

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

June 17, 2008

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 9:02 a.m.

The Trustees that were in attendance included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	William D. Brown	David Blitzstein
John W. Douglass	James M. Harkins	F. Patrick Hughes	Morris L. Krome
Robert W. Schaefer	Harold Zirkin	R. Dean Kenderdine, Secretary	(via telephone)

Agency Staff members attending included:

Deborah Bacharach	Margaret Bury	Charles Geis	John Greenberg	Ira Greenstein
Bill Legg	Sherlynn Matesky	Mansco Perry, III	Howard Pleines	Harvey Raitzyk
Brian Rowe	Patrice Sowah	Janet Sirkis	Barbara Swain	Toni Voglino
Victoria Willard				

Also attended by:

Bill Anderson	Dylan Baker	Lisa Campbell	Len Foxwell	Anne Gawthrop
John Kenney	Melissa Moye	Donna Talbert, Maryland Charity Campaign		

Present only during the disability appeals portion of the agenda included:

Carla Goldman Katzenberg	Jill Leiner	Ruth Falcone	Robert Silberman
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| Minutes                     | 1. On a motion made, and duly seconded, the Board approved the minutes of the April 15 and May 20, 2008 regular meeting.  |
| Board Officers              | 2. On a motion made by Mr. Zirkin, and seconded by Mr. Hughes, the Board elected the following officers: Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; and R. Dean Kenderdine, Secretary. Major Krome opposed the Vice-Chairman's nomination and election.  |
| Investment Committee Report | 3. Mr. Robert Schaefer, Chairman of the Investment Committee, reported on the meeting held on June 13, 2008.<br><br>Mr. Schaefer reported that Mansco Perry, III, CIO, provided a Chief Investment Officer's Report.<br><br>Mr. Schaefer reported that Robert Feinstein presented information regarding SB 606 and the Investment Division's implementation plan. It was noted that (a.) the policy objective of the law is to increase the utilization of minority business enterprises in the System's investment program by removing barriers that limit full participation and (b.) starting in September 2009, the law mandates annual reporting by the System to the General Assembly regarding utilization of minority business enterprises in the System's investment program.<br><br>Mr. Schaefer reported the Committee received Ennis Knupp's 1 <sup>st</sup> Quarter Performance Report, summaries of the monthly investment update report, and updates concerning personnel changes at PIMCO and Western Asset Management, as well as the staff's TAA program.<br><br>Mr. Schaefer reported the Committee interviewed Mr. Larry E. Jennings, Jr., a nominee to fill the public member vacancy on the Investment Committee. |

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Mr. Schaefer reported the Committee received a report from Investment Division staff regarding plans to obtain a risk information system to better monitor and more fully evaluate the investment related risks within the Retirement System trust fund. Mr. Greenberg noted that while staff strongly believes that the risk information system will provide a very useful tool for portfolio construction and analysis, there are limitations on what this tool – or, indeed, any other tool – can provide. This tool will **not** guarantee that the System achieves returns above the actuarially expected rate of return. This tool will **not** preclude the System from experiencing negative returns.

Mr. Schaefer reported that Mr. Greenberg discussed the quarterly TUCS returns for the first quarter of 2008.

Mr. Schaefer reported that the Committee received several investment reports.

On a motion made by Mr. Schaefer and seconded by Mr. Hughes the Board voted to:

- Modify the System's cash allocation as follows:
  1. The System's asset allocation be modified to include an allocation to cash of 1%, with a range of 0% to 2%;
  2. The global equity allocation be decreased from 15% to 14%, and its range modified to 12 to 16%; and
  3. The static policy benchmark for the 1% cash allocation will be the three-month Treasury bill.
- Change the U.S. equity asset class benchmark from the Wilshire 5000 index to the Russell 3000 index, effective July 1, 2008.
- Accept Staff's recommendations as follows:
  1. Place any portion of the private equity allocation which has not yet been invested in private equity into the global equity (and/or the appropriate market cap proportions of U.S. and non-U.S. equity) allocation.
  2. Place any portion of the real estate allocation which has not been invested in real estate into the fixed income allocation.
  3. Modify the IPM to incorporate the transitional calculation for the second phase of moving into the new asset allocation.
- Accept Staff's recommendations as follows:
  1. A 5% target allocation should be established for the Opportunity Allocation.
  2. The conforming reductions needed to fund this allocation should come from the public market asset classes, with three percentage points of the allocation coming from domestic equity, and the remaining two percentage points coming from international equity.
  3. Any portion of the Opportunity Allocation that has not yet been invested in the Opportunity Allocation should be held in the global equity asset class (and/or the appropriate market cap proportions of U.S. and non-U.S. equity).
  4. The static policy benchmark for the Opportunity Allocation should be

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the dollar weighted average of the benchmarks for each of the investments in the Opportunity Allocation.

