

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

MINUTES OF MEETING

September 19, 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 9:05 a.m. There were present: Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; David B. Hamilton; James M. Harkins; Sheila Hill; Cecilia Januszkiewicz; Morris L. Krome; Carl D. Lancaster; and Dr. A. Melissa Moye; Trustees; and, R. Dean Kenderdine, Interim Secretary. It is noted that Mr. Hughes was absent due to illness.

Agency Staff members attending were: Jeannie Abramson; Deborah Bacharach; Anne Budowski; Margaret Bury; Rachel Cohen; Melody Countess; Robert Feinstein; Vanessa Garrett-Ingram; Richard Gawrych; Shirley Hartnett; Carla Katzenberg; Jill Leiner; Vincent Marsiglia; Sherlynn Matesky; Will Morrow; Howard Pleines; Barbara Swain; and Victoria Willard.

Also attending were Bill Anderson; Jeanette Cooper; Rick Johnson; Rocky Joyner; Michael Rubenstein; Robert Palumbi; Heidi Williams and, David Worten. Appeal cases present were Linda G. Pappas; and, Ruth I. Yarberough.

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| Minutes  | 1. On motion made by Mr. Harkins, and seconded by Mr. Brown, the Board approved the minutes of the August 15, 2006 regular meeting.  |
| Board Officers   | 2. On motion made by Secretary Januszkiewicz, and seconded by Ms. Hill, the Board approved the appointment of Mr. Dean Kenderdine as the Interim Secretary to the Board.   |
| Investment Committee Recommendations and Information Items | 3. Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held September 8, 2006.<br><br>Mr. Lancaster reported on the following items discussed during open session at the Investment Committee: <ul style="list-style-type: none"><li>• The August 11, 2006 open meeting minutes were approved.</li><li>• Mr. Patrick O'Shea reported on the activities of the Real Estate Subcommittee, which included discussion of diversification and implementation with staff and PCA, and PCA's research on how secondary and tertiary markets perform relative to primary markets.</li><li>• Ms. Victoria Willard presented a memo providing an update regarding the search for a Program Manager for the System's Emerging Manager Program and outlined the timeline for re-procurement of the general Consulting and Master Custodial Services contracts.</li></ul> |

- Ennis Knupp presented the Semi-Annual Manager and 2<sup>nd</sup> Quarter Performance with Fund Attribution Analysis Reports to the Committee.

On motion made by Mr. Lancaster, and seconded by Major Krome, the Board accepted staff's recommendation to maintain the System's current asset allocation targets and ranges as outlined below:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Domestic Equities	40%	35-45%
International Equities	13%	10-16%
Global Equities	10%	8-12%
Private Equity	2%	0-3%
Total Equity:	<b>65%</b>	<b>60-70%</b>
Fixed Income	28%	23-33%
Real Return Strategies	2%	1-3%
Real Estate	5%	3-7%

Administrative  
Committee  
Recommendations and  
Information Items

4. Mr. James Harkins, Chairman of the Administrative Committee reported on the meeting held September 12, 2006.

Mr. Harkins indicated that the FY2008 budget request would be discussed in closed session.

On motion made by Major Krome, and seconded by Mr. Brown, the Board accepted the request of the City of Bowie to participate in the Employer Pickup Program within the Law Enforcement Officers' Pension System.

Ms. Deborah Bacharach noted that the Retirement Agency had received a private letter ruling from the Internal Revenue Service to permit the State and Participating Governmental Units to place members of the Law Enforcement Officers' Pension System in the Pickup Program. The IRS conditioned the effectiveness of the private letter ruling on the Board of Trustees' passage of a resolution.

On motion made by Ms. Hill, and seconded by Major Krome, the Board adopted the Resolution requested by the IRS that provides that the employees for whom member contributions are being "picked-up" by the State are not entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the State.

On motion made by Ms. Hill, and seconded by Mr. Brown, the Board approved the election schedule for the Trustee elections for the seats currently held by Trustees Douglass and Lancaster.

Mr. Harkins advised that Mr. Richard Gawrych, Director of Member Relations, made a presentation related to disability claims processed in 2006. The Board requested Mr. Gawrych to summarize the 2006 statistical results in a flow chart for the October Board meeting.

