

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

October 21, 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 9:03 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David S. Blitzstein	William D. Brown
John Douglass	T. Eloise Foster	James M. Harkins	Sheila Hill
Morris L. Krome	Theresa Lochte	Harold Zirkin	
Thurman W. Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Deborah Bacharach	Anne Budowski	Steve Cichelli	Melody Countess	Brian Feilinger
Robert Feinstein	Sherylnn Matesky	Cathie Nash	Mansco Perry, III	Brian Rowe
Fred Semko	Janet Sirkis	Patrice Sowah	Barbara Swain	Toni Voglino
Victoria Willard	Rachel Cohen	Harvey Raitzyk	Kenneth Reott	

Also attended by:

Bill Anderson	Len Foxwell	Michael Halpin	Randy Mickens	Melissa Moye
Robert Palumbi	Michael Rubenstein	Eli Segall		

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

Jill Leiner	Robert Silberman	Michael Davey	Kevin M. Welkner	Debora S. Ray
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| Minutes | 1. On a motion made by Mr. Harkins and seconded by Mr. Brown, the Board approved the minutes of the September 16, 2008 regular meeting. |
| Investment Committee Report | 2. Mr. Brown, Vice-Chairman of the Investment Committee, reported on the meeting held on October 10, 2008. |

Mr. Brown reported that Ennis Knupp presented an update regarding the financial markets, as well as its monthly Flash Report. Ms. Bernard summarized recent events, placed them in an historical context, briefly discussed implications for public and private market asset classes, and closed by stating that Ennis Knupp continues to encourage its clients to focus on the long term with the use of sound capital market expectations.

Mr. Brown reported that the Committee discussed the proposed 2009 Investment Committee meeting schedule. The proposed schedule is as follows:

February 13, 2009	September 11, 2009
May 8, 2009	October 9, 2009
August 14, 2009	November 13, 2009

Mr. Brown reported that during the discussion that ensued, it was noted that (a) the Committee can convene additional meetings, (b) the CIO may be asked to provide updates to the trustees at meetings of the full Board of Trustees, and (c) the CIO will make himself available to meet with the Board (collectively or individually) whenever the need arises to have dialogue. It was also noted that monthly performance reports will continue to be posted to the Board Portal. After all discussions, on a motion duly made and seconded, the Committee unanimously agreed to approve the Investment Committee Meeting Dates as submitted.

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Administrative
Committee
Report

3. Mr. James Harkins, Chairman of the Administrative Committee, reported on the meeting held on October 7, 2008

Mr. Harkins reported that the proposed meeting dates for the Administrative Committee were presented and approved for calendar year 2009.

February 3, 2009	August 4, 2009
March 3, 2009	September 1, 2009
April 7, 2009	October 6, 2009
June 2, 2009	December 1, 2009

Mr. Harkins reported that the average call abandonment rate of 4.3% and the average call waiting time of 62 seconds in the Member Services Telephone Response Unit continue to remain well below the Agency's not-to-exceed goals through the month of September.

At Mr. Harkins' request Mr. Kenderdine advised that Towson University is assisting the Agency in developing a Strategic Plan. The timeline for this project was provided to Board members. The working group for the development of this plan will be composed of the Administrative Committee, selected members of the Investment Committee, and Agency staff.

At Mr. Harkins' request, Ms. Bacharach explained to the Committee that the System is preparing to file this fall with the IRS for tax-qualified determination letters for each of our systems.

Ms. Bacharach reported that in addition to the legislative changes approved by the Board, the Agency's tax counsel, Ice Miller, is recommending a number of additions to the regulations, which include the System's compliance with:

1. Federal minimum distribution rules - IRC §401(a)(9);
2. Federal limitations on compensation that may be considered for purposes of determining retirement benefits or contributions due – IRC §401(a)(17);
3. Federal limitations on contributions and benefits – IRC §415; and
4. Minimum distributions, taxation, and rollovers with respect to benefits payable pursuant to domestic relations orders - IRC 414(p).

Ms. Bacharach reported that one additional legislative change is proposed to amend the State pension law to specify that a distribution to a plan participant that totals less than \$200 during the year, does not constitute an eligible rollover distribution. This provision would be consistent with federal treasury regulations and would be helpful to the Agency when dealing with small dormant accounts.

On a motion made by Mr. Harkins and seconded by Ms. Hill, the Board approved the new regulations recommended by staff and Ice Miller as well as the additional tax compliance legislation to restrict the rollover of distributions less than \$200.

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Administrative
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Mr. Harkins reported that based on a recent withdrawal and transfer request, the Agency identified language in Title 31 which it believes is no longer needed. The law now provides PGU employees with one year to enroll in the Employees' Pension System following a new employer's entrance into that system as of July 1 of a given year. In the Law Enforcement Officers' Pension System (LEOPS) the period for enrollment is six months if an employer elects to move its law enforcement personnel to LEOPS. Based on new procedures that give both employers and impacted employees sufficient time to make their election prior to the participation date, staff believes the additional one year for the EPS and six months for LEOPS should be removed from the law. This will help both administratively and with the actuarial final valuation which is required for all new entrants.

