William Donald Schaefer, Vice-Chairman, Dr. Nancy Grasmick (Arrived at 10:15 a.m.), Arthur N. Caple, Jr., George Tydings (departed at 12:25 p.m.), Debra Humphries, William D. Brown, Carl D. Lancaster, David A. Rakes, Colonel David B. Mitchell, Major Morris L. Krome, G. Bruce Harrison, and Dr. Ali A. Alemi, Trustees, and Peter Vaughn, Secretary. Agency staff members also attending were Margaret A. Bury, Retirement Administrator, Deborah Bacharach, Robert Feinstein, Jill R. Leiner and Carla G. Katzenberg, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, J. Howard Pleines, Director of Legislation, Thomas Gighiotti, Chief Internal Auditor, Gary Scribner, Chief Information Officer and Gwen Mulkey, Executive Associate.

Also present were: Richard Desser, Attorney for Ms. Wilhelemena Price, Mr. Amizi Springs, Mr. William Merrit, and Ms. Angela Golden (Via Tele-conference)

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| Minutes | 1 | On motion made by Vice-Chairman Schaefer and seconded by Dr. Alemi, the minutes of the regular meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on November 15, 2001, were approved. |
| Investment
Committee Appointment | 1A | On motion made by Mr. Caple and seconded by Ms. Humphries, the Board of Trustees, in accordance with State Personnel and Pensions Article, Section 21-115 (a)(2),(b)&(d), appointed Mr. David A. Rakes to the Investment Committee for the period December 18, 2001 through June 30, 2002. Mr. Rakes' appointment is made to fill the vacancy on the Committee created due to the death of the Honorable Frank Casula. |

2002 Meeting
Dates

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On motion made by Dr Alemi and seconded by Major Krome, the 2002 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. The meetings are scheduled for the 3rd Tuesday of each month, beginning at 9:30 a.m.

January 15
February 19
March 17
April 16
May 21
June 18

July 16
August 20
September 17
October 15
November 19
December 17

Investment Committee
Report

3

Mr. Arthur Caple, Chairman of the Investment Committee, reported on the Investment Committee meeting held November 9, 2001.

Attachment A

Mr. Caple advised the Board that during the Committee meeting a motion was made Vice-Chairman Schaefer to improve the volume of the speaker phone in the Board room.

Mr. Caple stated that the Committee recommended the Board approve the Real Estate Registry. On Motion made by Mr. Lancaster and Seconded by Mr. Caple the Board approved the Real Estate Registry with a vote of eleven yea votes, with one abstention. Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Colonel Mitchell, Dr. Alemi, Messrs. Caple, Brown, Tydings, Lancaster, Harrison and Ms. Humphnes registered Yea votes. Mr. Rakes abstained.

Mr. Caple then stated that the Committee approved the closed session minutes from the October 2001 Investment Committee meeting.

Mr. Caple informed the Board that the Committee requested an update on State Street Bank's continuation plan during the Investment Committee meeting. Staff informed him that the request had been made, and they will follow up with State Street.

Mr. Caple distributed a fact sheet that he had asked Staff to develop for him. The objective of this sheet was to identify issues where there remains a need for public clarification. The Board reviewed several points addressed on the fact sheet.

Attachment B

Mr Caple reported that Mr Brown asked what information relating to TUCS had been given to the Joint Pension Committee Mr Vaughn responded that Staff had given the Joint Pension Committee a chart, which compares the performance of the System to the TUCS peer universe This chart was included in the DLS' October 2001 report to the JPC, and a copy of this report was sent to all Board members

Mr Caple noted that the Committee discussed the need to improve upon the timeliness and effectiveness of communications emanating from the System The possibility of engaging a public relations firm and/or creating a position for a public information officer within the Agency were discussed Mr Caple then noted that most major state agencies have at least one public relations officer He noted that Mr Vaughn and Mr Dixon would deliberate in the topic and return to the Board with a recommendation on how to proceed in this area

Mr Caple stated that an article by Arun Muralidhar was distributed during the Investment Committee meeting It challenged the usefulness of peer universes such as the TUCS universe, and Mr Dixon asked Mr Vaughn to make sure that all Board members received a copy of it

Mr Caple informed the Board that the Committee confirmed that it currently employs consultants on an as needed basis, using an unbundled approach The Committee also confirmed that the System engages Milliman USA for asset allocation purposes A motion was made during the Investment Committee meeting to have Staff provide the Committee with a report at its January 2002 meeting, which recommends the areas in which they believe it would be appropriate to engage a consultant and whether a bundled versus unbundled approach is more advantageous

