

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

MINUTES OF MEETING

June 19, 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 9:09 a.m. There were present: Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; William D. Brown; John W. Douglass; James M. Harkins; Sheila Hill; F. Patrick Hughes; Carl D. Lancaster; Morris L. Krome; and, Patrick O'Shea, Trustees; Theresa Lochte, Trustee-elect; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Anne Budowski; Margaret Bury; Melody Countess; Robert Feinstein; John Greenberg; Carla Katzenberg; Calvin Kiser; Dennis Krysiak; Jill Leiner; Laurie Lyte; Vincent Marsiglia; Larry Martin; Sherlynn Matesky; Melissa McDonald; Howard Pleines; Harvey Raitzyk; Brian Rowe; Janet Sirkis; Barbara Swain; and Victoria Willard.

Also attending were Lisa Campbell; Len N. Foxwell; Anne Gawthrop; James Hill, Jr.; John Kenney; Joe McNeely; Randy Mickens; Melissa Moye; Robert Palumbi; Scott D. Rimmer; Michael Rubenstein; and William Wells.

Appeal cases present were Larry L. Nally; and Bryan A. Bishop representing Margaret E. Shinaberry.

On motion made by Mr. Franchot, and seconded by Ms. Hill, the Board of Trustees adopted a resolution thanking Dr. A. Melissa Moye for her outstanding service to the Board.

On motion made by Mr. Brown, and seconded by Ms. Hill the Board of Trustees adopted a resolution thanking Mr. Patrick O'Shea for his outstanding service to the Board.

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| Minutes  | 1. On motion made by Mr. Brown, and seconded by Ms. Hill, the Board approved the minutes of the April 17, 2007 regular meeting. On motion made by Mr. Hughes, and seconded by Ms. Hill, the Board approved the May 15, 2007 educational program minutes.   |
| Board Officers   | 2. On motion made by Mr. Hughes, and seconded by Mr. Harkins, the Board elected the following officers: Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; and R. Dean Kenderdine, Secretary.   |
| Investment Committee Recommendations and Information Items | 3. Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held on June 7, 2007.<br><br>Mr. Lancaster stated that Mr. Feinstein reported that Paige Davis and Tatyana Mirkin were leaving the Investment Division. Mr. Davis is returning to school to earn an MBA, and Ms. Mirkin has accepted a position with MTB, the asset management arm of M&T Bank. He noted that recruitment efforts were underway for both positions. |

Mr. Lancaster stated that the Committee heard presentations from Pension Consulting Alliance, Wilshire Associates, and Ennis Knupp & Associates, the finalists in the general investment consultant search.

Mr. Lancaster indicated that Mr. Feinstein provided the Committee with information as to how staff will operate under SB999 prior to the appointment of a new Chief Investment Officer, noting that staff is to continue utilizing the existing manager hiring and termination procedures found in the Investment Policy Manual. Staff is working with the System's consultants to develop recommendations to detail the parameters for the CIO's "hire/fire" authority of investment managers for discussion at a future Investment Committee meeting.

Mr. Lancaster indicated that Ms. Willard presented a work plan for the global custody services search, which included the type of service provider being sought and why; the objectives to be met and selection criteria to be used and their relative importance; and an estimated timeline for completion of the search process.

Mr. Lancaster noted that Mr. Greenberg presented the System's 1<sup>st</sup> quarter TUCS results for calendar 2007. The System was in the 66<sup>th</sup> percentile for the most recent quarter, 41<sup>st</sup> percentile for six months ending March 31, 2007, and in the 38<sup>th</sup> percentile for twelve months ending March 31, 2007.

Mr. Lancaster stated that staff had updated the Committee on Pension Consulting Alliance's name change and organizational changes. The real estate group has become a stand alone entity whose name has changed to PCA Real Estate Advisors, Inc. Services to the System are not to be affected by the change.

On motion made by Mr. Lancaster, and seconded by Ms. Hill, the Board accepted the incentive compensation criteria for the System's CIO proposed by Ennis Knupp.

On motion made by Mr. Lancaster, and seconded by Mr. Hughes, the Board accepted staff's recommendation that staff continue to review and engage with all companies on the ISS Sudan Focus List in order to determine whether to recommend that the Board direct its asset managers to sell and continue to refuse to buy any of the listed companies, in accordance with the criteria identified in Section 21-123.1(d) of the Maryland Code, provided, however, that those companies sanctioned by the U. S. Department of the Treasury Office of Foreign Asset Control (OFAC) shall be promptly divested without further engagement by the staff or review by the Board.

