

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

June 21, 2011

The Board of Trustees for the Maryland State Retirement and Pension System met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland, beginning at 9:05 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	T. Eloise Foster	James Harkins	Sheila Hill
F. Patrick Hughes	Major Morris Krome	Robert Schaefer	Harold Zirkin
Thurman Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Anne Budowski	Robert Burd	Margaret Bury	Melody Countess	Brian Feilinger
Patricia Fitzhugh	Michael Golden	Ira Greenstein	Dennis Krysiak	A. Melissa Moye
Howard Pleines	Kenneth Reott	Janet Sirkis	Patrice Sowah	Toni Voglino

Assistant Attorneys General present included:

Kathy Brady          Rachel Cohen          John Kuchno

Also attended by: John Kenney, Phillip Anthony, Dylan Baker, Anne Gawthrop, Michael Rubenstein, Amber Teitt, and Randy Mickens.

- Minutes          1. On a motion made by Ms. Hill and duly seconded, the Board approved the minutes of the April 26, 2011 and May 17, 2011 open session meetings.
- Administrative          2. Mr. James Harkins, Chairman of the Administrative Committee, reported on  
Committee          the Committee's regular meeting held on June 7, 2011.  
Report

Mr. Harkins reported on the election schedule for the upcoming special election for a candidate to serve the remaining year of Mr. William D. Brown's term due to his retirement was presented to the Administrative Committee.

The schedule establishes the period of time in which interested qualified individuals may seek to be included in the election and the period in which the election itself would be conducted should more than one candidate qualify. The schedule runs from July 1, 2011 (obtain nomination forms) until March 9, 2012 (last date for voting). The election results will be announced at the March 20, 2012 Board meeting.

Mr. Harkins reported that the election scheduled includes an adjustment requested by Ms. Lochte regarding the mailing of election materials to eligible voters within the United States (candidate biographies, member personal identification numbers for internet and IVR (telephone) access) to take place on Monday, February 13, 2012, instead of Monday, February 6, 2012. The cost of this election is \$192,000.

On a motion made by Mr. Harkins and seconded by Major Krome the Board approved the Teachers' System Representative election schedule.

At Mr. Harkins request Mr. Kenderdine reported on the status of the completed and on-going FY11 Business Plan Initiatives and the FY12 Agency Business Plan as follows:

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*Business Continuity Plan – Virtual Office Capacity (Executive)*

In the development of the SRA Business Continuity Plan, it was determined that there does not exist, an adequate option for alternative space, should the Agency's current space be rendered uninhabitable for a multiple-month period of time. As reported previously by the executive director, it is his intent to develop a plan whereby the Agency can, in the event of a disaster, maintain complete functionality through a comprehensive "virtual office capacity".

In order to develop such a plan and have a complete business continuity plan, the Agency would hire a consultant to lead the staff in developing a plan for a virtual office capacity. This will involve the identification of necessary business operation reforms and related technology requirements in order to achieve this capacity.

*Audit The Implemented Maryland Pension Administration System (MPAS) Through Expanded System Testing Of Daily Work (Administration)*

At the conclusion of the Maryland Pension Administration System (MPAS) testing, based on staffs' high confidence level in the System, implementation occurred in August, 2010. Benefits Administration and Project Management Office (PMO) staff immediately began an expanded effort to audit and test work processed through MPAS with particular emphasis on those jobs producing calculated benefits, those generating pension benefit, death and refund payments; and those processing transactions updating/changing data base master records.

With an automated project of such magnitude, staff anticipated the need and planned for the expanded testing effort understanding that normal processing volume would identify additional minor logic errors requiring program modification. Errors identified by Benefits staff have been minor allowing the PMO staff to document the logic issues and to work with the vendor programmers to quickly modify, test and implement the needed changes to prevent future occurrences, allowing Benefits staff to process the work through the automated system and to generate accurate automated payments.

*Implementation Of Major Changes To The Pension Plan And State Retiree Health Benefit Subsidy Program House Bill 72 - Budget Reconciliation And Financing Act Of 2011 (Administration)*

House Bill 72 of the 2011 legislative session, enacted significant pension plan changes effective July 1, 2011. The changes necessitate a significant modification to the Maryland Pension Administration System (MPAS) program logic, screens utilized by staff to accommodate additional fields in each member record, calculate benefits and generate system reports and files. Effective July 1, 2011, the agency must be prepared to accept increased member contributions for participants in the Alternate Contributory Pension Selection and the Law Enforcement Officer System. A critical component of this first phase is effective communication with participating employers to ensure that the employer withholds the correct member contribution amount beginning the first pay period ending date in July, 2011. To complicate the contribution changes not all individuals working for a participating employer are affected. The Agency will generate individual employer notices to identify individuals whose rates will not increase.

