

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

MINUTES OF MEETING

JULY 22, 2003

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 9:00 a.m. There were present William Donald Schaefer, Chairman, Nancy K. Kopp, Vice-Chair, James C. DiPaula, William D. Brown (via conference call), Carl D. Lancaster, Morris L. Krome, Ali Alemi, David B. Hamilton, Trustees, and Thomas K. Lee, Secretary. Agency Staff members also attending were Harvey Raitzyk, Deputy Retirement Administrator, Deborah Bacharach and Robert Feinstein, Assistant Attorneys General, Dean Kenderdine, Acting Chief Investment Officer, Sherlynn Matesky, Deputy Director of Legislation and Research, Thomas Gigliotti, Chief Internal Auditor, Tracey Ray, Deputy Chief Investment Officer, Fixed Income, Arthur Lynch, Deputy Chief Investment Officer, Equities, Joseph Coale, Public Information Officer, Gary Scribner, Chief Information Officer, Monica Bias and Shirley Hartnett, Executive Associates.

Also present were Armand Girard, Antonio Bishop, Sr., Robert S. Dezuhe and Katie Staub, Milliman, USA.

Chairman Schaefer welcomed David B. Hamilton to the Board of Trustees. Mr. Hamilton was appointed to the Board by the Governor to complete the term of Mr. George Tydings. This term will expire June 30, 2007.

- Election Results
1. Chairman Schaefer announced the certified results of the election for a trustee to represent the Employees' System members. Dr. Ali Alemi was reelected to the Board for the term August 1, 2003 to July 31, 2007.
- The Chairman also announced the Board of Public Works approved the appointment of Brian B. Topping and reappointment of Robert W. Schaefer as public members of the Investment Committee of the Board of Trustees. Mr. Topping's term expires on June 30, 2004 and Mr. Schaefer's term expires on June 30, 2006.
- Minutes
2. On motion made by Mr. Krome 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 June 17, 2003, were unanimously approved.

Investment  
Committee Report  
and Recommendations 3

Mr. Carl Lancaster, Vice-Chairman of the Investment Committee, reported on the meeting held July 11, 2003.

Mr. Lancaster reported on the Real Estate Registry dated June 30, 2003. He noted changes to the Registry that were to be discussed in Executive Session.

Mr. Lee presented the Committee with the results of the Chief Investment Officer search, noting that the Agency is awaiting background checks on prospective candidates.

Mr. Lancaster noted the Committee had received a request to increase the System's investment in Israeli Bonds.

On motion duly made and seconded, the Board voted to meet in Executive Session, to discuss the investment of public funds. State Govt. Article Section 10-508(a)(5) authorizes the Board to meet in closed session to consider the investment of public funds.

#### EXECUTIVE SESSION

The Board met in Executive Session at 9:08 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street to consider the investment of public funds. All of the persons present at the beginning of the meeting were present in Executive Session, except Armand Girard, Antonio Bishop, Sr., Robert S. Dezube and Katie Staub. The Board adjourned its Executive Session at 9:15 a.m. and returned to regular session to complete the agenda.

#### REGULAR SESSION

Real Estate Registry

On motion made by Mr. Lancaster and seconded by Dr. Alemi, the Board voted to accept the Real Estate Registry dated June 30, 2003, with the deletion of one property and the addition of one property under the TRACKING Category.

Real Estate Committee  
Appointment

On motion made by Mr. Lancaster and seconded by Dr. Alemi, the Board approved the Chairman's temporary assignment of Secretary DiPaula to the Real Estate Committee.

On motion made and duly seconded, the Board voted to ratify actions taken in Executive Session.

Executive  
Committee Report  
and Recommendations

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Major Morris Krome, Vice-Chairman of the Executive Committee, reported on the regular meeting held July 1, 2003

Major Krome noted that the fees paid for investment managers remained below the fee caps established in the law. He further noted the Agency's administrative costs were below the budgeted amount. The Agency anticipates ending the fiscal year about \$400,000 under budget.

On motion made by Major Krome and duly seconded, the Board voted to accept the Executive Committee's recommendation that it accept City of Westminster's 10-year payment plan of its additional special accrued liability.

The Executive Committee discussed the Joint Committee on Pensions' 2003 Interim schedule and potential agenda items. The meetings will be held on the following Tuesdays, September 30, October 28 and November 18, 2003. The meetings are scheduled to begin at 2:00p.m. in Room 130 of the Lowe House Office Building (House Appropriations).

Major Krome informed the Board that Retirement Agency staff will meet with Legislative Services staff to review various issues that deal with the complexities of pension law and group them into proposals that could be submitted this year, that can be studied for possible introduction in the next few years, and those that must be considered over the long term.

On motion made Major Krome and duly seconded, the Board voted to accept the Executive Committee's recommendation that pension law be amended to state that the provisions of §37-203(f)(3) do not apply to disability retirees.

The Committee received a report from Mr. Joseph Coale concerning the development of the Trustee Manual. Mr. Coale will keep the Committee apprised of the progress on the manual and important updates as they occur. Board members may contact Mr. Coale directly for further detailed information.

