

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

MINUTES OF MEETING

February 20, 2007

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 9:13 a.m. There were present: Nancy K. Kopp, Chairman; William D. Brown; John W. Douglass; Peter Franchot; David B. Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Carl D. Lancaster; Melissa A. Moye; and Patrick O'Shea, Trustees; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Laura Burns; Margaret Bury; Rachel Cohen; Melody Countess; Ed Cummins; Brian Feilinger; Robert Feinstein; Kirk Grothe; Shirley Hartnett; Vanessa Garrett-Ingram; John Greenberg; Carla Katzenberg; Calvin Kiser; Jill Leiner; Vincent Marsiglia; Larry Martin; Sherlynn Matesky; Howard Pleines; Harvey Raitzyk; Janet Sirkis; Barbara Swain; Patricia Wild; and Victoria Willard.

Also attending were Bill Anderson and Robert Palumbi. Appeal cases present were Cassandra Jacobs; Cynthia M. Jones; Brian Moser and Michael Davey, attorney; and Barbara J. Wyne and Robert Silberman, attorney.

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| Minutes | 1. On motion made by Mr. Brown and seconded by Major Krome, the Board approved the minutes of the January 16, 2007 regular meeting. |
| Vice-Chairman | 2. Mr. Brown indicated that he intended to nominate Mr. Carl Lancaster for the position of Vice-Chairman in recognition of his long service to the Board. However, Mr. Lancaster indicated that in the few months remaining before his term ended, he did not want to serve in that capacity. Mr. Lancaster thanked Mr. Brown for his consideration.

On motion made by Dr. Moye and seconded by Mr. Brown, the Board elected Comptroller Peter Franchot to serve as Vice-Chairman. |
| Committee
Appointments | 3. On motion made by Treasurer Kopp and seconded by Mr. Brown, the Board appointed Comptroller Peter Franchot and T. Eloise Foster to the Investment Committee, and T. Eloise Foster to the Administrative Committee. |
| Secretary to the
Board | 4. On motion made by Mr. Brown and seconded by Ms. Hill, the Board appointed R. Dean Kenderdine as Secretary to the Board. |
| Investment
Committee
Recommendations and
Information Items | 5. Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held on February 9, 2007.

Mr. Lancaster advised that the Investment Committee rescheduled its June meeting to Thursday, June 7, 2007. |

Mr. Lancaster reported that Mr. Greenberg had presented the 4th Quarter TUCS results placing the System in the 23rd percentile for the most recent quarter, 19th percentile for the six months ending December 31, 2006, and in the 42nd percentile for the 12 months ending December 31, 2006.

Mr. Lancaster indicated that Ms. Suzanne Bernard presented Ennis Knupp's yearly review of the Investment Division's policies and procedures.

Mr. Lancaster indicated that Ms. Suzanne Bernard presented Ennis Knupp's concept of an Opportunities Allocation to the Investment Committee. Staff is working with Ennis Knupp to develop detailed procedures governing the opportunities allocation.

Mr. Lancaster stated that Ms. Victoria Willard presented the schedule for current and planned investment related vendor searches, which should occur over the next 18 months.

Mr. Lancaster indicated that the Investment Committee received the following reports: Performance Report, TAA Update, Private Equity Report, Quarterly Securities Lending Report, Quarterly Broker Commission Report, Quarterly Directed Brokerage Report, Upcoming Manager Meetings, and Manager Meeting Reports.

Administrative
Committee
Recommendations and
Information Items

6. Mr. James Harkins, Chairman of the Administrative Committee, reported on the meeting held on February 6, 2007.

Mr. Harkins noted that Mr. Kenderdine and Mr. Marsiglia had met with representatives of the Treasurer's Office concerning interest charges to the Retirement Agency against Agency operational payments from the General Fund. After a thorough review of the situation, the Agency intends to pay asset manager fees directly, thereby reducing operational cost payments by the General Fund to an amount which will result in interest charges estimated at \$7,000 per month. This is preferred rather than prepaying general operating expense and losing investment income.

On motion made by Mr. Harkins and seconded by Mr. Brown, the Board accepted the Administrative Committee's recommendation to accept Mr. Kenderdine's recommendation to issue a summary decision and deny Mr. Donald Sturgill's appeal for accidental disability benefits. He filed for accidental disability after he had retired on ordinary disability benefits.