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*Centralized File Management System (Investments)*

The division will develop and create a centralized filing system in the Investments Unit that will serve as a single location for storing investment manager files and contracts. This will be contingent on acquisition additional space.

*Initiate Disaster Recovery Site Testing (Information Systems)*

The Agency installed equipment at the Annapolis Data Center to serve as the Agency's Disaster Recovery (DR) site. This processing site took a significant step forward with the implementation of the Maryland Pension Administration System (MPAS) in August 2010. Data are replicated to the site on a timely basis, for MPAS and for other critical operations (e.g., Folder Inquiry, e-mail, etc.), and technology has been installed for remote access to the DR site resources. This initiative will plan for, and execute to completion, a procedure that will evolve into regular testing of the DR site at ADC. At a minimum, this will test fail-over procedures, remote access, the Agency public web site, and several operational application systems, to ensure that connectivity works, tested applications operate, and backed-up data are accessible and accurate when applications are used. The test will also ensure the proper restoration of Baltimore as the Agency's primary processing site, once the test is complete.

*External Peer Review (Internal Audit)*

An external peer review will be performed to determine if the Internal Audit Division is performing audits in conformance with Generally Accepted Government Auditing Standards (GAGAS). In addition, the Internal Audit Division will address and correct any issues noted as a result of this peer review.

*Develop A Follow Up Program Related To Audit Findings (Internal Audit)*

The project will entail the Internal Audit Division developing a tracking system of all audit findings and management corrective action plans. The tracking system will prompt the Internal Audit Division to perform either a follow up audit or a basic inquiry, depending on the risk level, of all audit findings

*SRA Staff Picture Directory (External Affairs)*

Working with Information Systems and Human Resources, External Affairs would establish an on-line staff directory on SRA Café, featuring photographs of agency staff members. The photo gallery would serve as a resource to aid in the identification of fellow staff members and familiarization of the SRA team.

*Daily Electronic News Clipping Service (External Affairs)*

External Affairs would prepare and distribute to senior staff and board members a collection of daily local and national news relevant to the system.

*Form Library (External Affairs)*

Working with Information Systems, External Affairs would compile an on-line collection of agency forms on SRA Café. The most up-to-date versions of forms used by members and retirees and forms used internally by staff would be instantly available on employees' desktop computers.



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- practice.
- ▶ Eliminate the cancellation of a meeting when one or more of the physicians cannot attend on a particular day.
  - ▶ Provide depth and continuity of the process as the senior members decide to end their service.
  - ▶ Provide additional resources as the number of and/or complexity of the claims increase requiring additional time to review each medical file.

On a motion made by Mr. Harkins and seconded by Mr. Schaefer, the Board approved (1) in accidental disability cases where the Medical Board is considering recommending approval to the Board of Trustees, that the Medical Board require an IME, and; (2) the Agency contract with the six aforementioned additional physicians (and one alternate) which will create two additional medical boards.

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Mr. Harkins reported that the Administrative Committee considered the appeal of Dr. Virginia Pilato, regarding her request to participate in the Teachers' Pension System instead of the Optional Retirement Plan. Dr. Pilato previously indicated that she would not be attending the Administrative Committee meeting or the Board meeting. She understood, and requested, that the administrative hearing proceed without her attendance.

Mr. Harkins reported that Dr. Pilato was enrolled in the ORP in 1984 when she entered employment at the University of Maryland, College Park. In 1991, she went to work for the Maryland State Department of Education where she enrolled in the Teachers' Pension System (TPS). In 2009, she went to work for the University of Maryland, University College (UMUC) where the employer mistakenly allowed her to remain in the TPS. The Agency discovered this error and advised the UMUC to cease remitting contributions on her behalf. Dr. Pilato was advised that she is eligible to receive vested benefits from her participation in the TPS for the period of March 2009 to September 2010 when the matter was corrected.

Mr. Harkins reported that Ms. Rachel Cohen, Assistant Attorney General, explained that the Agency had determined that Dr. Pilato was not eligible to participate in the ORP in her current faculty position with the University of Maryland because she previously made a one-time irrevocable election to participate in the Optional Retirement Program. Pursuant to State and federal law, the System cannot permit an employee who has made an election to participate in the ORP to later participate in the Teachers Pension System.