Mr Caple stated that the Committee received a report by Staff on peer universes Staff reported that most other pension funds studied were found to use comparisons for informational purposes Staff stressed that peer information should not be used as a performance measurement objective, contrary to the draft recommendation of the JPC The Committee passed a motion to have Staff present a report at the January 2002 meeting with the peer universe that Staff would recommend using if the Committee were to adopt one

Mr Caple asked Ms Debra Humphries for a report on the Investment Operations Manual Sub-Committee, which she chairs Ms Humphries delivered the following report She said that System currently has an Investment Policy Statement, which it calls the Investment Operations Manual She went on to say that many of the items that the JPC had requested in this area already exist The Sub-Committee is working on updating the Investment Policy Statement, and is hoped that the new manual will fulfill the Joint Pension Committee's request Ms Humphries also proposed that the Committee adopt modifications to the System's asset allocation policy

Attachment C

The emphasis of these modifications is to provide explicit targets for each broad asset class, and trigger points for Committee review. The trigger points invoke a review process by the Board and the Committee, potentially leading to asset allocation changes (rebalancing). Ms Humphries also reported the Sub-Committee's current recommendation to focus on three distinct asset class categories: stocks, bonds and real estate. Convertible bonds and private equity would be included under the stock category. She further said that next steps should include an analysis of appropriate targets and trigger points for the underlying asset classes (ex. The domestic and international components of equity) and their substructures (ex. Growth vs. value). The Investment Committee recommended the Board adopt the Sub-Committee's recommended modifications to the Board's asset allocation policy. The motion was made by Mr. Caple and seconded by Mr. Brown. The motion passed with a vote of eleven yeas, and one abstention. Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Colonel Mitchell, Dr. Alemi, Messrs. Caple, Brown, Tydings, Lancaster, Harrison and Ms. Humphries registered yeas. Mr. Rakes abstained.

Mr. Caple informed the Board that the Committee decided to defer the analysis on managing for results criteria discussion until its January 2002 meeting.

Mr. Caple also informed the Board that the discussion of convertible bonds was deferred.

Mr. Caple informed the Board that Staff will begin to send a schedule of all manager meetings to Board and Committee members so that they could avail themselves of the opportunity to attend any or all such meetings.

Mr. Caple stated the Committee reviewed Staff's findings from a meeting earlier in the week with Chapman Capital Management, Inc. Staff expressed concern over (1) the resignation of their advisor, Tremont and (2) the reduction in the fees paid to underlying managers. The Committee voted to defer further consideration until the January 2002 Committee meeting.

Mr. Rakes informed the members of the Board that he would abstain from voting on issues until the next Board meeting.

The Board accepted Mr. Caple's report.

Angela Golden

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The Board considered the report of Denise Oakes Scaffer, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Angela Golden. Ms. Golden appealed the Medical Board's denial of accidental disability benefits. The Medical Board reasoned that they did not believe that her disability was the natural and proximate result of a work-related accident on December 18, 1995.

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Ms. Golden's disability was not the "natural and proximate result" of a work-related accident that allegedly occurred on December 18, 1995. Therefore, her application for accidental disability benefits should be denied.

Ms. Golden presented her arguments opposing the Agency's position (via tele-conference) 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.

Dr. Alemi expressed his concern over receiving an addendum provided by Ms. Golden on the date of the Board meeting. Ms. Katzenberg discussed the addendum and explained that there was nothing in the addendum that would change her recommendation.

Amizi Springs
(Remanded Case)

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The Board considered the report of both T. Austin Murphy, sitting as Administrative Law Judge for the Office of Administrative Hearings, and the Medical Board (to which Mr. Springs' case was remanded for further consideration in June of 2001) in connection with the appeal of Amizi Springs. Mr. Springs appealed the Medical Board's denial of accidental disability benefits. The Medical Board reasoned that they did not believe that his disability was the natural and proximate result of a work-related accident on June 27, 1996.

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Mr. Springs' disability was not the "natural and proximate result" of a work-related accident that allegedly occurred on June 27, 1996. Therefore, his application for accidental disability benefits should be denied.

The Medical Board's response to the Board's remand concluded that the accident was not the natural and proximate cause of Mr. Springs' disability.