5. Modify the IPM to incorporate the foregoing changes.
- Accept Staff's recommendations as follows:
    1. Direct Investment Division staff to prepare for review and approval a rewrite of the IPM separating policy from procedure; bringing the document's form and structure into alignment with the Board's Governance Charters and Policies; and ensuring compliance with the State Personnel and Pensions Article.
    2. Adoption of interim modifications to Appendix B: Opportunity Allocation Policy, Appendix F: Private Equity Policy, and Appendix G: Real Estate Policy.
  - Accept the CIO Charter and CIO Evaluation Policy, as amended to clarify that the Board of Trustees may meet in closed session without the employee present.
  - Amend the Executive Director Evaluation Policy to clarify that the Board of Trustees may meet in closed session without the employee present.
  - Accept the revised asset allocation for the OPEB Trust set forth as follows:

Asset Class	Target	Range	SSGA Fund Used / Benchmark
US Equity (including Private Equity)	35%	25 - 40%	Russell 3000 Index SL CTF
International Equity	18	13 - 23	MSCI All Country World Index Ex US SL CTF
Global Equity	15	10 - 20	MSCI World Index SL CTF
Real Estate	10	5 - 15	Tuckerman Global Real Estate Strategy Passive Index CTF / Benchmark: FTSE EPRA/NAREIT Global Liquid Index
Fixed Income	17	12 - 23	US Bond Index SL CTF Benchmark: LB Aggregate
Real Return	5	0 - 10	Treasury Inflation Protected Securities CTF Benchmark: LB U.S. TIPS
Cash Equivalents	0	0 - 2	SSGA's Money Market Mutual Fund Benchmark: 3 month T-bills
<b>TOTAL</b>	<b>100%</b>		

- Authorize staff to modify the OPEB Trust's asset allocation to reflect those changes to the System's DB plan asset allocation.
- Authorize Fidelity to offer the Franklin Templeton Mutual Discovery Fund, a global equity fund, as an approved option for the ORP.
- Authorize Fidelity to replace the Domini Social Equity Fund with the Neuberger Berman Socially Responsive Fund.

Administrative 4. Mr. James Harkins, Chairman of the Administrative Committee, reported on

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the meeting held on June 3, 2008.

At Mr. Harkins' request Mr. Pleines reported on the end of the Legislative session.

Mr. Pleines reported that the amendments to HB554/SB480 added an additional requirement to the study the General Assembly is to undertake in 2008 to review all of the State Systems to compare them with their peers. The study now includes comparisons of the life expectancies of members and retirees. Mr. Pleines will contact the Department of Legislative Services to obtain more details on how this study is to be conducted.

Mr. Pleines reported that the Blue Ribbon Commission to Study Retiree Health Care Funding Options had been extended, with the final report now due December 2009.

Mr. Pleines reported that the Agency is anticipating receiving approximately \$119 million from the State to be invested in the OPEB trust fund before the end of FY2008.

Mr. Pleines reported that they are preparing for the 2009/2010 legislative session and he is requesting suggestions for legislation.

Mr. Harkins reported that Member Service Performance is on target to meet its goals related to telephone calls to the Member Services Unit, Telephone Response Section. Comptroller Franchot commented on the Agency's productive and proactive attention, and increasing progress, of the Telephone Response Unit.

At Mr. Harkins' request Charles Geis, Ira Greenstein, and Fred Semko reported on the progress of MPAS. Mr. Geis reported that the Agency is reviewing an invoice for \$1.939 million from Saber for Milestone 4 and found \$195,000 of the billing questionable. Saber has provided sufficient information for about \$63,000 of the questionable amount and, therefore, subsequently lowered their invoice to \$1.807 million (\$132,000 less than the original invoiced amount). Mr. Geis reported that MPAS programming and testing is productively moving forward.

On a motion made by Mr. Harkins and seconded by Major Krome the Board approved the participation of the Town of Berwyn Heights, City of Cumberland, Town of Hurlock, and Worcester County for participation in the Employer Pickup Program as of July 2008 under the Employees' Pension System (Alternative Contributory Pension Selection, Law Enforcement Officers' Pension System and Correctional Officers' Retirement System.