On a motion made by Mr. Harkins and seconded by Major Krome, the Board accepted the summary decision of the Executive Director denying Dr. Pilato's request to participate in the Teachers' Pension System instead of the Optional Retirement Program.

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Mr. Harkins reported that staff provided a status report on changes being made to MPAS to support the pension plan changes effective FY12. Both the Agency and the systems development vendor, HP State and Local

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Enterprise Services, assembled the best team available and the project is now progressing at near-full strength. The emergency time-and-materials contract with HP was signed in early April and is capped at \$4.5M, but it is hoped that the final cost will approximate \$3.6M (all encumbered in FY11); as of the end of May, the project is less than 6 percent spent. The plan changes were divided into three phases, corresponding to when the changes would be needed in MPAS. After rapidly capturing the scope of changes and the technical specifications to make them happen, program code changes for the first phase are starting to be delivered to the Agency for acceptance testing. At this early date, the Agency has no reason to doubt that work will be completed on schedule, and it has every reason to anticipate that the project budget will be sufficient. Progress is being tightly managed and closely tracked.

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Mr. Harkins reported that the Administrative Committee received a Communications update.

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Mr. Harkins reported that the Administrative Committee accepted the Administrative Expenses and Management Fees as of the quarter ending March 31<sup>st</sup>, 2011, as well as the MBE performance report for the quarter ending March 31<sup>st</sup>, 2010 that reflected an MBE percentage of 18.79%.

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Mr. Harkins reported the performance of the Member Services Unit. The Agency exceeded its goals on the call abandonment rate and the average call wait time for April. The abandonment percentage for April was 5.79% and the average speed of answer was 2:01. Two of the senior specialists who were assigned to assist the Benefits Processing Unit with estimates returned to the Unit in April. There are two new Retirement Benefits Specialists in training. Currently, there is one vacancy awaiting a freeze exemption approval from the Department of Budget & Management. The monthly member survey indicated that 95.2% of the membership that responded were satisfied with the services provided.

- Board Officers
3. On a motion made by Mr. Hughes and seconded by Ms. Hill, the Board elected:
- Nancy K. Kopp as Chairman
  - Peter Franchot as Vice-Chairman
  - R. Dean Kenderdine as Secretary

- Audit Committee
4. Mr. F. Patrick Hughes, Chairman of the Audit Committee, reported on the regular meeting held on June 17, 2011.

Mr. Hughes reported that the Audit Committee met in closed session to discuss one item, then tabled the remaining open session items and rescheduled the meeting due to not having a quorum.

- 2011 Attendance and Training Report
5. Mr. Kenderdine presented the required six-month Attendance Report and Training Report for January 1 through June 20, 2011 for review. The Attendance Report will be updated to reflect June attendance and then filed with the Governor's Appointments Office and the Department of Legislative Services by June 30, 2011 as required.

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Earning Limitations  
Recovery Report

6. On a motion made by Mr. Brown and seconded by Mr. Hughes, the Board approved the Earnings Limitation Recovery Report and authorized the Agency to reduce the FY12 benefits of the affected retirees.

Disability Offset  
Report

7. On a motion made by Mr. Schaefer and seconded by Mr. Brown, the Board approved the Disability Offset Report and authorized the Agency to reduce the FY12 benefits of the affected retirees.

Executive  
Director's  
Report

8. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine reported that staff and the Board are looking forward to the upcoming retirement party for Howard Pleines' scheduled for Thursday, July 21<sup>st</sup>. Anne Gawthrop will start on July 6<sup>th</sup> as Mr. Pleines successor.

In honor of Mr. Pleines' 40 years of service to the citizens of Maryland, and on the behalf of the entire Board, Treasurer Kopp and Comptroller Franchot presented to Mr. Pleines with a Board of Trustees' Resolution.

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Mr. Kenderdine reported that Board of Public Works approved the appointment of Mr. Wayne Shaner as a Public Advisor to the Investment Committee and the MPAS reform contract.

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Mr. Kenderdine reported that the Sustainability Commission is scheduled to meet on July 7<sup>th</sup>.

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Mr. Kenderdine acknowledged Mr. David Blitzstein and his Presidential appointment as a member of the Advisory Committee of the Pension Benefit Guaranty Corporation (PBGC) for a term that expires in 2014.