Mr Springs 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 Medical Board's and the Administrative Law Judge's recommendations The Board deferred further consideration to executive session

Wilhelemina Price 6

The Board considered the report of T Austin Murphy, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Wilhelemina Price Ms Price appealed the Medical Board's denial of accidental disability benefits The Medical Board reasoned that they did not believe that her disability was the natural and proximate result of a work-related accident on January 17, 1994

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Ms Prices's disability was not the "natural and proximate result" of a work-related accident that allegedly occurred on January 17, 1994 Therefore, her application for accidental disability benefits should be denied

Mr Richard Desser, attorney for Ms Price, presented 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

William Merritt 7

The Board considered the report of the Medical Board in connection with the claim of William Merritt for disability benefits The Medical Board report included a report by an Administrative Law Judge and related medical documentation Mr Merritt appealed the Medical Board's decision that the medical evidence submitted did not prove that he is permanently incapacitated or unable to perform his job duties

Mr Merritt, presented his arguments opposing the Agency's position and the Medical Board's recommendations Ms Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's report The Board deferred further consideration to executive session

On motion made by Mr Brown and seconded by Colonel Mitchell, the Board unanimously voted to meet in Executive Session to consider the appeals of Angela Golden, Amizi Springs, Wilhelemena Price, and William Merritt. 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(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 12:00 p.m. in the SunTrust Building to discuss the appeals of Angela Golden, Amizi Springs, Wilhelemena Price, and William Merritt. All of the persons present at the beginning of the meeting were present in Executive Session except Angela Golden, Amizi Springs, Wilhelemena Price, and her Attorney Richard Desser, William Merritt, Carla G. Katzenberg, and Jill Lerner. The Board adjourned its Executive Session at 12:10 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

Angela Golden

The Board considered the record of Angela Golden. Following a discussion, a motion made by Dr. Alemi and seconded by Mr. George Tydings, to reject the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law failed with a vote of two-to-nine, with two abstentions. Dr. Alemi and Mr. Tydings registered yea votes. Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Colonel Mitchell, Messrs. Caple, Brown, Lancaster, Harrison, and Ms. Humphries, nay votes. Dr. Grasmick and Mr. Rakes abstained.

On motion made by Mr. Brown and seconded by Ms. Humphries, the Board then voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Ms. Golden's request for accidental disability retirement benefits with a vote of nine to two, with two abstentions. Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Colonel Mitchell, Messrs. Caple, Brown, Lancaster, Harrison, and Ms. Humphries, registered yea votes. Dr. Alemi and Mr. Tydings registered nay votes. Dr. Grasmick and Mr. Rakes abstained.

Amizi Springs

On motion made by Mr Brown and seconded by Mr Caple, the Board voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Mr Springs' request for accidental disability retirement benefits, with a vote of twelve and one abstention Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Colonel Mitchell, Dr Grasmick, Dr Alemi, Messrs Caple, Brown, Lancaster, Harrison, Tydings, and Ms Humphries, registered yea votes Mr Rakes abstained

Wilhelemina Price

On motion made by Mr Brown and seconded by Colonel Mitchell, the Board voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Ms Price's request for accidental disability retirement benefits, with a vote of eleven and two abstentions Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Colonel Mitchell, Dr Grasmick, Messrs Caple, Brown, Lancaster, Harrison, Tydings, and Ms Humphries, registered yea votes Mr Rakes and Dr Alemi abstained

William Merritt

On motion made by Mr Brown and seconded by Dr Grasmick, the Board voted to adopt the Medical Board Report and denied Mr Merritt's request for ordinary disability retirement benefits, with a vote of twelve and one abstention Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Colonel Mitchell, Dr Grasmick, Dr Alemi, Messrs Caple, Brown, Lancaster, Harrison, Tydings, and Ms Humphries, registered yea votes Mr Rakes abstained

Annual Report

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Mr Vaughn presented the System's Comprehensive Annual Financial Report for the year ended June 30, 2001 to the Board for approval Mr Vaughn reported on the results of the activities of the System

Dr Alemi requested copies of the Annual Report be sent to the heads of all state agencies Mr Vaughn stated that the agency would comply with Dr Alemi's request

On motion made by Mr Brown and seconded by Dr Alemi the Board unanimously voted to accept and approve the System's Comprehensive Annual Financial Report for the year ended June 30, 2001

Executive
Director's Report

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Mr Vaughn informed the Board that on November 20, 2001 the Agency received the Independent Auditor's Report for the System for the year ended June 20, 2001, a copy of which was at their station The Audit was performed in accordance with Government Auditing Standards Mr Vaughn stated that in the Auditor's opinion the financial statements present fairly in all material respects, the financial condition of the System Also, the auditor found no material internal control weaknesses in the Agency