Administrative  
Committee  
Recommendations and  
Information Items

4. Mr. James Harkins, Chairman of the Administrative Committee, reported on the meeting held on June 5, 2007.

Mr. Harkins stated that the Wicomico Board of Education has negotiated an Early Notification Program (ENP) under which employees receive a 10% salary increase if that employee commits to retire in three years. The Wicomico Board wants to treat this additional

payment as part of the base salary and include it as part of earnable compensation. Mr. Harkins noted that this 10% intended increase is greater than the actuarial salary assumption and that the Department of Budget and Management had not been contacted regarding the financial impact to the State. The Administrative Committee asked staff to present additional information for further discussion at its August meeting.

On motion made by Mr. Harkins, and seconded by Major Krome, the Board accepted the Administrative Committee's recommendation to uphold the Executive Director's denial of Mr. Mitchel Parke's request to rescind military service credits from his State Police Retirement System account.

On motion made by Mr. Harkins, and seconded by Ms. Hill, the Board of Trustees approved the Maryland Charity Campaign's annual request for Retirement Agency services to support solicitation of contributions from new retirees.

On motion made by Mr. Harkins, and seconded by Ms. Hill, the Board of Trustees approved the revised Retirement Agency Travel Policy for Staff and Trustees. Mr. Kenderdine is directed to contact the Department of Budget and Management to discuss issues raised by Major Krome related to direct payments for travel and the amount of travel insurance available.

Mr. Harkins deferred acting on the Retirement Agency's 2008 Business Plan until after Mr. Kenderdine's presentation on that 2008 plan.

Mr. Harkins stated that Ms. Bacharach continues to work on regulations to address the State Police Supplemental Benefit. Regulations to simplify the calculation of this survivor benefit to bridge the gap until legislation can be enacted in 2008 were reviewed by the Committee.

Mr. Harkins noted that there are several proposed changes to MPAS that reflect logical modifications to the original plan. These changes will reduce the risk of business failure by not going live during the System's most critical period at the end of the fiscal year. The first change moves the implementation date for going live (implementing Milestones 1 – 7) from May 8, 2008 to July 19, 2008, after the close of the fiscal year. Under the second change, Milestones 8 and 9 are being combined with Milestone 10, and the implementation date for the combined milestones is to be moved from July/August, 2008 to October 8, 2008 for going live. These changes have no additional cost.

Board of Trustees  
Performance Self  
Evaluation

5. Mr. James Harkins, Chairman of the Administrative Committee, deferred discussion of the results of the Board of Trustees' Self Assessment Evaluation with Mr. William Wells and Mr. Joseph McNeely of the Schaefer Center for Public Policy until executive session.

Executive Director's  
Report and  
Presentation of  
FY08 Business Plan

6. Mr. Dean Kenderdine advised the Trustees that the Retirement Agency will begin interviewing for the Chief Information System Officer on July 18, 2007.

Mr. Kenderdine indicated that the RFP to hire an executive search firm to assist in the recruitment of the Chief Investment Officer should be issued at the end of the week. At Treasurer Kopp's request, the scope of services in the RFP will be distributed to all Trustees.

Mr. Kenderdine stated that the Agency selected Mr. Charles Geis as the new Project Manager for MPAS. Mr. Geis has 20 years of experience in project management.

Mr. Kenderdine reported that for the Trustees who do not serve on various Board committees or sub-committees, the Agency will forward only the agenda for each meeting. The supporting documents and information for that agenda will be placed on the Board portal for the Trustees' review. If any Trustee wishes to continue to receive the entire packet for each meeting, he asked to be advised of that request.

Mr. Kenderdine distributed a CD to each Trustee to replace the binder containing the Trustee Handbook.

Mr. Kenderdine made a power-point presentation on the FY 2008 Business Plan. He noted that the Operational Planning Policy requires the Executive Director to provide an analysis of the plan each year. The presentation dealt with a review of the FY07 plan implementation progress; the appropriateness of the Mission Statement; the positioning of Agency resources against its mission; the need to continue current plan initiatives; and identifying new initiatives. He noted that the 2008 plan is less ambitious than previous plans because of the requirement for completing the MPAS-1 project. Many initiatives from the FY07 plan are dependent upon significant IT support and must be deferred until MPAS-1 is completed. At the request of the Treasurer, the Board deferred approval of the plan until its July meeting.

Medical Board  
Reports

7. On motion made by Mr. Hughes 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 with one exception. Deborah T. Chapple is removed from the list for the meeting held May 30, 2007. The Medical Board's conclusions were reached after its review of the evidence provided by the claimants.