On a motion made by Mr. Harkins and seconded by Major Krome the Board approved the FY09 SRA Business Plan subject to final editing.

On a motion made by Mr. Harkins and seconded by Mr. Schaefer the Board approved the Charter and Policy for the CIO, as amended to clarify that the Board of Trustees may meet in closed session without the CIO present, and; amended the Executive Director Evaluation Policy to clarify that the Board of

Administrative

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| Committee Report            | <p>Trustees may meet in closed session without the Executive Director present. In the absence of Mrs. Theresa Lochte, the Chairman of the Ad-hoc committee regarding the Board's rotating monthly schedule on hearing disability cases, Mr. Harkins reviewed the monthly schedule.</p> <p>Ms. Deborah Bacharach explained that she is researching whether or not Trustees who are not on the list may be prohibited from voting. She also advised the Board that formal regulations were not necessary at this time. Regulations are not necessary until the Board has determined that the schedule has proven to be feasible and productive.</p>  |
| Maryland Charity Campaign   | <p>5. Mr. Kenderdine reported that Maryland Charity Campaign annually requests the Agency to: (1.) assist in contracting with an outside vendor to mail campaign packets to approximately 1,300 recent retirees; (2.) include an article in support of the campaign in our July newsletter; (3.) to also post the article on our website as part of the newsletter's electronic version, and; (4.) include a link to the Campaign's home page on our website.</p> <p>On a motion made by Mr. Harkins, and duly seconded, the Board voted to approve the Maryland Charity Campaign's request for the Agency's services to support solicitation of contributions from new retirees.</p>  |
| Audit Committee Report      | <p>6. Mr. F. Patrick Hughes, Chairman of the Audit Committee, reported on the meeting held on April 15, 2008.</p> <p>Mr. Hughes reported that the Audit Committee was updated on the Internal Audits Division's training program, continuous auditing plan, PGU audit approach, and internal audits.</p> <p>On a motion made by Mr. Hughes and seconded by Mr. Douglass, the Board approved the Agency Fraud, Waste, and Abuse Policy, Internal Audit Charter, and the Internal Audit Code of Conduct.</p>   |
| Executive Director's Report | <p>7. Mr. R. Dean Kenderdine reported that the Agency has again been awarded the Certificate of Achievement for Excellence in Financial Reporting for 2007.</p> <p>Mr. Kenderdine reported that the Agency has responded to Governor's Energy Conservation efforts by developing and implementing a State Agency Energy Plan. The Agency has begun conservation by turning off lights in unused offices, utilizing less lighting in offices that have exposure to natural light as well as, turning off unused printers and copiers. The Agency is also working with the Manekin (the building's manager) to change the light switches in the ladies and men's restrooms to sensor switches. Sensor switches automatically turn off lights when no one is in the room.</p> <p>Mr. Kenderdine reported that the Agency has developed a speaker database. This database will be used as a depository of potential speakers to invite to Board education sessions. Anyone can recommend a speaker to be included in the database.</p> |
| Executive                   | <p>At Mr. Kenderdine's request, Ms. Marge Bury notified the Board that Mr.</p>   |



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| Director's Report                          | <p>Kenderdine will issue a default order in the matter involving Mary L. Lewis and Ilene W. Freeman. Ms. Lewis and Ms. Freeman had scheduled hearings before an Administrative Judge at the Office of Administrative Hearings. Both claimants failed to appear at their respectively scheduled hearings. Nor did either claimant notify OAH in advance to request a postponement of their disability benefits hearing. Consequently, a default order was issued. In accordance with COMAR 22.06.07.07 and upon finding that there was no good cause Mr. Kenderdine issued a final order terminating the proceedings.</p> <p>The Board questioned the hearing notification policies and procedures of the Office of Administrative Hearings and the Agency. The Board wanted to ensure that the claimants were appropriately notified of the OAH hearing date.</p> |
| Medical Board Reports                      | 8. On a motion made by Mr. Brown, and seconded by Major Krome, the Board of Trustees 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 documentation in the file.  |
| Supplemental Medical Board Reports         | 9. On a motion made by Mr. Brown, and seconded by Major Krome, the Board of Trustees accepted the 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 documentation in the file.   |
| Yearly Attendance and Training Report 2008 | 10. Mr. Kenderdine presented the required annual Attendance Report for January 1 through May 31, 2008 for review. The report will be updated to reflect June attendance and then filed with the General Assembly by June 30, 2008 as required. Mr. Douglass asked that a mid-year column be added to the report. Mr. Brown asked if jury duty qualifies as an excused absence.  |
| Earning Limitation Recovery Reports        | 11. On motion made by Mr. Zirkin, and duly seconded, the Board approved the Earnings Limitation Recovery Report and authorized the Agency to reduce the FY09 benefits of the affected retirees.   |
| Disability Offset Report                   | 12. On motion made by Mr. Zirkin, and duly seconded, the Board approved the Earnings Limitation Recovery Report and authorized the Agency to reduce the FY09 benefits of the affected retirees.   |