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Mr Vaughn then reported that each of the Board members had a copy of the Fiscal Year Actuarial Valuation Report before them

Mr Vaughn then advised the Board that the Chairman asked to finalize the location and date of the planning conference Three locations were suggested Solomon's Island, Baltimore, or Cambridge

Mr Tydings stated that if the Conference were held at Solomon's Island, he would invite the Board and Staff to his home in St Mary's

Mr Lancaster stated that he felt the Conference should be held either in Baltimore or Baltimore County so that staff and Board members alike could have the choice of staying on site at the Conference or going home, which they could not do if they are far from Baltimore Mr Lancaster also stated that the cost of hosting Board members and staff outside of Baltimore is greater than if held in Baltimore

Mr Harrison stated that he agreed with Mr Lancaster in that the cost of over-night accommodations for staff and Board Members during a time when the system has lost money is not prudent He stressed that he felt it to be a better idea to hold the conference at a closer proximity than Solomon's Island

Mr Rakes stated that while he agreed with keeping cost down, he also saw the value of separating Board Members and staff from daily distractions so that the Conference agenda could be concentrated on with fewer interruptions

Following a discussion, a motion was made by Mr Lancaster and seconded by Mr Harrison, to hold the 2002 Strategic Planning Conference in Baltimore County, the motion failed with a vote of three to nine, with one abstention Mr Lancaster, Mr Harrison and Dr Alemi registered yea votes Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Dr Grasmick, Colonel Mitchell, Messrs Caple, Brown, Tydings and Ms Humphries, registered nay votes Mr Rakes abstained

On motion made by Mr Brown and duly seconded the Board voted to hold the Strategic Planning Conference at Solomon's Island with a vote of nine to three, with one abstention Chairman Dixon, Vice-Chairman Schaefer, Major Krome, Dr Grasmick, Colonel Mitchell, Messrs Caple, Brown, Tydings and Ms Humphries, registered yea votes Mr Lancaster, Mr Harrison and Dr Alemi registered nay votes Mr Rakes abstained

Mr Vaughn reported that the suggested date for the Conference, although still to be decided based on availability, is late August, before school starts. The Chairman directed Mr Vaughn to poll members on the date.

Mr Vaughn then reported that on December 1, 2001 the Agency sent the municipal billings to all current and withdrawn employers in the System. There are 106 current employers with an aggregate amount due of \$31.8 million due on or before December 31, 2001. Additionally, there are 28 withdrawn employers who have been billed \$7.4 million.

Mr Vaughn informed the Board that NCPERS is sponsoring its legislative conference on February 4 - 6, 2002 at the Washington Court Hotel, and if they were interested in attending they should contact Ms Mulkey.

Mr Vaughn stated that Ms Bacharach was available to address Board member questions concerning the attachment sent with the agenda regarding minutes and fiduciary responsibility. Attachment D

Mr Vaughn reported to the Board the sale of 2115 Jefferson street fell through. The Williamson Group withdrew its offer to purchase the property. Their primary reason for withdrawing the offer was their inability to secure a tenant for the building.

Mr Vaughn then invited the Board to the Agency Holiday party to be held on Wednesday, December 19, 2001 starting at 12:30 p.m.

The Board accepted Mr Vaughn's report.

Executive
Committee Report

10 Mr William D Brown, Chairman of the Executive Committee, reported on the regular meeting held December 4, 2001. Attachment E

Mr Brown stated Retirement Agency is subject to the general budget reductions/hiring freeze put in place by the Department of Budget and Management. He noted that current allocations for the 2002 budget have been adjusted for the first reductions to this fiscal year's budget, but they do not reflect a 5% additional cut that may occur later in December. Mr Brown also stated that staff is taking steps to deal with the existing and possible additional cut. If the additional cut is required, then there would be a disruption in services to our members.

Mr Brown stated that, as requested in November by the Executive Committee, staff reviewed Ms Gayna Schiesz's claim that she had been misinformed by the Retirement Agency and her employer, Calvert County Board of Education. The Executive Committee had asked for this review to determine what relief, if any, could be granted Ms Schiesz.

Mr Brown reminded the Committee that Mr Vaughn had received a request from Ms Schiesz to be exempt from the earnings limitation. Under pension law, Ms Schiesz is subject to an earnings limitation during her first 12 months of retirement because she elected an early service retirement (retired 4 months shy of 30 years). Ms Schiesz argued that she was misinformed by her employer and the Retirement Agency on her right to retire and return to work immediately without a penalty. She claimed that she was not made aware that an earnings limitation applied for the first twelve months of her retirement, even though she made it clear she intended to return to the classroom.