The Committee received a brief report from Mr. Gary Scribner regarding the significant changes to the Agency's website. The System's members and retirees will be informed through *The Mentor* and *Retiree News* concerning the newest enhancements to the website. Trustees are asked to take the opportunity to visit the website and direct any questions or comments to Mr. Scribner.

Treasurer Kopp requested a preview of the materials that will be presented to the Joint Committee on Pensions at its September hearing on the Strategic Information System. Mr. Lee agreed to provide the Board with a copy of the Agency's presentation prior to the September hearing for Board comment and review.

The Minutes of the meeting are shown as Exhibit A

The Board accepted Major Krome's report

Executive  
Director's Report

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Mr Thomas K Lee informed the Board background checks were being performed at his request for the Chief Investment Office finalists prior to a second interview

Mr Lee updated the Board regarding the resignation of Ricky Harrison, Chief Financial Officer The Agency is now recruiting for this position

He also advised the Board on the Agency's new training agenda, which is being prepared by EnnisKnupp Mr Lee noted that legislation mandates 8 hours of training beginning in January 2004 Chairman Schaefer suggested that an invitation be extended to members of the Joint Pension Committee to attend training in Chicago with EnnisKnupp

The Board accepted Mr Lee's report

Committee and  
Sub-Committee Reports  
and Recommendations

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No reports were given

Milliman, USA

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The Board heard a presentation from Mr Robert S Dezube of Milliman, USA Mr Dezube provided the Board with an overview of the valuation process and experience study, which is conducted every five years Mr Dezube explained how the System's information is used to determine contribution rates that will help the Board fund the long-term liabilities of the System He also described the difference between the experience study and the actuarial valuation, which is performed annually The Board deferred action on this item until the September Board meeting

Other Business

Mr Armand Girard, an interested member of the System, briefly spoke to Board about Maryland's Retirement and Pension System's low ranking among the other 50 states with regard to payment of pension benefits The Board suggested that Mr Girard address his concerns to the Joint Committee on Pensions at one of its interim meetings

The following persons joined the Board meeting at this time Rachel Cohen, Carla Katzenberg, Jill Leiner, Lucille Moore, James Bell and Mary Ellen Anderson

Antonio J Bishop, Sr 8

The Board considered the recommendation of the Medical Board in connection with the claim of Antonio J Bishop, Sr for ordinary disability benefits. The Medical Board report included a report by an Administrative Law Judge and related medical documentation.

Mr Antonio Bishop, Sr appeared before the Board and opposed the Medical Board's decision that Mr Bishop is not disabled from the further performance of duty. Ms Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's report. Following discussion, the Board deferred further consideration to Executive Session.

James S Scott 9

The Board considered the recommendation of Administrative Law Judge Judith Jacobson in connection with the claim of James S Scott, for accidental disability benefits. The ALJ report included a report by the Medical Board and all related medical documents submitted by the parties.

Mr Scott waived his right to appear before the Board to present arguments. 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 Executive Session.

Hubert Kitchen 10

The Board considered the recommendation of Administrative Law Judge Judith Finn Plymyer, in connection with the claim of Hubert Kitchen for accidental disability benefits. The ALJ report included a report by the Medical Board and all related documents submitted by the parties.

Neither Mr Kitchen nor any representative appeared before the Board to present arguments. 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 Executive Session.

James A Bell 11

The Board considered the recommendation of Administrative Law Judge A J Novotny, Jr. in connection with the claim of James A Bell. Mr Bell appealed the Agency's decision to offset his accidental disability retirement benefits received for the same accident injury.

Mr Bell appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations. Ms Rachel Cohen, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations and reduce Mr Bell's accidental disability retirement benefits by the amount of the duplicative worker's compensation benefits which were paid or payable to Mr Bell after his July 1, 1994 effective date of retirement. Following discussion, the Board deferred further consideration to Executive Session.

Mary Ellen Anderson 12

The Board considered the recommendation of Administrative Law Judge Paul B Handy, in connection with the claim of Mary Ellen Anderson for accidental disability benefits. The ALJ report included a report by the Medical Board and related medical documentation. Ms Anderson appealed the Medical Board's decision.

Ms Anderson appeared before the Board and opposed 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. Following discussion, the Board deferred further consideration to Executive Session.

Lucille Moore 13

The Board reconsidered the recommendation of the Medical Board in connection with the claim of Lucille Moore for disability benefits. The Medical Board report included a report by an Administrative Law Judge and related medical documentation. Ms Moore appealed the Medical Board's decision that there is no objective evidence to conclude that the claimant is unable to perform her job duties.

Ms Lucille Moore appeared before the Board and opposed the Medical Board's decision. Ms Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's report. Following discussion, the Board deferred further consideration to Executive Session.

Supplemental Earnings 14  
Limitation  
Recovery

The report of the Agency for offsets of certain retirees was accepted by the Board. The Board, on motion made by Chairman Schaefer and duly seconded, authorized the reduction of the pensions of affected retirees as provided for under the current law [State Personnel and Pensions Article]. The pension offsets are based on calendar 2002 earnings that will be offset from pension benefits paid in fiscal year 2004.

