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

MINUTES OF MEETING

February 15, 2000

The Board of Trustees for the State Retirement and Pension System of Maryland met in the Louis L Goldstein Treasury Building, Annapolis, at 9 30 a.m There were present Richard N Dixon, Chairman, G Bruce Harrison, Morris L Krome, Carl D Lancaster, Arthur N Caple, Jr, Dr Nancy S Grasmick, David B Mitchell, Ali A Alemi, William D Brown, and Frank P Casula, Trustees, and Peter Vaughn, Secretary Agency staff members also attending were Margaret A Bury, Retirement Administrator, Harriet B Granet, Jill Leiner, Robert Feinstein, Blaine Hoffmann and Carla Katzenberg, Assistant Attorneys General, J Howard Pleines, Director of Legislation, Rick Harrison, Chief Financial Officer, Carol Boykin, Chief Investment Officer, Sherlynn Matesky, Administrator, Patricia Scott, Administrative Officer, and Christopher Strott, Acting Chief Internal Auditor

Ben Wolman, attorney for Paul Wilson, and Paul Wilson also attended

Minutes

1 On motion made by Mr Casula and seconded by Dr Grasmick, the Minutes of the regular meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on December 21, 1999, were approved

Paul Wilson

2 The Board considered the report of Judith Jacobson, sitting as Administrative Law Judge for the Office of Administrative Hearings, in connection with the appeal of Paul Wilson Mr Wilson appealed the Medical Board's denial of accidental disability benefits The Medical Board reasoned that they did not believe that his disability was the natural and proximate result of an accident that occurred in the actual performance of duty

The Administrative Law Judge, upon consideration of the record, and following a hearing, affirmed the Agency's decision and concluded that Mr Wilson's disability was not the "natural and proximate result" of an accident that allegedly occurred on January 30, 1996 Therefore, his application for accidental disability benefits should be denied

Mr Benjamin Wolman, attorney for Mr Wilson, presented his arguments

Mr Benjamin Wolman, attorney for Mr Wilson, presented his arguments opposing the Agency's position and the Administrative Law Judge's recommendations Ms Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations The Board deferred further consideration to executive session

Paula M. Dike 3 The Board considered the report of the Medical Board in connection with the claim of Paula M Dike for ordinary disability benefits The Medical Board report included a report by an Administrative Law Judge and related medical documentation Ms Dike appealed the Medical Board's decision that the medical evidence submitted did not prove that she is permanently incapacitated or unable to perform her job duties

Ms Dike did not appear but asked that her case be considered by the Board on the record Ms Jill Leiner, attorney for the Agency, addressed the Board and argued that the Board should accept the Medical Board's report The Board deferred further consideration to executive session

Barbara Baker 4 Neither Ms Baker nor her attorney appeared at the meeting On motion made by Colonel Mitchell and duly seconded, the Board voted unanimously to defer Ms Baker's case to a future meeting

On motion made and duly seconded, the Board unanimously voted to meet in Executive Session to consider the appeals of Paul Wilson and Paula Dike State Government Article Section 10-502(1) authorizes the Board to meet in closed session to exercise a quasi-judicial function. State Government Article Section 10-508(a)(8) authorizes the Board to meet in closed session to consult with staff, consultants, or other individuals about pending or potential litigation

EXECUTIVE SESSION

The Board met in Executive Session at 10 00 a m in the Louis L Goldstein Treasury Building to consider the appeals of Paul Wilson and Paula Dike All of the persons present at the beginning of the meeting were present in Executive Session except the following Carla Katzenberg Jill Leiner, Paul Wilson and Benjamin Wolman The Board adjourned its Executive Session at 10 30 a m and returned to regular session to complete the agenda

REGULAR SESSION

Paul Wilson

On motion made by Mr Harrison and seconded by Colonel Mitchell, the Board voted to reject the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and grant Mr Wilson's request for accidental disability retirement benefits Messrs Harrison, Lancaster, Caple, Brown and Casula and Drs Grasmuck and Alemi, Major Krome and Colonel Mitchell registered yea votes Mr Dixon registered a nay vote

Paula Dike

On motion made by Mr Casula and seconded by Mr Harrison, the Board voted unanimously to accept the Medical Board's Report and denied Ms Dike's request for ordinary disability retirement benefits

Executive Director's Report

5 Mr Vaughn informed the Board that the 1099s were mailed to retirees on January 28th He also stated that the January checks were run without any Y2K problems and that the backup checks would be shredded

Mr Vaughn then reported on the financial status of the System and informed the Board that the asset value of the fund was $32 8 billion as of December 31st, and that the fiscal year to date return was 10 54%

Mr Vaughn next stated that the Compliance Audit by the Legislative Auditor had contained no findings to report Mr Dixon applauded the Agency for their good work

Mr Vaughn also reported that a Cost of Living Allowance adjustment of 2 1913% for those retirees who have been retired for one year would be included in the July 2000 checks

Mr Vaughn reported on the upcoming budget hearings He said that the Legislative Analyst had recommended eliminating three positions, along with cuts of $75,000 for travel, $50 000 for overtime, and $100,000 for contract employees

Mr Vaughn informed the Board that Gene Kalwarski of Milliman & Robertson would attend the March Board meeting to deliver an interim report on the System funding study and seek Board input on policy issues

Mr Vaughn next discussed Senate Bill 583 which seeks to fund the State's unfunded retiree medical liability The Agency's concern is is that the bill may be at odds with the IRS code Mr Dixon proposed that he write a letter on behalf of the Board stating that the Board does not support this bill as written On motion made by Mr Brown and seconded by Dr Grasmuck, the Board voted unanimously that Chairman Dixon write a letter on the Board's behalf stating that the Board does not support Senate Bill 583 as written