Mr Brown stated that Agency staff reviewed Ms Schiesz's claim. Staff first determined that the Retirement Agency did not misinform Ms Schiesz about the impact of re-employment. There is no record from Ms Schiesz's counseling session that the issue of employment after retirement was raised. It is probable that reemployment was discussed only with Calvert County personnel.

There does not appear to be any means, or reason, for the Agency or the Board to provide Ms Schiesz the relief she seeks in this matter.

Mr Brown reported to the Board that Major Krome voiced his concerns over the letter sent from Mr Howard Rawlings, Chairman of House Appropriations, questioning the Board's actions concerning Ms Schiesz. Major Krome noted that he has had more than 30 years of experience in enforcing the law. He did not recall anyone suggesting that Trustees should violate or ignore the law relating to Ms Schiesz's claim. As with many issues that come to the Board, a request was made to delay taking action until the facts of the case were known fully. Major Krome concluded his remarks by stating he believed Mr Rawlings' letter was premature. As a Trustee, he would continue to review cases where there may be a mis-application or mis-representation of the law, and act in accordance with his duties and responsibilities to resolve those matters.

The Executive Committee recommends to the Board of Trustees that Mr Vaughn's denial of Ms Gayna Schiesz's request for relief from the earnings limitation be upheld. On motion made and duly seconded the Board voted unanimously to uphold Mr Vaughn's denial of Ms Gayna Schiesz's request for relief from the earnings limitation.

Mr Brown advised the Board that Mr Vaughn received an additional request from a member of the Law Enforcement Officers' Pension System (LEOPS) for a hearing to address his membership in the LEOPS Deferred Retirement Option Program (DROP) The member, Ranger Mark Wheeler, wants the Board to permit him to participate in DROP (effective November 1, 2001) despite having more than 30 years of eligibility service

Mr Brown noted that the law is very clear on DROP participation A member of LEOPS is eligible to participate in the DROP if the member has at least 25 and less than 30 years of eligibility service To grant Ranger Wheeler's request would be a violation of State law

The Executive Committee recommends to the Board of Trustees that Mr Vaughn's denial of the request for a hearing by Ranger Wheeler be upheld On motion made by Mr Brown and seconded by Dr Alemi, the Board voted unanimously to uphold Mr Vaughn's denial of request for a hearing by Ranger Wheeler

Mr Brown advised the Board that the Retirement Agency had received a request from Garrett County Community College to participate in the Employer Pick-Up Program The College had obtained the private letter ruling from the Internal Revenue Service as of October 31, 2002 The College is seeking the approval of the Board in order to provide federal tax benefits to the College employees effective January 1, 2002

Mr Brown noted that the College is one of the few employers that had failed to take advantage of this program for its employees Arrangements have been made to start the pick-up procedures with the first payroll reported in 2002 if the Board extends approval

The Executive Committee recommends to the Board of Trustees that Garrett County Community College's participation in the Employer Pick-Up Program be approved and accepted for January 2002 On motion made by Mr Brown and seconded by Dr Alemi, the Board voted unanimously to approve Garrett County Community College's participation in the Employer Pick-Up program for January 2002

On motion made by Mr Brown and seconded by Colonel Mitchell, the Board unanimously voted to meet in Executive Session to consult with counsel to obtain legal advice and discuss personnel matters State Government Article Section 10-508(a) (7) authorizes the Board to meet in closed session to consult with counsel to obtain legal advice Section 10 - 508 (a) (1) authorizes the Board to meet in closed Session to discuss personnel matters

EXECUTIVE SESSION

The Board met in Executive Session at 12:30 p.m. in the SunTrust Building to consult with counsel to obtain legal advice and discuss personnel matters. All of the persons present at the beginning of the meeting were present in Executive Session except Margaret A. Bury, Deborah Bacharach, Robert Feinstein, Jill R. Lerner and Carla G. Katzenberg, Carol Boykin, J. Howard Pleines, Director of Legislation, Thomas Gigliotti, Gary Scribner, Gwen Mulkey, Angela Golden, Amizi Springs, Wilhelemina Price, and her Attorney Richard Desser, William Merritt, Carla G. Katzenberg, and Jill Lerner. The Board adjourned its Executive Session at 12:55 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

Mr. Brown advised the Board that the Joint Committee on Pensions (JCP) intends to sponsor the following legislation requested by the Board of Trustees. First, the JCP has accepted the Board's recommendation related to Federal tax issues. The amendments needed reflect changes/improvements brought about by the federal Economic Growth and Tax Reconciliation Act of 2001 (EGTRA).

