

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

MINUTES OF MEETING

April 17, 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 9:12 a.m. There were present: Nancy K. Kopp, Chairman; William D. Brown; John W. Douglass; T. Eloise Foster; David B. Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Carl D. Lancaster; Morris L. Krome; and, Patrick O'Shea (by telephone), Trustees; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Laura Burns; Margaret Bury; Rachel Cohen; Melody Countess; Ed Cummins; Robert Feinstein; John Greenberg; Carla Katzenberg; Calvin Kiser; Jill Leiner; Howard Pleines; Harvey Raitzyk; Brian Rowe; Janet Sirkis; and, Barbara Swain.

Also attending were John Kenney; Robert Palumbi; and Larry Jennings, Jr. of TouchStone Partners.

Appeal cases present were George W. Douglass, James Thomas, Jr. and Deneen Green, represented by Michael E. Davey; Juanita Hoffman; and, Sean K. Gray.

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| Minutes | 1. On motion made by Major Krome, and seconded by Mr. Lancaster, the Board approved the Minutes of the March 20, 2007 regular meeting. |
| Investment
Committee
Recommendations and
Information Items | 2. Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held on April 13, 2007.

Mr. Lancaster stated that Ms. Willard and Mr. Feinstein presented staff's report on recoveries from securities class action litigation. In calendar 2006, the System received payment totaling \$6.5 million. Mr. Feinstein noted that the System's Securities Litigation Policy is being reviewed and noted that a recommendation for changes would be presented at a future Investment Committee meeting.

Mr. Lancaster stated that Mr. Greenberg presented information on public pension funds with less than 21% allocation to bonds. He noted that some funds which have a less than 21% allocation are using newer or alternative asset classes in place of fixed income, rather than redeploying their bond allocation to U. S. equities.

Mr. Lancaster indicated that the Committee received a biography of Ms. Tracey Nykiel who is replacing Lan Qian on Ennis Knupp's team that serves the System.

Mr. Lancaster indicated that the Investment Committee discussed SB999 and reviewed potential revisions to the Committee's Charter and Service Provider Selection Policy reflecting changes in operations and policy that will result from enactment of SB999. |

Mr. Lancaster announced that there is to be a special meeting of the Investment Committee on May 11, 2007 to hear and consider recommendations for the base salary and incentive pay package that the Board will approve and offer in the coming recruitment of the System's Chief Investment Officer. He indicated that this meeting may be a teleconference.

On motion made by Mr. Lancaster, and seconded by Major Krome, the Board approved retaining Ennis Knupp to provide advice regarding matters relating to establishing the Chief Investment Officer's compensation, as well as assistance with regard to the CIO search and implementing SB999.

Mr. Lancaster stated that Ms. Willard had presented a timetable and policy for implementing the State's newly-enacted Sudan divestment law (SB543/HB1336).

Administrative
Committee
Recommendations and
Information Items

3. Major Morris Krome, Vice-Chairman of the Administrative Committee, reported on the meeting held on April 10, 2007.

Major Krome advised the Trustees that the surviving spouse of a retired deceased member, Ms. Elizabeth Carven, sought to have her late husband, Frank Carven, enrolled in the Judges' Retirement System. Mr. Carven retired from the State with an effective retirement date of January 1, 1996 as an unclassified employee (special 16-year retirement benefit). The Agency had advised Mr. Carven in May 2004 that pension law did not permit a retiree to enroll in any State system when reemployed by the State. Furthermore, pension law did not exempt the Judges' Retirement System from this restriction. Mr. Carven was also advised at that time of his right to request an administrative hearing and was notified of the time limit for submitting a petition for a hearing – 180 days. He elected not to submit a petition for hearing, seeking instead a legislative remedy which was not successful.

Major Krome indicated that the case would be discussed and resolved in closed session.

Major Krome stated that Ms. Nedenia Tucker requested that she be granted service credit for unused sick leave even though she filed to retire from the Teachers' Retirement System more than 30 days after ending employment with Montgomery College. Pension law states that a retiring member receives credits for unused sick leave "if the member retires on or before 30 days after the member is separated from employment." This "new" law codified a long standing administrative practice that was based on State Personnel Law under which a State employee forfeits all sick leave at termination of employment, unless retiring.

On motion made by Major Krome, and seconded by Mr. Hamilton, the Board of Trustees approved the Executive Director's decision to issue a summary decision and to deny Ms. Tucker's request to be granted service credit for her unused sick leave.