Mr. Will Morrow, at Mr. Harkins request, indicated that the MPAS IT project remains on schedule and on budget. There is an increase to the risk factor (raised to red) associated with the project related to IS commitment on the project, which is to be discussed in closed session. He noted that staff is releasing a task order this month for the MPAS Independent Verification and Validation (IV&V) service, and to award the CATS task order for MPAS Support Services.

Mr. Morrow concluded his remarks by noting that the State IT Policy requires that IT certification and accreditations be performed following State guidelines, which rely on National Institute of Standards and Technology (NIST) guidelines. The MPAS security plan is to be performed by Security First Consulting. MPAS has been assigned a security category of moderate according to the NIST guidelines, which will be supplemented with select high category security controls that are not cost prohibitive.

Ms. Margaret Bury advised the Board that 93 of the 114 participating governmental units (82%) have elected to participate in the Alternate Contributory Pension Selection (ACPS). The remaining 21 have until June 30, 2007 to make their election. She also noted that for any employer that elected the ACPS by mid-July, the Personal Statement of Benefits issued to their employees reflect the enhanced ACPS benefits.

EXHIBIT A

Interim Executive  
Director's Report

5. Mr. Dean Kenderdine indicated that he has spent his time since he was appointed Interim Executive Director reacquainting himself with Agency staff.

Mr. Kenderdine extended to William Morrow the appreciation of the Retirement Agency, echoed by the Trustees, for his excellent work as Project Manager of the MPAS-1 project. Mr. Morrow will be leaving the Retirement Agency effective September 29.

Presentation/  
Appearance  
The Segal Company

6. Mr. Rick Johnson, Segal Company introduced the individuals who are key members of Segal's staff who have worked on the first annual valuation of the System. Those individuals are Mr. Leon "Rocky" Joyner, Mr. David Worden, and Ms. Jeanette Cooper.

Mr. Joyner presented the preliminary results to the Board, indicating that the final report is to be sent the at end of September for the October 17 Board meeting. He noted that Segal's presentation – format and style – differs from the previous actuary, and he requested the Trustees to discuss both the style of and the information in the report at the October meeting. The format will be modified to meet the Board's needs.

Mr. Joyner noted that the preliminary contribution rates have been presented to reflect the rate with and without corridor funding. He also indicated that Milliman USA fully cooperated with the transition data to complete this initial annual valuation of the System.

Medical Board  
Reports

7. On motion made by Ms. Hill, and seconded by Mr. Hamilton, 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 Reports

8. On motion made by Ms. Hill, and seconded by Mr. Brown, the Board accepted supplemental 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. Major Krome voted against the motion in response to concerns raised by the employer on one specific case. The Administrative Committee has been asked to review the issue.

**EXHIBIT B**

On motion made and duly seconded, the Board voted unanimously to meet in Closed Session to discuss information regarding the budget, pursuant to State Government Article, Section 10-503(a)(1)(i) which authorizes the Board to meet in closed session to consider an executive function; to discuss a personnel issue related to the MPAS-1 project, pursuant to State Government Article, Section 10-508(a)(1) which authorizes the Board to meet in closed session to discuss a personnel issue; to discuss a securities litigation issue, pursuant to State Government Article, Section 10-508(a)(8), which authorizes the Board to meet in closed session to consult with staff or consultants about pending litigation; and, to discuss procurement of a consultant for corporate governance and proxy voting, pursuant to State Government Article, Section 10-508(a)(14) which authorizes the Board to meet in closed session to discuss a pending contract.

#### **CLOSED SESSION**

The Board met in Closed Session at 11:47 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to discuss the budget proposal, to consider a personnel issue, to consider a securities litigation issue, and to discuss the procurement of a consultant. There were present: Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; David Hamilton; James M. Harkins; Sheila Hill; Cecilia Januszkiewicz; Morris L. Krome; Carl D. Lancaster; Dr. A. Melissa Moye, Trustees; and, R. Dean Kenderdine, Interim Secretary. Agency Staff members attending were: Jeannie Abramson, Deborah Bacharach; Anne Budowski; Marge Bury; Rachel Cohen; Melody Countess; Robert Feinstein; Vanessa Garrett-Ingram; Carla Katzenberg; Jill Leiner; Will Morrow; Howard Pleines; Barbara Swain, and Victoria Willard. R. Dean Kenderdine was present during the discussion of all issues, but the remaining staff members were present only during the budget discussion.

The Board ended its closed session at 12:30 p.m. and returned to regular session to complete the agenda.