Special Option 7 15

On motion made by Major Krome and duly seconded, the Board unanimously approved the selection of Special Option 7 for Sharman Rowe and Roderick Ryon. These selections are consistent with the Board's policy and are actuarially sound.

Medical Board 16  
Reports

On motion made by Major Krome and seconded by Dr. Alemi, the Board 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.

- Supplemental Medical Board Reports 17 The Board, on motion made by Major Krome and duly seconded, unanimously voted to accept the supplemental 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. The Supplemental Report of the Medical Board is shown as Exhibit B.
- Cortex 18 Treasurer Kopp presented the Resolution on the Cortex recommendations. Major Krome requested clarification that by approving the Resolution, staff still has to return to the Board with the final Governance Policies and Charters. Staff will present these documents for Board approval at the September Retreat. The Board unanimously voted to adopt the Resolution. The Resolution is shown as Exhibit C.
- Remand to Agency and Medical Board 19 On motion made by Major Krome and seconded by Secretary DiPaula, the Board voted to remand the recommendation of the Administrative Law Judge to the Agency and the Medical Board for further consideration in the case of Linda Bowman.

On motion made by Dr. Alemi and seconded by Secretary DiPaula, the Board voted to meet in Executive Session. The Board considered the appeals of Antonio J. Bishop, Sr., James S. Scott, Hubert Kitchen, James A. Bell, Mary Ellen Anderson and Lucille Moore. State Govt. Article, Section 10-503(a)(1)(iii) authorizes the Board to meet in closed session to exercise a quasi-judicial function.

**EXECUTIVE SESSION**

The Board met in Executive Session at 12:45pm in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider the appeals of Antonio J. Bishop, Sr., James S. Scott, Hubert Kitchen, James A. Bell, Mary Ellen Anderson and Lucille Moore. All of the persons present at the beginning of the meeting were present in Executive Session except William Brown, Carl Lancaster, Jill Leiner, Rachel Cohen, Carla Katzenberg, Antonio Bishop, Lucille Moore, Mary Ellen Anderson, James Bell, Robert Dezube, Katie Staub, Arthur Lynch, Tracey Ray and Armand Girard. The Board adjourned its Executive Session at 1:10pm and returned to regular session to complete the agenda.

**REGULAR SESSION**

On motion made by Dr. Alemi and duly seconded, the Board voted to ratify actions taken in Executive Session.

Antonio J Bishop, Sr The Board considered the appeal of Antonio J Bishop, Sr Following a discussion, on motion made by Major Krome and seconded by Secretary DiPaula, the Board voted 4-2 to accept the Medical Board Report and denied Mr Bishop's request for ordinary disability retirement benefits Treasurer Kopp and Messrs Krome, DiPaula and Hamilton registered yea votes Chairman Schaefer and Dr Alemu registered nay votes

James S Scott The Board considered the appeal of James S Scott Following a discussion, on motion made by Major Krome and seconded by Secretary DiPaula, the Board voted unanimously to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Mr Scott's request for accidental disability retirement benefits

Hubert Kitchen The Board considered the appeal of Hubert Kitchen Following a discussion, a motion was made by Chairman Schaefer and seconded by Secretary DiPaula to defer action at this time on Mr Hubert Kitchen's case

James A Bell The Board considered the appeal of James A Bell Following a discussion, on motion made by Treasurer Kopp and seconded by Secretary DiPaula, the Board voted to unanimously adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and deny Mr Bell's appeal of the Agency's decision to offset his accidental disability retirement benefits by the amount of worker's compensation benefits received for the same accidental injury

Mary Ellen Anderson The Board considered the appeal of Mary Ellen Anderson Following a discussion, and having considered the ALJ's factual findings in light of the recent Court of Appeals decision in *Harris vs Board of Education of Howard County*, on motion made by Major Krome and duly seconded, the Board voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and deny Ms Anderson's accidental disability retirement benefits Dr Alemu abstained from the vote

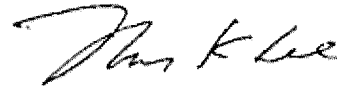
Lucille Moore The Board considered the appeal of Lucille Moore Following a discussion, a motion was made by Dr Alemu to remand the case to the Medical Board for further consideration The motion failed for lack of a second On motion made by Secretary DiPaula and seconded by Mr Hamilton, the Board voted to accept the Medical Board report and deny Ms Moore's request for disability retirement benefits Dr Alemu registered a Nay vote



Mr. Joseph Coale distributed to the Board a copy of a press release dated Tuesday, July 23, 2003. The press release concerns the Agency's improved investment results for the Fiscal Year ending June 30, 2003. Mr. Coale noted the total investment return for the fiscal year was 3.47%, compared to fiscal 2002 year-end results of -7.6%. Copy of the press release is shown as Exhibit D.

There being no further business before the Board, the meeting adjourned at 1:12pm.

Respectfully submitted,



Thomas K. Lee  
Secretary to the Board

TKL/mcb