Mr Vaughn informed the Board that their annual financial disclosure statements were required by the State Ethics Commission and that these statements were due on May 1, 2000

The Board reviewed and accepted the System's financial statements and investment performance comparisons for the period ending December 31, 1999 for the State Retirement and Pension System of Maryland

The Board accepted Mr Vaughn's report

Investment Committee Report 6

Mr Arthur N Caple, Jr , Chairman of the Investment Committee, reported on the Committee's meeting held on February 11, 2000

Mr Caple reported on performance through December 1999 and stated that the performance reports had been reviewed and accepted by the Committee Mr Caple reported that the overall return was 17 8% for the one-year period ending in December

On motion made by Mr Caple and duly seconded, the Board voted unanimously to approve the Real Estate Registry dated January 31, 2000 with four additions to the "Tracking" category and three deletions

Mr Dixon registered his concern about and the Nazi connection previously discussed by the Board, but stated that he had agreed to support the PIMCO change of ownership On motion made by Mr Caple and seconded by Mr Lancaster, the Board voted unanimously to accept the ownership change and to continue to closely monitor PIMCO and the Nazi issue

Mr Caple then discussed the vacant seat on the Maryland Venture Capital Board and nominated Carol Boykin, Chief Investment Officer for the Systems, to fill this vacancy On motion made by Mr Caple and seconded by Mr Harrison, the Board voted unanimously to have Carol Boykin fill the vacant seat on the Maryland Venture Capital Board

Mr Caple advised the Board that the Committee would be discussing asset allocation and manager performance at the March meeting

The Board accepted Mr Caple's report

Executive Committee Report 7

Mr William D Brown, Chairman of the Executive Committee, reported on the Committee's meeting held on January 4, 2000 (Exhibit A)

Mr Brown briefed the Board on the presentation by Mr Robert Dezube of Milliman & Robertson on Annuity and Option Factors Mr Brown advised

that additional information would be presented at a future Executive Committee meeting and that the Committee will continue to keep the Board informed

Mr Brown then advised the Board that the Committee recommends that the Board support the legislative proposal submitted by Kent County Board of Education to modify State pension law related to the participation of Kent County to 1) require mandatory employee participation, 2) provide additional service credits at the rate of 1 month for every 24 months of membership in the County plan, 3) enroll part-time employees prospective only from July 2000, and 4) restrict vested members who terminated employment prior to July 1, 2000 from receiving/purchasing service credits with the ECPS for service prior to July 1, 2000 On motion made by Mr Brown and seconded by Dr Grasmick, the Board voted unanimously to support the legislative proposal submitted by Kent County as stated

Mr Brown then reviewed House Bill 176, which proposes amending Military Credit Provisions to permit double dipping Following a discussion, on motion made by Dr Alemu and seconded by Mr Casula, the Board voted unanimously to officially support House Bill 176

Mr Brown then reported on the smooth transition of the computer system into the year 2000 He advised that the Committee, at Dr Alemu's suggestion, recommends that the Board recognize the effort of certain Agency staff by thanking them individually by letter

The Board accepted Mr Brown's report

Audit Committee Report

10 Mr Brown, Chairman of the Audit Committee, reported on the meeting held December 21, 1999

Mr Brown informed that Board that the Internal Audit Division currently has three vacant positions that they are working to fill, and that they are interviewing for the position of Chief Internal Auditor

Mr Brown then briefly reported on Internal Audit Division activity and advised the Board that the next Audit Committee meeting would be held on February 15, 2000

The Board accepted Mr Brown's report

2000 Proposed Legislation

13 Mr Howard Pleines reported on proposed legislation for the year 2000 session of the General Assembly (Exhibit B)

On motion made by Mr Lancaster and duly seconded, the Board voted unanimously to officially oppose Senate Bill 584 which proposes adding two members, who would come from the Correctional Officer's Retirement System, to the Maryland State Retirement and Pension System Board of Trustees

The Board next discussed House Bill 604 which proposes providing enhanced benefits to the Law Enforcement Officer's Pension System (LEOPS), and House Bill 605 which proposes extending membership in the LEOPS to additional State law enforcement personnel On motion made by Mr Caple and duly seconded, the Board voted unanimously to ask Comptroller Schaefer to contact the Internal Revenue Service to obtain the status of the IRS ruling on the State Police DROP plan

The Board then discussed House Bill 847 that would permit a disability retiree who is employed after retirement and whose benefit is suspended by the Board to have the benefit reinstated if the disability recurs and the retiree is no longer employed On motion made by Mr Lancaster and seconded by Dr Grasmick, the Board voted unanimously to officially oppose House Bill 847

On motion made by Dr Grasmick and seconded by Mr Lancaster, the Board voted unanimously to officially oppose House Bill 968 which would permit members of the Teacher's Systems to purchase additional service credits for service as a coach

The Board accepted Mr Pleines' report

Medical Board Reports	10	The Board, on motion made by Mr Casula and seconded by Mr Brown, accepted and approved the reports of the Medical Board in connection with applications of members for ordinary, accidental and special retirement allowances The Medical Board's conclusions were reached after its review of the evidence provided by the claimants
Supplemental Medical Board Reports	11	The Board, on motion made by Mr Casula and seconded by Dr Grasmick, unanimously accepted and approved the supplemental reports of the Medical Board in connection with applications of members for ordinary and accidental and special retirement allowances The Medical Board's conclusions were reached after its review of the evidence provided by the claimants The Supplemental Report of the Medical Board is shown as Exhibit C
Other Business	12	

There being no further business before the Board, the meeting adjourned at 11 55 a m

Respectfully submitted,

Peter Vaughn, Secretary

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