

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

**MINUTES OF MEETING**

November 20, 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 9:07 a.m. There were present: Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; William D. Brown; John W. Douglass; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Theresa Lochte; Robert W. Schaefer, and Harold Zirkin, Trustees; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Margaret Bury; Rachel Cohen; Jaime Doran; Brian Feilinger; Robert Feinstein; Lauren Frazier; Charles Geis; Ira Greenstein; Carla Katzenberg; Jill Leiner; Vincent Marsiglia; Howard Pleines; Harvey Raitzyk; Brian Rowe; Fred Semko; Janet Sirkis; Barbara Swain; and, Toni Voglino.

Also attending were Bill Anderson; John Kenney; Amy Maloney; Melissa Moye; and, Robert Palumbi.

Present only during the disability appeals portion of the agenda were Vernon C. Collins and Walter Reiter III, Esquire; Tamieka L. Lockley and Victor D. Sobotka, Esquire; and, Paul J. Shires.

Minutes 1. On motion made by Mr. Brown, and seconded by Ms. Hill, the Board approved the Minutes of the October 16, 2007 regular meeting.

Investment Committee Recommendations 2. Mr. Robert Schaefer, Chairman of the Investment Committee, reported on the meeting held on November 9, 2007.

Mr. Schaefer stated that the Committee unanimously approved the October 12, 2007 open meeting minutes.

Mr. Schaefer advised that staff presented a revised Investment Policy Manual (IPM) to the Committee for its review. He indicated that Mr. Feinstein noted that revisions to the IPM were necessary due to changes in state law relating to the Chief Investment Officer's duties and obligations; policies adopted by the Board in the last year that have been incorporated; and, the need for consistency in terminology. The Committee will consider this revised IPM for approval at the December 2007 Investment Committee meeting.

Mr. Schaefer stated that staff presented several proposed guideline amendment requests made by PIMCO and Western Asset Management to their existing Investment Manager Agreements with the System. Specifically, PIMCO requested amendments to the Real Return and Core Plus Fixed Income portfolios and Western Asset Management

requested amendments to the Core Plus Fixed Income portfolio that they manage for the System. Mr. Schaefer indicated that following a discussion, the Committee deferred a decision on this request to the December 2007 Investment Committee meeting.

Mr. Schaefer noted that the Committee received the Ad Hoc Subcommittee on Investment Committee Operations' report. This Subcommittee's purpose was to study Investment Committee operations and to recommend a structure and schedule of committee meetings that would promote more efficient and effective operations between and among Investment Division staff, the Investment Committee and the Board of Trustees. Mr. Schaefer indicated the Committee agreed to the following:

1. Upon the appointment of a Chief Investment Officer, the Investment Committee will adopt a six meeting per year schedule, with meetings to be held on the second Friday of February, May, August, September, October and November, 2008.
2. The Investment Committee members will reserve the second Friday of each month for potential meetings during calendar year 2008 so that an unanticipated need for a meeting can be accommodated.
3. Starting in January, 2008, the Investment Committee's meetings will commence at 9:00 a.m.

Mr. Schaefer stated that staff updated the Committee on the status of the search for a global custodian. The evaluation process is expected to be completed in December.

Mr. Schaefer stated that Mr. John Greenberg reviewed the third quarter TUCS returns for the System with the Committee. He noted that with 1 being the highest percentile and 100 being the lowest percentile, the System was in the 48<sup>th</sup> percentile for the most recent quarter; in the 46<sup>th</sup> percentile for twelve months ending September 30, 2007; in the 48<sup>th</sup> percentile for two years trailing; in the 57<sup>th</sup> percentile for three years trailing; and, in the 59<sup>th</sup> percentile for four years trailing.

Mr. Schaefer indicated that Mr. Greenberg presented staff's report comparing the System's performance to its peer funds. The information illustrated the importance of asset allocation and showed that while the System's U.S. equity program's one year performance has improved somewhat compared to peers, the program has lagged peers significantly over three and five years. He also noted that our peers have been in private equity for a much longer period of time than Maryland and have realized excellent returns from those investments.

Mr. Schaefer indicated that in accordance with Committee and Board of Trustees' action taken at their August 2007 meetings, the Committee revisited the issue of whether to divest all of the System's existing holdings of securities issued by Schlumberger, Ltd. from all actively managed separate accounts. As of September 30, 2007, securities issued by this company were held in three accounts with a market value of \$16,054,500. The Committee voted to recommend to the Board divestment of these securities, with Messrs. Krome and Topping casting dissenting votes.