**CLOSED SESSION**

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The Board met in a Closed Session in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of, and pursuant to:

1. to approve the closed minutes, State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to discuss the administration of the actuary contract; pursuant to State Government Article §10-508(a)(1), administrative function; and,
3. to discuss a change in MPAS personnel pursuant to State Government Article § 10-503(a)(1), personnel matters.

Trustees that were in attendance during the closed session included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	William D. Brown	David Blitzstein
John W. Douglass	James M. Harkins	F. Patrick Hughes	Morris L. Krome
Robert W. Schaefer	Harold Zirkin		

Agency staff attending included:

Deborah Bacharach	Margaret Bury	Robert Feinstein	Charles Geis	John Greenberg
Ira Greenstein	Sherlynn Matesky	Howard Pleines	Harvey Raitzyk	Brian Rowe
Patrice Sowah	Janet Sirkis	Barbara Swain	Toni Voglino	

Also attending was John Kenney.

The Board ended its closed session at 11:02 a.m. and returned to regular session to complete the agenda.

- Pamela M. Ballard 13. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Pamela M. Ballard for disability retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Silberman, Ms. Ballard's attorney, 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 closed session.

- Ruth M. Falcone 14. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Ruth M. Falcone for accidental disability retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. Falcone 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 closed session.

- Margaret M. Brengle 15. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Margaret M. Brengle for accidental

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disability retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. Brengle's was notified of the hearing before the Board but did not appear 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 closed session.

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

Mr. Mitchell's was notified of the hearing before the Board but did not appear to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Goldman 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 closed session.

**CLOSED SESSION**

The Board met in Closed Session in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of, and pursuant to:

1. to the emerging manager program, State Government Section 10-503(a)(5), consider matters relating to the investment of public funds; and,
2. to discuss the appeals of Pamela M. Ballard, Ruth M. Falcone, Margaret M. Brengle, and Ronald V. Mitchell pursuant to State Government Section 10-503(a)(1)(iii), quasi-judicial function.

Trustees that were in attendance during the closed session included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	William D. Brown	David Blitzstein
John W. Douglass	James M. Harkins	F. Patrick Hughes	Morris L. Krome
Robert W. Schaefer	Harold Zirkin		

Agency staff attending included:

Deborah Bacharach	Margaret Bury	Robert Feinstein	Charles Geis	John Greenberg
Ira Greenstein	Sherlynn Matesky	Howard Pleines	Harvey Raitzyk	Brian Rowe
Patrice Sowah	Janet Sirkis	Barbara Swain	Toni Voglino	

Also attending was John Kenney.

The Board ended its closed session at 12:19 p.m. and returned to regular session to complete the agenda.

**REGULAR SESSION**

During the closed session, the Board approved the closed minutes of the April 15 and May 20, 2008



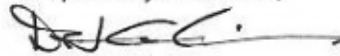
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meeting, discussed pending litigation, and reviewed and decided on the following disability appeals:

- Pamela M. Ballard 17. The Board voted to **REMAND** the case to the Medical Board for further fact finding.
- Ruth M. Falcone 18. The Board voted to **REJECT** the Administrative Law Judge's Report and **GRANT** Ms. Falcone's request for accidental disability benefits.
- Margaret M. Brengle 19. The Board voted to **ADOPT** the Administrative Law Judge's Report and **DENY** Ms. Brengle's request for accidental disability benefits.
- Ronald V. Mitchell 20. The Board voted to **ADOPT** the Administrative Law Judge's Report and **DENY** Mr. Mitchell's request for accidental disability benefits.
- Adjournment 21. There being no further business before the Board, the meeting adjourned at 12:20 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/pws