At Major Krome's request, Mr. Howard Pleines presented the final report on 2007 legislation. He noted the following Board requested legislation passed by the General Assembly:

SB304/HB1406 – State Retirement and Pension System – Military Service that Interrupts State Service – Calculation

SB412 – State Retirement and Pension System – Compliance with the Federal Pension Protection Act of 2006

SB515- State Retirement and Pension System – Administration - Simplification

SB583 – Alternate Contributory Pension Selection – Clarifications

SB999 – State Retirement and Pension System – Investment Oversight

Mr. Pleines noted that SB999 requires the Board to submit its criteria for awarding financial incentives for the Chief Investment Officer to the General Assembly for comments. The General Assembly has 45 days to respond.

Mr. Pleines noted other pension legislation passed by the General Assembly in 2007 as follows:

HB152/SB320 – Law Enforcement Officers' Pension System Membership – Martin State Airport Law Enforcement Officers

HB311/SB243 – Employees' Pension System – Transfer of Service Credit

HB432 – Law Enforcement Officers' Pension System – Department of Public Safety and Correctional Services Internal Investigative Unit Investigators

HB962/SB668 – Teachers' Retirement System and Teachers' Pension – Reemployment of Retirees

HB990/SB961 – Frederick County – Employees' Pension System – Alternate Contributory Pension Selection

HB1013/SB744 – Governor's Pension Plan – Surviving Spouse Benefits

HB1139- Montgomery County – Director for the Department of Social Services – Pension and Retirement Health Benefits MC711-07

HB1247/SB780 – Postretirement Health Benefits Trust Fund – Clarification

HB1249 – Correctional Officers' Retirement System – Division of Pretrial Detention and Services and Patuxent Institution – Reemployment of Retirees

HB1336 (Chapter 40)/SB543 (Chapter 39) – 2007 Darfur Protection Act – Divestiture from the Republic of Sudan [signed into law on April 10, 2007]

Mr. Pleines concluded his remarks by noting that he and Mr. Kenderdine hoped to meet with both Delegate Griffith (the Chair of the Joint Committee on Pensions (JCP) during the 2007 Interim) and Senator Kramer to discuss the just concluded session as well as the three known issues to be presented to the JCP as legislative proposals in 2008: amending the State Police special survivor benefit; eliminating the requirement that direct real estate transactions go before the Board of Public Works; and, removing the fee cap on alternative investments.

Major Krome indicated that since legislation was not enacted related to the State Police special survivor benefit, legal staff is preparing "stop-gap" regulations to be utilized until a legislative solution can be reached.

Major Krome noted that the request from the widow of Dr. Tsung Chin to alter his retirement option had been resolved. The Agency determined that Dr. Chin was not competent to retire and, therefore, was an active member on an approved leave of absence at the time of death. Mrs. Chin is electing to receive a monthly allowance under the active death benefit available to spouses.

Mr. Dean Kenderdine stated that the Charter for the Board's Governance Policies requires an in-depth review every three years. As part of the review process the Agency will obtain a consultant to assist in the review process as the pension plan consulting firm Cortex had done in developing those initial policies. The review is to be completed by August.

Mr. Ed Cummins noted that the MPAS project remains on schedule and within budget. At the suggestion of Major Krome, he indicated that the Trustees would be invited in the near future to come to the Agency for a demonstration of the work Saber has completed to date.

Executive Director's Report

4. Mr. Kenderdine notified the Trustees that the Agency had received the petitions from candidates seeking election to the Board of Trustees for the elected position now held by Mr. Douglass. For the teacher retiree position, only one retiree had submitted the required signatures to succeed Mr. Lancaster. Ms. Theresa Lochte will be joining the Board in August. He also noted that two individuals had submitted signatures for the employee retiree position; however, only Mr. Douglass had the necessary number of signatures and, therefore, is to retain his seat on the Board.

On motion made by Mr. Brown, and seconded by Mr. Hughes, the Board confirmed the re-election of Mr. John Douglass and the election of Ms. Theresa Lochte to the Board of Trustees beginning August 1, 2007.

Mr. Kenderdine advised the Board that the MPAS project was losing two employees. Mr. Ed Cummins, Project Manager, resigned his position with Information Technology Solutions, Inc. to accept a position with MITRE, a non-profit federally funded consulting firm, to manage a major project for the National Security Agency. Mr. Kenderdine noted that under the CATS contract, he is meeting with the head of Information Technology Solutions on Friday to begin the process of obtaining another qualified project manager from that company. Mr. Larry Martin, Deputy Project Manager, is also leaving to return to work for Towson University. However, the Agency is contracting with Towson to keep Mr. Martin working for up to six months on MPAS until his replacement is named.

Mr. Kenderdine reported that the Agency is hiring Mr. Dennis Krysiak as its new Budget and Procurement Officer. Mr. Krysiak begins his new position in May.

Mr. Kenderdine concluded his remarks noting that the annual educational seminar is scheduled for May 15 at the Mount Washington Conference Center. The agenda is being finalized now, and the complete agenda will be issued to the Trustees shortly.