On motion made by Mr. Schaefer, and seconded by Ms. Hill, the Board voted to divest all of the System's existing holdings of securities issued by Schlumberger, Ltd. from all actively managed separate accounts. Major Krome and Mr. Hughes are recorded as opposed to the motion.

On motion by Mr. Schaefer, seconded by Ms. Lochte, the Board of Trustees approved the Corporate Governance Subcommittee's and staff's recommendation to adopt Institutions Shareholder Services' International Proxy Voting Policy for the System as follows:

1. The System will vote its non-US proxies in accordance with the proposed proxy voting guidelines for non-US companies.
2. The System will plan to vote all shares and give the managers the option to request that shares be unblocked if there is a pending trade.
3. The System will not recall loans of international stocks in order to vote proxies.

Executive  
Director's Report

3. Mr. Dean Kenderdine invited Mr. Brian Rowe to introduce the new members of the auditing staff. Mr. Rowe introduced Ms. Toni Voglino, Audit Supervisor, and Ms. Jaime Doran and Ms. Lauren Frazier, Staff Auditors, to the Board. He noted that with these hirings, the audit office is fully staffed.

Mr. Kenderdine noted that the orientation for new Trustees was held on November 8<sup>th</sup> and lasted the entire day. He noted that Ms. Lochte, Mr. Zirkin and Major Krome attended the orientation. He also noted that he had both printed and electronic copies of the orientation materials for any Board member who wanted to review the materials. Mr. Kenderdine noted his thanks to all SRA staff, who prepared and delivered the orientation as well as Mr. Ben Robb who prepared all of the printed and PowerPoint materials.

Mr. Kenderdine stated that it is likely that the Joint Committee on Pensions would not hold additional meetings until January. He would work to meet individually with legislators before then to facilitate acceptance of the Board's legislative proposals for 2008.

At the request of Major Krome, Mr. Kenderdine agreed to summarize for the Administrative Committee on December 4<sup>th</sup> the probable impact of the budget cuts made during the Special Session on the Retirement Agency.

Mr. Kenderdine noted that Secretary Foster has asked for the Agency to give up two PINs under the budget cuts. He also noted that he would be meeting with Secretary Foster to discuss the 2009 budget proposal, noting that the analyst has recommended cuts to funds for postage and printing of materials as well as early funding for MPAS-2.

Mr. Kenderdine stated that MPAS continues to operate under the yellow status code, reflecting the time slippage that has occurred on the project. He noted that Saber has had to continue spending significantly more time on Milestones 4 & 6, and the company has indicated that this may cause the cost of the project to increase, perhaps as much as 5%. The Agency is awaiting the detailed justification for these increases from Saber, and those increases will be reviewed thoroughly by legal staff, the Project Management Office and the steering committee.

Mr. Kenderdine also noted that Saber has been purchased (93%) by EDS. Saber has advised the Retirement Agency that the purchase will have no impact on the Agency's contract or the ongoing project. The Agency will be monitoring to ensure there is no impact to MPAS-1 as a result of the purchase.

Mr. Kenderdine noted that the just concluded United Charity Campaign was highly successful with staff giving about 65% more than the previous year. He thanked Ms. Sherlynn Matesky and her committee for all their efforts in making this year's campaign so successful.

Mr. Kenderdine advised the Trustees that at the December 18, 2007 Board of Trustees meeting, a photographer would be taking each Trustee's portrait to be used in future publications. He also invited the Trustees to attend the Agency's Employee Winter Appreciation Day on Thursday, December 20, 2007.

At Mr. Kenderdine's request, Ms. Marge Bury reported on meetings the Agency is holding for the System's participating employers related to payroll reporting. She noted that there are 161 individual payroll centers that produce 5.3 million transactions in a given year. These meetings are to explain what payroll data the Agency needs from each employer and why that data is necessary. To assist each center with proper reporting, the Agency also developed a Payroll Reporting Manual that is being distributed at these meetings.

Mr. Kenderdine concluded his report by noting that Mr. Tom Lee, former Executive Director, has been appointed as the Executive Director of the New York State Teachers' System.

2008 Meeting Dates

- 4. On motion made by Mr. Brown, and duly seconded, the Board approved the following meeting dates for calendar 2008.