The JCP also agreed to alter the manager fee cap for alternative investments. However, the JCP did not accept eliminating the cap as the Board requested. Instead, the Joint Committee on Pensions agreed to a cap of 120 basis points (same fee cap as real estate) with a provision that unused fee cap room may be carried over from year to year. Mr. Vaughn stated that Mr. Harrison's staff is studying this proposal to determine if it is helpful.

The Joint Committee also accepted one portion of the Board's proposal to assist retirees who elect a survivor option and whose beneficiaries pre-decease the retirees. Mr. Vaughn noted that the JCP will sponsor legislation to permit retirees who elect the pop-up options (Options 5 and 6) to rename a beneficiary after the original designated beneficiary dies and the allowance pops-up to the maximum benefit. This portion of the Board's proposal is cost neutral. The JCP rejected the idea of providing a similar option for members who retired under Options 2 and 3 who face an additional reduction to their benefit if they rename a beneficiary after the death of their original beneficiary. The JCP rejected this portion of the request based on (1) the principle that option selection is irrevocable and (2) potential cost.

The Joint Committee on Pensions accepted a portion of the Board's request to provide relief to disability retirees who return to employment. The JCP agreed to submit legislation to provide the temporary suspension of the disability benefit while reemployed. It will not, however, exempt accidental/special disability retirees altogether from the law.

Mr. Brown indicated that the JCP has accepted the Board's proposal to correct the provisions relating to the payment of contributions from the Board of Supervisors of Elections. In compliance with practice, the language of pension law will be amended to accept contributions directly from the employer or through the State's Central Payroll.

Mr. Brown stated that the Joint Committee, at the request of Senator Kasemeyer, added one proposal. The JCP will support a proposal to form a taskforce to study funding for retiree health benefits. This proposal is intended to be similar to a bill introduced by Senator Neall several years ago.

Also, Mr. Brown indicated that Delegate Wheeler Baker has been advised that the JCP chairpersons would support his proposal to permit members of a pension system to combine their service credits in a pension system with service vested in the Employees' or Teachers' Retirement System for purposes of qualifying for a service retirement benefit.

The Board accepted Mr. Brown's report.

Audit Committee Report 11 Mr. William D. Brown, Chairman of the Audit Committee, reported on the Audit Committee meeting of November 15, 2001. Attachment F

Mr. Brown then stated that in the interest of time, he would request that the Board read the Audit Committee report at their leisure.

Special Option 7 Allowance 12 On motion made by Colonel Mitchell and seconded by Major Krome, the Board unanimously approved the selection of Special Option 7 in the following cases. These selections are consistent with the Board's policy and are actuarially sound. Attachment G

Teachers' Retirement System

Special Option 7 Allowance for Leah Lando provides a monthly allowance of \$1,196.42 to the retiree and a survivorship monthly allowance of \$299.11 to the designated beneficiary, Mordechai Lando. The allowance is effective September 1, 2001.

Medical Board Reports

13 The Board, on motion made by Colonel Mitchell and seconded by Mr Brown, 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. Attachment H

Supplemental Medical Board

14 The Board, on motion made by Colonel Mitchell and seconded by Mr Brown, unanimously accepted and approved the supplemental reports. Report 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 Attachment I

Other Business

15 On motion made by Mr Brown and seconded by Colonel Mitchell, the Board unanimously voted to meet in Executive Session to discuss personnel matters. State Government Article Section 10-508(a) (1-11) authorizes the Board to meet in closed session to discuss personnel matters.

EXECUTIVE SESSION

The Board met in Executive Session at 1 20 p m in the SunTrust Building to discuss personnel matters. All of the persons present at the beginning of the meeting were present in Executive Session except Margaret A Bury, Robert Feinstein, Jill R Leiner and Carla G Katzenberg, Carol Boykin, J Howard Pleines, Director of Legislation, Thomas Gigliotti, Gary Scribner, Gwen Mulkey, Angela Golden, Amizi Springs, Wilhelemena Price, and her Attorney Richard Desser, William Merritt, Carla G Katzenberg, and Jill Leiner. The Board adjourned its Executive Session at 1 35 p m and returned to regular session to complete the agenda.

REGULAR SESSION

Adjournment

16 There being no further business, on motion made and duly seconded, the Board adjourned at 1 40 p m

Respectfully submitted,

Peter Vaughn, Secretary

PV/ghm