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Mr. Kenderdine reported that the Agency is working with the Maryland Charity Campaign (MCC) on their annual retiree campaign. As in past years MCC's request includes:

- › A mailing to retirees who have retired within the last year to include a letter, an agency directory and pledge form. United Way will work directly with an outside vendor to mail the campaign packets;
- › An article in both the retiree newsletter and website with a link directly to the Maryland Charity Campaign website.

CIO Report

9. Dr. A. Melissa Moyer and Mr. Robert Burd reported on the portfolio's performance.

Dr. Moyer reported results as of May 31, 2011. Market Value: \$37.9 billion; calendar YTD return: 6.03% vs. 5.54% benchmark return (49 basis points better than benchmark); fiscal YTD return: 21.22% vs. 21.33% benchmark return (trailing benchmark by 11 basis points).

Dr. Moyer reported:

- › The foreign currency hedging program has detracted from performance.
- › \$300 million was transitioned from Public Equity to two existing Absolute Return managers.
- › The Hedge Fund consultant search will be put on hold until a permanent CIO is in place.

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- Medical Board 10. On a motion made by Mr. Hughes and duly seconded, the Board of Trustees  
And accepted all the reports of the Medical Board in connection with applications  
Supplemental of members for ordinary, accidental and special disability retirement  
Medical Board allowances. The Medical Board's conclusions were reached after its review  
Reports of the documentation in the file.

**CLOSED SESSION**

The Board met in a Closed Session (10:55 a.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street:

1. to approve the closed session minutes, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function, and;
2. to discuss data protection, pursuant to State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
3. to discuss an open procurement, pursuant to State Government Article §10-508(a)(14), discuss a matter directly related to the contents of a bid;
4. to discuss securities litigation, pursuant to State Government Article §10-508(a)(7)&(8), receiving advice of counsel, and receiving advice from staff related to pending litigation.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	T. Eloise Foster	James Harkins	Sheila Hill
F. Patrick Hughes	Major Morris Krome	Robert Schaefer	Harold Zirkin
Thurman Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Anne Budowski	Margaret Bury	Melody Countess	Brian Feilinger	Michael Golden
Ira Greenstein	Dennis Krysiak	A. Melissa Moyer	Howard Pleines	Kenneth Reott
Janet Sirkis	Patrice Sowah	Toni Voglino		

Assistant Attorneys General present included:

Kathy Brady Rachel Cohen

Also attended by: John Kenney

The Board ended its closed session and returned to regular session to complete the agenda.

**REGULAR SESSION**

The Board reported that during the closed session the Board approved the closed session minutes.

**REGULAR SESSION – APPEALS AND HEARINGS**

- Liz S. Vincent 11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Liz S. Vincent 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. Liz S. Vincent 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 Closed Session.



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- Kenya McGuire 12. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Kenya McGuire 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. Kenya McGuire 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 Closed Session.

- Melvin Winn 13. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Melvin Winn 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. Melvin Winn and his attorney, Mr. Karl H. Goodman, 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 Closed Session.

- Mary T. Payne 14. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Mary T. Payne 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. Mary T. Payne and her attorney, Mr. Michael J. McAuliffe, 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 Closed Session.

**CLOSED SESSION – APPEALS AND HEARINGS**

The Board met in a Closed Session (12:45 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to discuss the disability appeals pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

T. Eloise Foster	David Blitzstein	William Brown	John Douglass
James Harkins	Sheila Hill	F. Patrick Hughes	Major Morris Krome
Harold Zirkin			

Agency Staff members attending included:

Margaret Bury	Patrice Sowah	Janet Sirkis
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Assistant Attorneys General attending: John Kuchno.

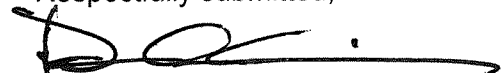
The Board ended its closed session and returned to regular session to complete the agenda.

**REGULAR SESSION**

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

- Liz S. Vincent 15. The Board voted to **ACCEPT** the Administrative Law Judge's Proposed Decision and **DENY** Liz S. Vincent's request for accidental disability benefits.
- Kenya McGuire 16. The Board voted to **REMAND** the case to the Medical Board for further fact finding.
- Melvin Winn 17. The Board voted to **REJECT** the Administrative Law Judge's Proposed Decision and **GRANT** Melvin Winn's request for accidental disability benefits.
- Mary T. Payne 18. The Board voted to **ACCEPT** the Administrative Law Judge's Proposed Decision and **DENY** Mary T. Payne's request for accidental disability benefits.
- Adjournment 19. There being no further business before the Board, the meeting adjourned.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/pws