Supplemental  
Medical Board Reports

8. On motion made by Mr. Hughes and seconded by Mr. O'Shea, 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.

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| Yearly Attendance<br>And Training<br>Report 2007 | 9.  | Mr. Kenderdine presented the required annual Attendance Report for January 1 through Mary 31, 2007 for review. The report will be updated to reflect June attendance and then filed with the General Assembly by June 30, 2007 as required. Mr. Brown asked that the report reflect he missed the March Board meeting because he was attending the meeting of the Council of Institutional Investors on March 19 <sup>th</sup> and 20 <sup>th</sup> . |
| Earnings Limitation<br>Recovery<br>Report 2007   | 10. | On motion made by Mr. Hughes, and seconded by Ms. Hill, the Board approved the Earnings Limitation Recovery Report and authorized the Retirement Agency to reduce the FY2008 benefits of the affected retirees.   |
| Disability Offset<br>Report                      | 11. | On motion made by Mr. Hughes, and seconded by Ms. Hill, the Board approved the Disability Offset Report and authorized the Retirement Agency to reduce the FY2008 benefits of the affected disability retirees.   |

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss the results of the Board's Self Evaluation, pursuant to State Government Article 10-503(a)(1)(i), which authorizes the Board to meet in closed session to exercise an executive function; to discuss potential litigation, pursuant to State Government Article 10-503(a)(7) & (8), which authorizes the Board to meet in closed session to obtain legal advice and to consult about pending or potential litigation; to select an investment advisor to the Board, pursuant to State Government Article 10-503(a)(14), which authorizes the Board to meet in closed session before a contract is awarded to discuss a matter related to the selection of the advisor; and to discuss a real estate proposal, pursuant to State Government Article 10-503(a)(5), which authorizes the Board to meet in closed session to consider the investment of public funds; and to discuss asset allocation pursuant to State Government Article 10-503(a)(5), which authorizes the Board to meet in closed session to consider the investment of public funds.

**EXECUTIVE SESSION**

The Board met in Executive Session at 10:28 am. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to discuss the results of the Board' Self Evaluation, to consult with legal counsel on potential litigation, to select an investment consultant, and to discuss a real estate proposal and asset allocation. There were present: Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; William D. Brown; John W. Douglass; James M. Harkins; Sheila Hill; F. Patrick Hughes; Carl D. Lancaster; Morris L. Krome; and, Patrick O'Shea, Trustees; Theresa Lochte, Trustee-elect; and R. Dean Kenderdine, Secretary.

During the review of the Board Self Evaluation, only the Trustees were present with R. Dean Kenderdine; Joe McNeely; and William Wells.

Agency Staff members attending the remainder of the closed session were: Deborah Bacharach; Anne Budowski; Margaret Bury; Robert Feinstein; John Greenberg; Vincent Marsiglia; Howard Pleines; Brian Rowe; Janet Sirkis; and Barbara Swain. Also in attendance were John Kenney; and Melissa Moye.

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

### REGULAR SESSION

During the closed session, the Board reviewed the results of the Board's Self Evaluation; discussed potential litigation with legal staff; selected a general investment consultant for the System; discussed the sale of real estate held by the System; and discussed the System's asset allocation.

- Mabel H. Bodkins      12. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Mabel Bodkins 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. Bodkins' case was heard on the record. The Board deferred further consideration to Executive Session.

- Margaret E. Shinaberry      13. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Margaret Shinaberry 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. Shinaberry's attorney, Bryan A. Bishop, 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.

- Larry L. Nally      14. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Larry Nally 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. Nally 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.

Barbara J. Forrest 15. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Barbara Forrest 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. Forrest's case was heard on the record. The Board deferred further consideration to Executive Session.

Roberta G. Tucker 16. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Roberta Tucker 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. Tucker's case was heard on the record. 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 1:27 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; John W. Douglass; James Harkins; Sheila Hill; F. Patrick Hughes; and Morris L. Krome; Trustees; Theresa Lochte, Trustee-elect; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Margaret Bury; Howard Pleines; and Janet Sirkis.

The Board ended its closed session at 1:35 p.m. and returned to regular session to complete the agenda.

#### REGULAR SESSION

During the closed session, the Board approved the Minutes of the April 17 and May 15, 2007 (special Board Education Session) closed session meetings. It also decided on the appeals of Mabel H. Bodkins, Margaret E. Shinaberry, Larry L. Nally, Barbara J. Forrest, and Roberta G. Tucker.

Mabel H. Bodkins The Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Bodkins' request for accidental disability benefits.

Margaret E. Shinaberry The Board voted, with one abstention, to accept the Administrative Law Judge's Proposed Decision and deny Ms. Shinaberry's request for accidental disability benefits.

- Larry L. Nally                      The Board voted to accept the Administrative Law Judge's Proposed Decision and deny Mr. Nally's request for accidental disability benefits.
- Barbara J. Forrest                      The Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Forrest's request for accidental disability benefits.
- Roberta G. Tucker                      The Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Tucker's request for accidental disability benefits.
- Remand to Administrative Law Judge                      17. On motion made by Ms. Hill and seconded by Mr. Hughes, the Board approved remanding the case of Tamiaka Lockley to the Office of Administrative Hearings.

There being no further business before the Board, the meeting adjourned at 1:38 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/js