January 15 <sup>th</sup>	July 15 <sup>th</sup>
February 19 <sup>th</sup>	August 19 <sup>th</sup>
March 18 <sup>th</sup>	September 16 <sup>th</sup>
April 15 <sup>th</sup>	October 21 <sup>st</sup>
May 20 <sup>th</sup> (education session)	November 18 <sup>th</sup>
June 17 <sup>th</sup>	December 16 <sup>th</sup>

Chairman Kopp noted that a work group would consider changes to the number of meetings for the full Board during calendar 2008, as well as looking at the scheduling for disability appeals.

Medical Board Reports

- 6. On a motion made by Ms. Hill, and seconded by Ms. Lochte, 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 Reports

- 7. On motion made by Ms. Hill, and seconded by Ms. Lochte, 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.

Teresa Little-Bluefield

- 8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Teresa Little-Bluefield 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. Teresa Little-Bluefield's failed to appear for the exceptions hearing and, therefore, her appeal was heard on the record. The Board deferred consideration to Closed Session.

Vernon C. Collins

- 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Vernon C. Collins 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. Collins, and his attorney, Walter Reiter III, appeared before the Board 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.

Tamieka Lockley 10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Tamieka L. Lockley 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. Lockley, and her attorney, Victor D. Sobotka, 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.

Edward Minnis 11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Edward Minnis for accidental disability retirement benefits. The report by the Medical Board, the Proposed Decision of the Administrative Law Judge, and all related documents submitted by the parties were presented.

Mr. Minnis' failed to appear for the exceptions hearing and, therefore, Mr. Minnis' appeal was heard on the record. The Board deferred consideration to Closed Session.

Paul Shires 12. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Paul Shires 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. Shires 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.

**CLOSED SESSION**

The Board met in Closed Session at 11:03 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to approve closed minutes from the October 16<sup>th</sup> meeting and to discuss the appeals of Teresa Little-Blueford; Vernon C. Collins; Tamieka L. Lockley; Edward W. Minnis; and Paul Shires, pursuant to State Government Article §10-503(a)(1)(iii).

There were present: Nancy K. Kopp, Chairman; William D. Brown; John W. Douglass; Shella Hill; F. Patrick Hughes; Morris L. Krome; Theresa Lochte; Robert W. Schaefer; and, Harold Zirkin, Trustees; and R. Dean Kenderdine, Secretary.

Agency staff attending were Deborah Bacharach; Margaret Bury; Rachel Cohen; Jaime Doran; Brian Feilinger; Lauren Frazier; Howard Pleines; Vincent Marsiglia; Brian Rowe; Janet Sirkis; Barbara Swain; and Toni Voglino.

The Board ended its closed session at 11:34 a.m. and returned to regular session to complete the agenda.

### REGULAR SESSION

During the closed session, the Board approved the closed minutes of the October 16, 2007 meeting, and reviewed and decided on the following disability appeals:

- Teresa Little-Bluefield      The Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Little-Bluefield's request for accidental disability benefits.
- Vernon C. Collins              The Board voted to reject the Administrative Law Judge's Proposed Decision and grant Mr. Collin's request for accidental disability benefits.
- Tamieka L. Lockley            The Board voted to deny Ms. Lockley's request for accidental disability benefits. Further, the Board voted to adopt the decision of the Administrative Law Judge with the technical corrections that need to be made to reflect the proper legal standard that applies in the Law Enforcement Officers' Pension System accidental disability cases. Ms. Hill and Mr. Hughes recused themselves from the decision.
- Edward Minnis                 The Board voted to accept the Administrative Law Judge's Proposed Decision and deny Mr. Minnis' request for accidental disability benefits.
- Paul Shires                      The Board voted to accept the Administrative Law Judge's Proposed Decision and deny Mr. Shires' request for accidental disability benefits.
- Patricia Dirton                 The Board, which deferred action on Ms. Dirton's appeal for disability benefits at its October meeting, voted to remand Ms. Dirton's request to the Medical Board to consult and consider the findings of Dr. William Beatie of the State Medical Director's Office with regard to whether Ms. Dirton can perform each of the essential job duties of her position and, if it is determined that Ms. Dirton is unable to perform one or more of her essential job duties, whether her disability is likely to be permanent.

Adjournment

There being no further business before the Board, the meeting adjourned at 11:37 a.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

RDK/js

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