**REGULAR SESSION**

Vanille Brunson 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Vanille Brunson 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.

Ms. Brunson's case was heard on the record. The Board deferred further consideration to Closed Session.

Ruth I. Yarberough 10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Ruth I. Yarberough 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.

Ms. Yarberough appeared before the Board to oppose the Agency's position and the Administrative Law Judge's Proposed Decision. Ms. Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's Proposed Decision. Following discussion, the Board deferred further consideration to Closed Session.

Linda G. Pappas 11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Linda Pappas 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.

Ms. Pappas appeared before the Board to oppose the Agency's position and the Administrative Law Judge's Proposed Decision. Ms. Carla Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's Proposed Decision. Following discussion, the Board deferred further consideration to Closed Session.

On motion made and duly seconded, the Board voted unanimously to meet in Closed 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.

### CLOSED SESSION

The Board met in Closed Session at 1:17 p.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider disability appeals. There were present: Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; James Harkins; Sheila Hill; Morris L. Krome; Carl D. Lancaster, Trustees; and, R. Dean Kenderdein, Interim Secretary. Agency Staff members attending were: Deborah Bacharach; Anne Budowski; Margaret Bury; Rachel Cohen; Shirley Hartnett; and, Howard Pleines.

The Board ended its closed session at 1:20 p.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 August 15, 2006 closed session meeting.
- Vanille Brunson            The Board considered the appeal of Vanille Brunson. Following a discussion, on a motion made by Ms. Hill, and seconded by Mr. Harkins, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Brunson's request for accidental disability benefits.
- Ruth I. Yarberough        The Board considered the appeal of Ruth I. Yarberough. Following a discussion, on a motion made by Major Krome, and seconded by Mr. Harkins, the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Yarberough's request for accidental disability benefits.
- Linda G. Pappas            The Board considered the appeal of Linda G. Pappas. Following a discussion, on a motion made by Mr. Brown, and seconded by Mr. Douglass, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Ms. Pappas' request for accidental disability.
- Proposed Default Order    On motion made by Major Krome, and seconded by Ms. Hill, the Board  
Claytee Johnson            adopted the Proposed Default Order of the Administrative Law Judge.

There being no further business before the Board, the meeting adjourned at 12:30 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Interim Secretary to the Board

RDK/hp

**MINUTES ADMINISTRATIVE COMMITTEE**  
**BOARD OF TRUSTEES**  
**STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND**  
**MINUTES OF THE SEPTEMBER 12, 2006 MEETING**

The Administrative Committee met on Tuesday, September 12, 2006, beginning at 9:32 a.m. in the Boardroom of the State Retirement Agency, 120 E. Baltimore Street, Baltimore Maryland. James Harkins, Chairman; Morris L. Krome, Vice-Chairman; John W. Douglass; Howard Freedlander, representing Treasurer Kopp; David B. Hamilton; Sheila Hill, Nancy Kopp (by telephone) Trustees; and Dean Kenderdine were present. Agency staff attending were Deborah Bacharach; Anne Budowski; Marge Bury; Robert Feinstein; Richard Gawrych; Calvin Kaiser; Dale Markle; Vincent Marsiglia; Sherlynn Matesky; Will Morrow; and Howard Pleines. Also attending were Michael Rubenstein, Department of Legislative Services and John M. Wasilisin, Department of Budget and Management.

**A. Minutes of the Administrative Committee held August 1, 2006 and August 15, 2006**

On a motion made by Mr. Freedlander, and seconded by Major Krome, the Administrative Committee approved the minutes of the August 1 and August 15, 2006 meetings.

**B. Administrative Fees**

Mr. Vince Marsiglia indicated that the Retirement Agency ended FY2006 with a surplus of \$648,098, which reverts to the trust fund. He noted that the surplus resulted from vacancies within the Agency, less need for postage, and the cancellation of the AS400 maintenance contract.

**C. FY2008 Budget**

Mr. Vince Marsiglia advised the Retirement Agency received its FY2008 budget target from the Department of Budget & Management totaling \$22,091,000. The 2007 appropriation, before inclusion of the MPAS-1 project budget amendment, is \$22,016,000. Staff recommended an FY2008 baseline budget of \$23,023,000, including increase to investment due diligence travel, anticipated higher cost for an investment consultant (Ennis Knupp contract ends in FY07), trustee fiduciary education, higher actuarial services contract costs, and routine inflation.