Mr. Howard Pleines indicated that the Joint Committee on Pensions (JCP) had deferred two Board requested bills for further information. The first would eliminate the fee cap for alternative investments. The second eliminates the need for Board of Public Works approval of all direct real estate transactions. He noted that he was working with Mr. Kenderdine to meet with the members of the JCP to garner their support to hold hearings on these bills.

On motion made by Mr. Harkins and duly seconded, the Board agreed to support SB304-State Retirement and Pension System-Military service that Interrupts State Service-Calculation; SB412-State Retirement and Pension System-Compliance with the Federal Pension Protection Act of 2006; SB515-State Retirement and Pension System-Administration-Simplification; SB583-Contributory Pension Selection-Clarification. The Board agreed to oppose SB344-Divestment from the Republic of Sudan and SB543-2007 Darfur Protection Act-Divestment from the Republic of Sudan.

On motion made by Mr. Harkins and duly seconded, the Board agreed not to take positions on the following bills: SB243/HB311: Employees' Pension System – Transfer of Service Credits; SB320/HB152: Law Enforcement Officers' Pension System – Membership – Martin State Airport Law Enforcement Officers; SB336: Correctional Officers' Retirement System – Membership – Correctional Laundry Officers; SB345: Correctional Officers' Retirement System – DROP; SB381/HB218: Military Service Credit – Eligibility; HB170: State Retirement and Pension System – Military Service Credit – Eligibility; HB402: Correctional Officers' Retirement System – Membership – Correctional Case Managers; HB432: Law Enforcement Officers' Pension System – Department of Public Safety and Correctional Services Internal Investigative Unit Investigators.

Mr. Harkins informed the Board that the Retirement Agency is initiating a certification process related to sensitive and confidential materials. Periodically, each Trustee and staff member will certify their awareness of the confidential nature of information handled throughout the Agency and their commitment to handle that information appropriately. He also suggested that the Trustees leave any sensitive materials from Board and Committee meetings at the Agency following each meeting for proper disposal by staff.

Mr. Harkins advised that, with Mr. Kenderdine, he, Ms. Hill and Mr. Brown were reviewing the current Agency travel policies that impact both the Trustees and staff. With the potential of greater travel requirements in the future, there is a need for a very clear and detailed travel policy. Once reviewed, the policy will be presented to the Administrative Committee and the Board.

Mr. Harvey Raitzyk introduced Mr. Edward Cummins, the new MPAS IT Project Director. Mr. Cummins stated that his background in IT involved both the private and public sector, having served previously with the State's Department of Juvenile Services.

Mr. Raitzyk stated that MPAS continues to progress in accordance with the planned project schedule. In January, the Agency worked with the Department of Budget and Management, through Mr. Kitchen, to defer the MPAS Independent Verification and Validation (IV&V) services until July 2007. Mr. Kitchen has written a letter to the General Assembly expressing his support for this deferment. During February, the planned tasks include accepting Milestone 2 Deliverables: 2.1, Develop Relational Database; 2.2, Populate the Relational Database; and 2.3, Develop Database Views; and, Milestone 3, Employer Functions.

The project schedule also calls for Saber to complete the Deliverable 4.4, Process Employer Payroll. The Draft Test and Evaluation Master Plan previously delivered by L-3 Titan is scheduled for acceptance. Mr. Raitzyk concluded his remarks by noting that preliminary indications suggest that the requirement gathering process for MPAS is more labor intensive than originally estimated. Saber has purchased software to aid in the mining of the requirements from the COBOL programs. This issue has been elevated on the risk list and will continue to be monitored and managed closely. A change order will be considered at that time if needed.

CAFR

7. Mr. Dean Kenderdine, Mr. Vince Marsiglia, and Ms. Melody Countess presented an overview of the System's Comprehensive Annual Financial Report. The overview focused on the primary sections within the CAFR, related to financial, investment, actuarial and statistical data.

2007 Proposed Legislation

8. Mr. Howard Pleines' report on legislation was presented with the items reported for the Administrative Committee.

Litigation Update

9. Ms. Deborah Bacharach advised the Board that Mr. Nathan Chapman had his sentence reduced to 5 years from his original sentence of 7 1/2 years for his fraudulent dealing with the System. She indicated that additional litigation matters would be presented in executive session.

