

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

July 18, 2006

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, beginning at 9:00 a.m. There were present: William Donald Schaefer, Chairman; Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; David B. Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Cecilia Januskiewicz; Morris L. Krome; Carl D. Lancaster; Dr. A. Melissa Moye (via telephone), Patrick O'Shea (via telephone), Trustees; and, Thomas K. Lee, Secretary.

Agency Staff members attending were: Deborah Bacharach; Monica Bias; Anne Budowski; Laura Burns; Margaret Bury; Rachel Cohen; Robert Feinstein; John Greenberg; Vanessa Garrett-Ingram; Carla Katzenberg; Dale Markel; Vincent Marsiglia; Will Morrow; Howard Pleines; and Barbara Swain.

Also attending were Bill Anderson; Dean Kenderdine; Robert Palumbi; and Michael Rubenstein. Appeal cases present were Mary Cave and Damon Felton, Esquire; John C. Gilbert and Michael Davey, Esquire; and Earl J. Whisner and Hillary Galloway Davis, Esquire.

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| Election Results         | 1. Mr. Thomas Lee, Secretary to the Board, announced the results from the State Police Retirement System election. With 55.6% of the votes (457 of 822 votes received), Major Morris L. Krome has been reelected to serve from August 1, 2006 through July 31, 2010.  |
| Minutes                  | 2. On motion made by Mr. Brown, and duly seconded, the Board approved the minutes of the June 20, 2006 regular meeting.   |
| Administrative Committee | 3. In accordance with a resolution adopted by the Board on November 9, 1982, and on motion made by Mr. Brown, and duly seconded, the Board appoints the following members to the Administrative Committee for the period August 1, 2006 through July 31, 2007: James M. Harkins, Chairman, Morris L. Krome, Vice-Chairman, William D. Brown, John W. Douglass, David B. Hamilton, Sheila Hill, and Nancy K. Kopp.   |
| Investment Committee     | 4. In accordance with State Personnel and Pensions Article, Section 21-115(a)(2), (b)&(d), and on motion made by Mr. Brown, and duly seconded, the Board appoints the following members to the Investment Committee for the period August 1, 2006 through July 31, 2007: Carl D. Lancaster, Chairman, Nancy K. Kopp, Vice-Chairman, William Donald Schaefer, F. Patrick Hughes, Sheila Hill, Cecilia Januskiewicz, Morris L. Krome, Dr. A. Melissa Moye, Patrick A. O'Shea, and William D. Brown. Public members are Robert W. Schaefer, Wayne H. Shaner, and Brian B. Topping. |

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| Audit Committee  | 5. On motion made by Treasurer Kopp, and duly seconded, the Board appoints the following members to the Audit Committee: F. Patrick Hughes, Chairman, David B. Hamilton, John W. Douglass, Nancy K. Kopp, and Morris L. Krome.  |
| Real Estate Subcommittee   | 6. On motion made by Ms. Hill, and duly seconded, the Board appoints the following members to the Real Estate Subcommittee: Patrick A. O'Shea, Chairman, F. Patrick Hughes, Nancy K. Kopp, and Carl D. Lancaster.   |
| Corporate Governance Subcommittee                                | 7. On motion made by Ms. Hill, and duly seconded, the Board appoints the following members to the Corporate Governance Subcommittee: Dr. A. Melissa Moye, Chairman, John W. Douglass, Nancy K. Kopp, and Carl D. Lancaster.   |
| Maryland Venture Capital   | 8. On motion made by Mr. Brown, and duly seconded, the Board recommends the following Board members and staff to the Governor to be appointed to serve on the Maryland Venture Capital Trust: Morris L. Krome, Carl D. Lancaster, and Robert Feinstein, Chief Operations Officer, Investment Division.  |
| Investment Committee<br>Recommendations and<br>Information Items | <p>9. Treasurer Nancy Kopp, Vice-Chair of the Investment Committee, reported on the meeting held July 14, 2006.</p> <p>Treasurer Kopp indicated that Mr. Patrick O'Shea, Chairman of the Real Estate Subcommittee, had reported on the July 12, 2006 Real Estate subcommittee meeting. PCA presented its semi-annual review of investment opportunities, as well as the firm's deal review and due diligence processes. The Subcommittee has requested that PCA provide additional information on firms that focus on alternative strategies, including ones that target second and third-tier markets.</p> <p>Treasurer Kopp stated that the Committee heard presentations from CBRE Global Real Estate Securities and Morgan Stanley Investment Management, finalists in the System's Global ex-US Public Real Estate Securities manager search. There is to be additional discussion in closed session.</p> <p>Treasurer Kopp indicated that Governor Robert Ehrlich had appointed Robert Feinstein to the Board of Trustees for the Maryland Venture Capital Trust effective July 1, 2006, pending approval of the State Senate.</p> <p>On motion made by Treasurer Kopp, and seconded by Mr. Brown, the Board adopted the Investment Division's Procurement Policies and Procedures and agreed to include this document in the Investment Policy Manual.</p> |