There are also four unfunded initiatives in the budget proposal. The first is the staffing infrastructure for Benefits Administration. It includes contractual conversions for 13 contractual positions to permanent positions in an effort to improve effectiveness and efficiency. Increasing volumes of work require hiring contractual employees to perform critical functions. There is high turnover in these positions as these contractual employees seek benefits. Conversion to permanent positions would bring stability and provide for the more timely handling of complex work (cost \$196,119).

Additional positions are requested for the Member Relations Section (cost \$141,839). This is the service department which has direct interaction with the members, retirees and beneficiaries of the System. The request is for three permanent positions: a Counselor-Trainer and two Counselor-Lead positions. These positions would provide necessary support to the counseling staff.

The third piece of this initiative is to upgrade the salary by two grades for twenty-three current counselor positions and the additional two counselors requested in the FY2008 budget (cost \$153,727). This is critical in attracting more highly qualified counselors and to retain fully trained counselors on a long term basis.

The second unfunded initiative is to seek one permanent personnel officer and one contractual personnel specialist to assist the Director of Human Resources to meet the personnel needs of the Retirement Agency (cost \$71,760). Presently there is only one administrative officer to assist the director in handling all of the Retirement Agency's personnel issues.

The third unfunded initiative is to request an independent actuarial firm audit the actuarial process and valuation of Segal Consulting, the System's new actuary, as a precaution against valuation errors that occurred in the past when a new actuary completed its first year (cost \$130,000).

The fourth unfunded initiative is for a cost effective measurement study (cost \$25,000). The study would identify time and cost improvements within the current management processes.

**Action Item:** On motion made by Mr. Brown, and seconded by Mr. Douglass, the Administrative Committee recommends that the Board of Trustees accept staff's Fiscal Year 2008 budget proposal, including the funding for the four unfunded initiatives. Major Krome is recorded as voted against the budget proposal because it is not based on the needs of the Retirement Agency and System, but on arbitrary budget restrictions required by the State.

**D. City of Bowie Employer Pickup Program**

**Action Item:** On motion made by Mr. Brown, and seconded by Major Krome, the Administrative Committee recommends that the Board of Trustees approve the City of Bowie's request to participate in the Employer Pickup Program on behalf of its employees who participate in the Law Enforcement Officers' Pension System.

**E. Approval – Law Enforcement Officers Pension System  
Employer Pickup Program**

Ms. Deborah Bacharach informed the Administrative Committee that the Retirement Agency had received a private letter ruling from the Internal Revenue Service to permit the State and Participating Governmental Units (PGUs) to place members of the Law Enforcement Officers' Pension System in the Pickup Program by passing a resolution for inclusion in the program. Previously, each separate employer was required to seek an IRS Private Letter Ruling to participate in the Pickup Program



**Action Item:** On motion made by Major Krome, and seconded by Mr. Freedlander, the Administrative Committee recommends that the Board of Trustees adopt a resolution that permits the eligible State employees participating in the Law Enforcement Officers' Pension System to participate in the State's Pickup Program.

**F. BOT Election Schedule – Teachers' and Employees Systems**

Ms. Marge Bury advised the Committee that there are two elections for the current fiscal year. The terms of John Douglass (retiree, Employees' Systems) and Carl Lancaster (retiree, Teachers' System) end August 1, 2007. Therefore, it is necessary to establish an election schedule that staff proposes to run from October 1, 2006 until July 17, 2007, when the results will be announced at the Board Meeting. Ms. Bury noted that the schedule is long, but it gives ample time for the interested individuals to obtain the 500 valid signatures to be placed on the ballot, as well as sufficient time for the membership to vote (June 5 through June 29).

**Action Item:** On motion made by Ms. Hill, and seconded by Mr. Brown, the Administrative Committee recommends that the Board of Trustees accept staff's election schedule for the elections involving Trustees Douglass and Lancaster.

**G. Disability Process**

Mr. Richard Gawrych reported on the disability retirement claims process. Questions arose at the August Board meeting concerning the review of disability claims. Mr. Gawrych stated that disability cases are decided on objective medical findings. The doctors on the Medical Board do not accept at face value statements of disability without the detailed medical proof.

Applications undergo a general claims review that includes both an administrative review and a medical review. Administratively, the claim is reviewed to determine the claimant's eligibility to apply, the completeness of the claim, and in accidental disability claims, whether an accident occurred. Workers' compensation awards, although not binding on the Agency, are reviewed at this time as a part of the accident determination process. Once the claim satisfies the administrative requirements, it is passed to the Medical Board for its review.