Executive Director's Report

10. Mr. Dean Kenderdine indicated that interviews were to be held Friday, February 16th for the Chief Auditor position. He indicated there were six impressive candidates who have expressed interest in the position.

Mr. Kenderdine also indicated that he would be holding interviews for his administrative assistant and planned to make a selection by the end of the month.

Mr. Kenderdine stated that Ms. Anne Budowski would be working from her home for a few days prior to the birth of her children anticipated for February 26th. Ms. Budowski expected to return to work in twelve weeks.

Medical Board Reports

11. On motion made by Mr. Hughes and seconded by Ms. Hill, 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

12. On motion made by Mr. Hughes and seconded by Ms. Hill, 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.

Before continuing with the agenda, Treasurer Kopp announced with great pleasure that Dr. Moye had agreed to serve as Deputy Treasurer for Fiscal Policy beginning in mid-March.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss issues pertaining to investment matters, pursuant to State Government Article, Section 10-508(a)(5), which authorizes the Board to meet in closed session to consider the investment of public funds; to discuss pending litigation, pursuant to State Government Article 10-508(a)(8), which authorizes the Board to meet in closed session to discuss with legal staff pending litigation; and, to discuss an issue related to a State Police survivor benefit, pursuant to State Government Article 10-508(a)(7), which authorizes the Board to meet in closed session to obtain legal advice from counsel.

EXECUTIVE SESSION

The Board met in Executive Session at 11:10 am. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider investment issues. There were present: Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; William D. Brown; John W. Douglass; David B. Hamilton; James Harkins; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Carl D. Lancaster; Melissa Moye; and Patrick O'Shea, Trustees; and R. Dean Kenderdine, Secretary. Agency Staff members attending were: Deborah Bacharach; Margaret Bury; Rachel Cohen; Shirley Hartnett; Sherlynn Matesky; Howard Pleines; Janet Sirkis and Barbara Swain.

The Board ended its closed session at 12:31 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.

Brian Moser 13. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Brian Moser 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. Moser and his attorney, Michael Davey, appeared before 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.

Cassandra Jacobs 14. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Cassandra Jacobs 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. Jacobs appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill Leiner, 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.

George Douglass 15. The Board postponed Mr. Douglass' appeal for disability benefits.

Cynthia M. Jones 16. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Cynthia M. Jones 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. Jones appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill Leiner, 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.

Barbara J. Wyne 17. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Barbara J. Wyne for 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. Wyne, and her attorney, Robert Silberman, 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.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss 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 1:55 p.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider disability appeals. There were present: Nancy K. Kopp, Chairman; William D. Brown; James Harkins; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Carl D. Lancaster; Melissa Moye, and Patrick O'Shea, Trustees; and R. Dean Kenderdine, Secretary. Agency Staff members attending were: Deborah Bacharach; Margaret Bury; Rachel Cohen; Shirley Hartnett; Howard Pleines; and Janet Sirkis.

The Board ended its closed session at 2:10 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 by Ms. Hill and seconded by Major Krome, the Board approved the minutes of the January 16, 2007 closed session meeting.
- Brian Moser The Board considered the appeal of Brian Moser. Following a discussion, on a motion made by Ms. Hill and seconded by Mr. Lancaster, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Mr. Moser's request for special disability benefits. Mr. Harkins is recorded as opposing the motion.
- Cassandra Jacobs The Board considered the appeal of Cassandra Jacobs. Following a discussion, on a motion made by Mr. Lancaster and seconded by Ms. Hill, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Jacobs' request for accidental disability benefits. Treasurer Kopp is recorded as opposing the motion. Dr. Moye abstained from the vote.
- Cynthia Jones The Board considered the appeal of Cynthia Jones. Following a discussion, on a motion made by Mr. Harkins and seconded by Ms. Hill, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Ms. Jones' request for accidental disability benefits.

Barbara Wyne

The Board considered the appeal of Barbara Wyne. Following a discussion, on a motion made by Dr. Moye and seconded by Ms. Hill, the Board remanded Ms. Wyne's case back to the Medical Board for reconsideration of ordinary disability benefits.

There being no further business before the Board, the meeting adjourned at 2:15 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Dean Kenderdine', written in a cursive style.

R. Dean Kenderdine
Secretary to the Board

RDK/sah