On a motion made by Mr. Harkins and seconded by Ms. Hill approved the deletion of unneeded language in Title 31, Participating Governmental Units.

Mr. Harkins reported that based on legislation enacted in 2007, the Board adopted regulations establishing the procedures for members to follow if they wished to request a waiver of the one-year transfer requirement. The regulation provides that one circumstance in which a waiver may be granted is if the member provides certification from the member's employer that the transfer failed to occur within one year due to misinformation from or mishandling by the employer. Currently, only the Secretary of the Principal Department or the equivalent agency head can provide such certification. The Agency is proposing to amend the regulation to state that the certification may be provided by the member's appointing authority, the Secretary, or Deputy Secretary of the member's principal department, or, if the member does not work for a principal department, the agency head.

On a motion made by Mr. Harkins and seconded by Ms. Hill the Board approved amending the Transfer of Service – Waivers regulation.

Mr. Harkins reported that the Committee received a MPAS update from Mr. Steve Cichelli, which indicated:

- The IV&V Corrective Action Plan draft follow-up report by Nortel downgraded the MPAS-1 project's risk factors.
- The Project Management Office (PMO) intends to remain conservative in its own internal risk assessment. While the PMO views the risk trend as lowering, it will withhold its formal consideration to reduce its risk assessment until after observing the performance of Saber's key deliverables, Milestone 6 and 7 due on December 26, 2008.

Trustee Elections

4. Mr. R. Dean Kenderdine presented a schedule to conduct two separate but simultaneous elections – one to elect a Teachers' Systems' representative and one to elect an Employees' Systems' representative to the Board of Trustees. Candidates for the Teacher representative to the Board and the Employee representative must both be active members of their respective systems.

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Trustee Elections

The terms of office for the successful candidate in each election will be from August 1, 2009 through July 31, 2013.

The employee trustee candidate may be an active member of the Correctional Officers' Retirement System, the Employees' Pension System, the Employees' Retirement System, the Judges' Retirement System, the Legislative Pension Plan, the Local Fire and Police System, or the Law Enforcement Officers' Pension Plan and shall be elected by the members and the retirees of those Systems.

The Agency will inform the eligible voters of the upcoming election through the following methods:

1. Notice of the upcoming nomination period and election schedule will be sent to all active participants through an electronic notice released through all retirement coordinators.
2. Notice of the nomination period and the election schedule will be posted on the Agency web page.
3. A message notifying members and retirees of the nomination period and the election schedule will be added as a "hot topic" message on the automated voice response system.

On a motion made by Ms. Hill and duly seconded the Board approved the following election schedule:

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| October 16, 2008
through
January 16, 2009 | Eligible member may obtain forms from the Executive Director's office. Nomination forms may not be given to prospective candidates after the closing date. |
| March 13, 2009 | Completed nomination forms must be submitted to the Executive Office by an eligible candidate by 4:30 p.m. |
| March 27, 2009 | Executive Director certifies candidates who satisfied the conditions set forth in 22.03.01.06 of the Board of Trustees' Regulations. (Requires at least 500 valid signatures of eligible voters and biographical statement.) |
| May 19, 2009 | Voting begins |
| June 12, 2009 | Last day for voting. Deadline is 5 p.m. |
| July 21, 2009 | Election results shall be announced at the July Board of Trustees' meeting.
This date is subject to the Board of Trustees' approval of the 2009 meeting dates. |

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Executive
Director's
Report

5. Mr. R. Dean Kenderdine reported on Agency developments.
- The Joint Committee on Pensions (JCP) is scheduled to meet on Wednesday, October 22nd at 10 a.m. in Annapolis. The agenda includes reemployment of retirees in the Employees' & Teachers' Pension Systems, MPAS, Annual SRPS Investment Overview, and Agency proposed legislation.
 - The Agency has begun its 2008 Maryland Charity Campaign.
 - The Agency's holiday party is scheduled for December 19th.

At Mr. Kenderdine's request, Deborah Bacharach reported on the Optional Retirement Program (ORP) written plan document. Ms. Bacharach reported that the Internal Revenue Service issued Final Regulations in late 2007 setting forth detailed requirements for the administration of an Internal Revenue Code Section 403(b) defined contribution plan. The ORP, the State-funded defined contribution plan for which the Board of Trustees has specific responsibilities, is a Section 403(b) plan. Among other requirements, the 403(b) Final Regulations require the adoption of a written plan document to be in place by January 1, 2009 for every employee or employer-funded 403(b) plan.

Ms. Bacharach reported that as a result of the new IRS regulations she has been working with outside tax counsel, Ice Miller, Agency staff, Assistant Attorneys General representing other Maryland 403(b) plans, and the Assistant Attorneys General representing the Employing Institutions to develop a written plan document for the ORP that is agreeable to everyone.