On motion made by Treasurer Kopp, and seconded by Ms. Hill, the Board approved staff's recommendation to shift up to 2% of the System's assets between fixed income and money market investments. Staff and Ennis Knupp are to study the potential effects of expanding the TAA program to allow staff the latitude to shift up to 5% of the System's assets among and between U.S. Equity, international equity, and fixed income, and between fixed income and money market investments.

On motion made by Treasurer Kopp, and seconded by Ms. Hill, the Board approved staff's recommendations as follows.

1. Staff is authorized to direct the managers of the LaSalle U. S. REIT portfolio and the JP Morgan Strategic Property Fund to cease reinvesting dividends and interest, and permit such investment income to be directed to the System's real estate cash account and invested as part of the System's cash management program.
2. Going forward, in consultation with the System's real estate consultant, staff is authorized to determine whether dividends and interest should be reinvested by the System's real estate managers.

Audit  
Committee  
Recommendations and  
Information Items

10. Mr. Patrick Hughes, Chairman of the Audit Committee, reported on the meeting held June 20, 2006.

Mr. Hughes indicated that the results of the compliance audit conducted by the Office of Legislative Audits for the period July 1, 2002 through November 30, 2005 were very good. There was only one reportable exception, which is a positive reflection on the Retirement Agency.

Mr. Hughes indicated that Bert Smith & Co. continues to perform the compliance reviews of 38 participating municipalities. The fieldwork at 20 locations has been completed. Only minor exceptions have been found to date.

Mr. Hughes stated that the Internal Audit Division has filled two Internal Auditor Trainee positions, one of whom has resigned. He also noted that Mr. Thomas Gigliotti had retired effective July 1, 2006.

Executive  
Director's  
Report

11. Mr. Lee asked Mr. Will Morrow to brief the Trustees on the status of the MPAS-1 project. Mr. Morrow advised that staff has begun work on the project with the contractor, Saber. Seven employees of Saber are on sight and working with Agency staff. The company is looking to obtain space in the Sun Trust Building at which time Agency staff will relocate to that location. Over the next few weeks, Mr. Morrow stated that staff would be working on the development of the new infrastructure and the new database for migration of current data into the new system. Mr. Lee noted that Mr. Morrow would be leaving the Agency in order to relocate with his family to Colorado.

At Mr. Lee's request, Treasurer Kopp reported on the efforts of the Board appointed panel to recruit for the Chief Investment Officer. Treasurer Kopp noted that after receiving over 100 resumes and

interviewing a short-list of 3 candidates (including one internal candidate), the panel is recommending that the search process continue. Treasurer Kopp noted that the issue of compensation remains a critical issue in these discussions. However, compensation would be relevant to how the Board is to define the duties of the CIO. The Board needs to decide if the position is to be more managerial in nature (manage staff and oversee external managers), or more directly orientated towards investments. The Board agreed to keep staffing as it is structured now, while the panel (Treasurer Kopp, Chair, Mr. Cummings, Mr. Hamilton, Mr. Hughes, Secretary Januszkiewicz, Mr. Lancaster, Dr. Moye, Mr. R. Schaefer and Mr. Lee) define the role and duties of the CIO **[and to clarify the role and expectations of the CIO vis-à-vis the Board and the Investment Committee]**. The Board will seek to engage a search company to assist with the ongoing efforts to find suitable qualified candidates for this position.