The Medical Board's decision is based on the documentation submitted by the claimant, and may involve an independent medical examination, a waiting period to determine the effectiveness of a treatment plan or to reach maximum medical improvement after an operation, and information from the employer, such as leave usage or performance evaluations.

After the If the issue is whether or not the claimant is disabled, the ALJ with recommendation sends a report to the medical board to make a final determination as to whether or not a claimant is disabled. If the issue is legal, as is the case where the issue is whether or not a disability is the result of a claimed accident, the ALJ issues a proposed decision with a recommendation to the Board of Trustees. Regardless of the issue at the administrative hearing, a party aggrieved by the ALJ's decision may file exceptions to it within 15 days.

Medical Board completes its review, it will either recommend the disability claim for approval or denial. In some cases it recommends the approval of ordinary disability but the denial of accidental disability for legal and/or factual reasons.

If an application is rejected, there is a reconsideration process which involves an in-depth review of a claim involving administrative, legal and medical scrutiny. The claimant is asked to provide additional information that is determined by staff and/or the legal department to be relevant for the further consideration of the claim. At this juncture, a claimant also has another opportunity to submit any additional information that the claimant wishes the Agency to consider.

The Medical Board may review new medical data to determine if it affects the earlier decision. If the Medical Board's decision does not change, the reconsideration process continues toward a final Medical Board review after all of the relevant information has been requested and received. During reconsideration, staff may also ask the legal department to review claims involving complicated legal or factual issues.

At the completion of the reconsideration process, the Medical Board either recommends disability approval or affirms its original decision to deny benefits. This decision is sent to the Board of Trustees. If the Trustees concur, the claimant is notified accordingly. When a claim is denied, an official letter of denial is sent explaining that the claimant can appeal that denial by requesting a hearing at the Office of Administrative Hearings.

If a claimant requests a hearing, in preparation for that hearing, a last administrative and legal review takes place. An Administrative Law Judge (ALJ) considers all of the testimony of the claimant and any medical and lay witnesses that have testified on the claimant's behalf. The ALJ also considers the testimony of the Agency's medical witness. After the hearing, the ALJ reviews the documents entered into evidence and evaluates them in light of the testimony given at the hearing. The ALJ generally issues a report within 90 days of the hearing.

After the ALJ's report is sent to the Board of Trustees or to the Medical Board, a claim is scheduled before the Board of Trustees for an exceptions hearing. At the exceptions hearing, both the Agency and the claimant argue the validity of the claim before the Board. A decision to deny a claim for disability retirement is the final administrative decision on the claim. If the Board of Trustees denies benefits, the claimant is notified of the Board's decision and the filing deadlines for appellate review in the circuit court. In a disabled or not case, the medical board is the final decision maker. In these cases, the Board of Trustees can only uphold the Medical Board's denial of a claim or remand it for further review.

Mr. Douglass questioned if the Retirement Agency ever reviews a disability retiree to determine if that individual remains disabled. Mr. Gawrych indicated that pension law use to contain language for periodic reviews of disability retirees. The Board, however, decided a number of years ago that the review process was unmanageable. Ms. Bury noted that a large part of the problem dealt with approving a disability on the individual's job duties, rather than ability to work. As a result, it was impossible to later determine if the person remained disabled or not. Mr. Douglass requested that staff find out what other public systems do on this issue.

Ms. Hill asked to what extent the Medical Board reviews a Worker's Compensation award. Mr. Gawrych indicated that the Medical Board and staff look to see if there are questions with the events leading up to the alleged accident, or if a claim is denied. If so, staff makes a more through review of the incident.

Mr. Freedlander asked the average time for processing a disability claim. Mr. Gawrych noted that a claim can be processed within one to six months. However, if it is appealed, it may be up to two years before it comes before the Board. He sated that about 84% of disability cases were approved in 2006. About 5% were denied for any benefit; 11% were granted ordinary but denied accidental. These are the cases that may eventually reach the Board.

At the suggestion of several Trustees, Mr. Gawrych stated staff would make certain that the Medical Board becomes more aware of professional requirements (such as commercial drivers' license) when reviewing cases to eliminate situations where the applying member cannot work because he or she cannot get the necessary license of proper certification to continue in his/her job, but the Medical Board finds that the member is not disabled.