Medical Board
Reports

5. On motion made by Mr. Hughes and seconded by Ms. Hill, the Board 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 evidence provided by the claimants.

Supplemental
Medical Board Reports

6. On motion made by Mr. Hughes and seconded by Ms. Hill, 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. (Exhibit A)

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss the appeal to enroll Frank Carven in the Judges' Retirement System, pursuant to State Government Article 10-503(a)(1)(iii), which authorizes the Board to meet in closed session to exercise a quasi-judicial function.

EXECUTIVE SESSION

The Board met in Executive Session at 10:01 am. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to deliberate the Carven appeal, and to consult with counsel. There were present: Nancy K. Kopp, Chairman; William D. Brown; John W. Douglass; T. Eloise Foster; David B. Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Carl D. Lancaster; Morris L. Krome; and, Patrick O'Shea, Trustees; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Margaret Bury; Rachel Cohen; Robert Feinstein; Howard Pleines; Janet Sirkis; and, Barbara Swain.

The Board ended its closed session at 10:40 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION

On motion made by Major Krome, as amended by Mr. Lancaster, and duly seconded, the Board of Trustees approved the Executive Director's decision to issue a summary decision to deny Ms. Carven's request to enroll Mr. Carven in the Judges' Retirement System, and to send a letter to the Joint Committee on Pensions and the leadership of the House and Senate apprising them of the difficulties within reemployment laws for individuals who move between systems and are not permitted to earn additional benefits in that second State system.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss investment issues, pursuant to State Government Article 10-508(a)(5), which authorizes the Board to meet in closed session to consider the investment of public funds; and, to discuss a personnel matter, pursuant to State Government Article 10-508(a)(1), which authorizes the Board to meet in closed session to consider the appointment of an individual.

EXECUTIVE SESSION

The Board met in Executive Session at 10:41 am. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to discuss investment issues and a personnel matter. There were present: Nancy K. Kopp, Chairman; William D. Brown; John W. Douglass; T. Eloise Foster; David B. Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Carl D. Lancaster; Morris L. Krome; and, Patrick O'Shea, Trustees; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Margaret Bury; Rachel Cohen; Robert Feinstein; Howard Pleines; Janet Sirkis; and, Barbara Swain.

The Board ended its closed session at 10:47 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION

On motion made and duly seconded, the Board voted to ratify actions taken in Executive Session.

Deneen Green

7. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Deneen Green for special 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. Green and her attorney, Michael Davey, 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.

George Douglass

8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. George Douglass for special 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. Douglass and his attorney, Michael Davey, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Laura Burns, 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.

Sean Gray

9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Sean Gray for special 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. Gray 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.

James Thomas, Jr.

10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. James Thomas, Jr. for special 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. Thomas and his attorney, 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 Executive Session.

Juanita Hoffman

11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Juanita Hoffman 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. Hoffman 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.

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 12:31 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; T. Eloise Foster; James Harkins; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Patrick A. O'Shea, Trustees; and R. Dean Kenderdine, Secretary.

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

The Board ended its closed session at 12:46 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

On motion made and duly seconded, the Board voted to ratify actions taken in Executive Session.

- Minutes On motion made by Ms. Hill, and duly seconded, the Board approved the Minutes of the March 20, 2007 closed session meeting.
- Deneen Green The Board considered the appeal of Deneen Green. Following a discussion, on a motion made by Mr. Hughes, and seconded by Ms. Hill, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Green's request for special disability benefits. Mr. Douglass opposed the motion.
- George Douglass The Board considered the appeal of George Douglass. Following a discussion, on a motion made by Major Krome and seconded by Mr. Harkins, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Mr. Douglass' request for special disability benefits.
- Sean Gray The Board considered the appeal of Sean Gray. Following a discussion, on a motion made by Ms. Hill, and seconded by Mr. Hughes, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Mr. Gray's request for special disability benefits. Mr. Lancaster abstained.
- James Thomas, Jr. The Board considered the appeal of James Thomas, Jr. Following a discussion, on a motion made by Mr. Hughes, and seconded by Major Krome, the Board voted to accept the portion of the Administrative Law Judge's Proposed Decision based solely on the issue of willful negligence and deny Mr. Thomas' request for special disability benefits. Mr. O'Shea abstained.

Juanita Hoffman

The Board considered the appeal of Juanita Hoffman. Following a discussion, on a motion made by Mr. Hughes, and seconded by Mr. Harkins, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Hoffman's request for accidental disability benefits. Ms. Hill, Mr. Douglass and Mr. O'Shea abstained.

There being no further business before the Board, the meeting adjourned at 12:50 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/js