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| Annual Checklist                   | 12. Mr. Lee advised the Board that the annual checklist of the Implementation of Board Policies and Submission of Other Deliverables was presented for the Board's consideration.  |
| Medical Board Reports              | 13. On motion made and duly seconded, the Board accepted the reports of the Medical Board in connection with applications of members for ordinary, accidental and special disability retirement allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants.             |
| Supplemental Medical Board Reports | 14. On motion made and duly seconded, the Board accepted the supplemental reports of the Medical Board in connection with application of members for ordinary, accidental and special disability retirement allowances. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants. |

**EXHIBIT A**

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss the selection of a new Global real estate manager and an emerging manager search, pursuant to State Government Article, Section 10-508(a)(14) which authorizes the Board to meet in closed session to discuss the contents of a bid; and to discuss certain real estate investments, pursuant to State Government Article, Section 10-508(a)(5) which relates to the investment of public funds.

**EXECUTIVE SESSION**

The Board met in Executive Session at 9:48 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider the selection of a global real estate manager and other investment issues. There were present: William Donald Schaefer, Chairman; Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; David Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Cecilia Januszkiewicz; Morris L. Krome; Carl D. Lancaster; Dr. A. Melissa Moye, Patrick O'Shea, Trustees; and, Thomas K. Lee, Secretary. Agency Staff members attending were: Deborah Bacharach; Monica Bias; Anne Budowski; Laura Burns; Margaret Bury; Rachel Cohen; Robert Feinstein; John Greenberg; Carla Katzenberg; Howard Pleines; and, Barbara Swain.

The Board ended its closed session at 10:00 a.m. and returned to regular session to complete the agenda.

### REGULAR SESSION

- John C. Gilbert      15. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. John C. Gilbert for special disability benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Gilbert and his attorney, Mr. Michael Davey, addressed 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 Executive Session.

- Earl J. Wisner      16. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Earl J. Wisner for accidental disability benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Wisner and his attorney, Ms. Hillary Galloway Davis, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Laura Burns, 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.

- Vanille C. Brunson      17. The appeal of Vanille C. Brunson was deferred to a later date at her request.

- Mary Cave      18. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Mary Cave for disability benefits. A report by the Medical Board, the Administrative Law Judge's report and all related documents submitted by the parties were presented.

Ms. Cave and her attorney, Mr. Damon Felton, appeared before the Board to oppose the Agency's position, Medical Board report and the Administrative Law Judge's recommendation. Ms. Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board report and the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Executive Session.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to deliberate disability appeals, pursuant to State Government Article, Section 10-503(a)(1)(iii) which authorizes the Board to meet in closed session to carry out a quasi-judicial function.

### EXECUTIVE SESSION

The Board met in Executive Session at 11:08 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider disability appeals. There were present: William Donald Schaefer, Chairman; Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; David Hamilton; James Harkins; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Carl D. Lancaster, Trustees; and, Thomas K. Lee, Secretary. Agency Staff members attending were: Deborah Bacharach; Monica Bias; Anne Budowski; Margaret Bury; Rachel Cohen; and Howard Pleines.

The Board ended its closed session at 11:22 a.m. and returned to regular session to complete the agenda.

### REGULAR SESSION

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

Minutes On motion made and duly seconded, the Board approved the minutes of the June 20, 2006 closed session meeting.


John C. Gilbert The Board considered the appeal of John C. Gilbert. Following a discussion, on a motion made by Mr. Douglass, and seconded by Major Krome, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Mr. Gilbert's request for accidental disability benefits.

Earl J. Whisner The Board considered the appeal of Earl J. Whisner. Following a discussion, on a motion made and duly seconded the Board voted to accept the Administrative law Judge's Proposed Decision and deny Mr. Whisner's request for accidental disability benefits.

Mary Cave The Board considered the appeal of Mary Cave. Following a discussion, on a motion made by Mr. Hughes, and seconded by Ms. Hill, the Board voted to remand Ms. Cave's request for disability benefits to the Medical Board. On remand, the Medical Board shall review the job duties of the Claimant's position, certify whether the Claimant can perform those duties, and refer the Claimant to MVA for re-examination for a Commercial Driver's License.

There being no further business before the Board, the meeting adjourned at 11:25 a.m.

Respectfully submitted,

  
Thomas K. Lee  
Secretary to the Board

TKL/mcb