Mr. Harkins ended the discussion by reminding the Committee that the Board does not see the majority of disability requests because they are approved. It is only the difficult problem cases that end up before the Board.

#### **H. Approval of MPAS Operation and Maintenance Plan**

Mr. Will Morrow provided the Administrative Committee with an update on the MPAS-1 project. He indicated that the project remains on schedule and on budget. There is an increase to the risk factor (raised to red) associated with the project. He noted that there is inadequate IS commitment on the project, which could result in project schedule, cost and quality variances and degrade the ability to operate and maintain MPAS after implementation. This will be discussed further in closed session.

Mr. Morrow noted that working with DBM, staff is releasing a task order this month for the MPAS Independent Verification and Validation (IV&V) service. Mr. Freedlander asked if there is an estimated cost for this service. Mr. Morrow stated that it was estimated to be about \$300,000. Another key task order in September is to award the CATS task order for MPAS Support Services, which will include testing, human resources to carry out the test master plan, a project manager, and MPAS security certification services.

Mr. Morrow noted that the maintenance involved with the Legacy system was primarily to keep that system functioning, which involves 17 IS positions at this time. MPAS will require more resources to operate and maintain as the goal is not only to keep MPAS functioning properly, but also to make the system better over time. It is estimated that the Agency would need a total of 18.2 positions to keep MPAS functioning. Mr. Morrow noted that they will be savings as Legacy costs end. Work will be hosted here at the Agency, and fees due the Annapolis Data Center cease.

Mr. Morrow indicated there are three methods to provide support services. The Agency could agree to hire the needed employees and managers. The estimated annual cost is \$1.6 to \$2 million. A second option is to outsource the work with a vendor whose work

would be overseen by State managers. This estimated annual cost is \$1.8 million. The third option is to cosource, with both State employees and contractors performing the required duties. It is estimated this could be the most expensive choice at \$2.1 to \$3.3 million annually.

Mr. Morrow indicated that the project Steering Committee is recommending that initially, the operation and maintenance of the MPAS project be outsourced to Saber at a cost not to exceed \$1.5million. This would offset uncertainty about the nature and scope of long term MPAS operation and maintenance requirements, and eliminate the challenge of obtaining, recruiting, and retaining the required new State positions.

Mr. Morrow concluded his remarks by noting that the State IT Policy requires that IT certification and accreditations be performed following State guidelines, which rely on National Institute of Standards and Technology (NIST) guidelines. The MPAS security plan is to be performed by Security First Consulting. MPAS has been assigned a security category of moderate according to the NIST guidelines, which will be supplemented with select high category security controls that are not cost prohibitive.

**I. Update on Implementation of Alternate Contributory Pension Selection**

Ms. Marge Bury advised the Administrative Committee that to date, 93 participating governmental units have agreed to participate in the Alternate Contributory Pension Selection, leaving only 21 to decide by June 30 2007. She also noted that the City of Cumberland, which now participates in the original Pension System, has elected to participate in the ACPS, reducing to 8 employers that remain in the original plan. Ms. Bury continued by stating that for the employers that elected the ACPS by July 14, the new benefits were reflected on the 2006 Personal Statement of Benefits.

**J. Follow up Discussion on Special August Administrative Committee Meeting (Held in Closed Session)**

**K. Securities Litigation Issue – Review of Opt Out Analysis**

Discussion was deferred to September Board meeting

**EXECUTIVE SESSION**

The Board met in Executive Session at 10:56 a.m. James Harkins, Chairman; Morris L. Krome, Vice-Chairman; John W. Douglass; Howard Freedlander, representing Treasurer Kopp; David B. Hamilton; Sheila Hill, Nancy Kopp (by telephone) Trustees; and Dean Kenderdine were present. Also present was John Wasilisin.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to consider the following: (1) to discuss pending or potential litigation, pursuant to State Government Article, Section 10-508(a)(8); and, (2) to discuss personnel issues, pursuant to State Government Article, Section 10-508(a)(1) which authorizes the Board to meet in closed session to discuss a personnel matter that affects one or more specific individuals.

The Board ended its closed session at 12:00 noon and returned to regular session to complete the agenda.

**L. Adjournment**

There being no further business, Mr. Harkins adjourned the meeting at 12:10 p.m.

J. Howard Pleines  
Secretary