Ms. Bacharach reported that the Maryland ORP Section 403(b) Plan Document will be presented to the Board of Trustees for review and approval as part of the November 18, 2008 Board meeting and agenda.

Ms. Bacharach reported that the most difficult area to address has been the "administration" of the ORP. This is because responsibility for administration of the ORP is divided among at least six (6) State entities and the designated vendors. By default, the Board of Trustees has been named in the document as the "Administrator" of the ORP, but the responsibilities of the Board and the Employing Institutions have been divided up, to the extent possible, in accordance with the split of responsibilities provided in state law. In addition, the Plan Document is being sent to the vendors, Fidelity and TIAA-CREF, for their review and comment prior to presentation of the final draft to the Board in November.

Mr. Brown reported that he and Ms. Lochte recently attended the 2008 Maryland State Teachers Association Convention on October 17-18. They individually acknowledged and thanked Keisha Patterson, Benefits Counselor, for her job that was well done; she conducted a pre-retirement seminar at the convention.

**BOARD OF TRUSTEES FOR THE
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October 21, 2008

CLOSED SESSION

The Board met in a Closed Session (10:15 a.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of, and pursuant to:

1. to approve the closed session minutes, State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to discuss procurement of actuarial services, State Government Article §10-508(a)(13 and 14), directly related to the contents of proposals;
3. to discuss the appointment of Investment Committee public member, State Government Article §10-508(a)(1), personnel matter;
4. to discuss the Chief Investment Officer's evaluation, State Government Article §10-508(a)(1), personnel matters.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David S. Blitzstein	William D. Brown
John Douglass	T. Eloise Foster	James M. Harkins	Sheila Hill
Morris L. Krome	Theresa Lochte	Harold Zirkin	
Thurman W. Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Deborah Bacharach	Anne Budowski	Melody Countess	Brian Feilinger	Robert Feinstein
Sherylnn Matesky	Cathie Nash	Mansco Perry, III	Kenneth Reott	Janet Sirkis
Patrice Sowah	Barbara Swain			

Also in attendance: Len Foxwell and Melissa Moye.

The Board ended its closed session at 11:39 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION

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| Cheiron | 6. | Ms. Fiona Liston and Ms. Margaret Tempkin of Cheiron presented an overview of the System's Actuarial Valuation for the period ending June 30, 2008. |
| Medical Board and Supplemental Medical Board Reports | 7. | On a motion made by Mr. Brown, and seconded by Ms. Hill, the Board of Trustees accepted all 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. |
| Brian D. Clise | 8. | The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Brian D. Clise for <u>ACCIDENTAL DISABILITY</u> 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. Clise's attorney, Mr. Robert Silberman 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.

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- Kevin M. Welkner 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Kevin M. Welkner 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. Welkner, with his attorney Mr. Michael Davey, 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.

- Antonio G. Rosela, Jr. 10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Antonio G. Rosela for SPECIAL 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. Rosela's attorney, Mr. Michael Davey 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.

- Debora S Ray 11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Debora S. Ray 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. Ray presented her case via telephone 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.

**BOARD OF TRUSTEES FOR THE
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October 21, 2008

CLOSED SESSION

The Board met in a Closed Session (2:03 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of, and pursuant to:

1. to discuss the appeals of Kevin M. Welkner, Antonio G. Rosela, Jr., Debora S. Ray, and Brian D. Clise pursuant to State Government Section 10-503(a)(1)(iii), quasi-judicial function.

The Trustees present included:

Nancy K. Kopp	David S. Blitzstein	John W. Douglass	James Harkins
Sheila Hill	Morris L. Krome	Theresa Lochte	Harold Zirkin
R. Dean Kenderdine, Secretary			

Agency Staff members attending included:

Deborah Bacharach	Rachel Cohen	Kenneth Reott	Janet Sirkis	Patrice Sowah
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The Board ended its closed session at 2:35 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 September 16, 2008 meeting and reviewed and decided on the following disability appeals:

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| Kevin M. Welkner | 13. | The Board voted to <u>ACCEPT</u> the Administrative Law Judge's Proposed Decision and <u>DENY</u> Mr. Kevin M. Welkner's request for disability benefits. |
| Antonio G. Rosela, Jr. | 14. | The Board voted to <u>REJECT</u> the Administrative Law Judge's Proposed Decision and <u>GRANT</u> Ms. Antonio G. Rosela, Jr.'s request for special disability benefits. |
| Debora S. Ray | 15. | The Board voted to <u>ADOPT</u> the Administrative Law Judge's Proposed Decision and <u>DENY</u> Ms. Debora S. Ray's request for accidental disability benefits. |
| Brian D. Clise | 16. | The Board voted to <u>REJECT</u> the Administrative Law Judge's Proposed Decision and <u>GRANT</u> Mr. Brian D. Clise's request for accidental disability benefits. |
| Adjournment | 17. | There being no further business before the Board, the meeting adjourned at 2:35 p.m. |

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/pws