

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

MINUTES OF MEETING

June 20, 2006

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 9:00 a.m. There were present: Nancy K. Kopp, Vice-Chairman; William D. Brown; David B. Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Cecilia Januszkiewicz; Morris L. Krome; Carl D. Lancaster; Melissa A. Moye, Patrick O'Shea, Trustees; and, Thomas K. Lee, Secretary.

Agency Staff members attending were: Deborah Bacharach; Monica Bias; Anne Budowski; Laura Burns; Margaret Bury; Melody Countess; Robert Feinstein; Vanessa Garrett-Ingram; Thomas Gigliotti; John Greenberg; Jill Leiner; Dale Markle; Vincent Marsiglia; Sheryllynn Matesky; Will Morrow; Kenneth Reott; and Barbara Swain.

Also attending were the Agency's seven summer interns: Jamie Blume; Jeremy Beasley; Jacqueline Smith; Shawna Spriggs; Keshma Thomas; Danielle Hagan; and De Van Perry. Jim Hill from The Strategy Group and Scott Rimmer from JP Morgan Chase Bank were also present. Appeal cases present were Robert Silberman, Esquire for Loni Witherspoon, Christina G. Reinard and Robin R. Cockey, Esquire; Bryan D. Wisnom and Michael Davey, Esquire; and Ellen Lewis and Scott Baron, Esquire.

The Treasurer opened the meeting explaining that the Comptroller could not be with us today because he was attending two funerals. Then the Treasurer turned to Tom Lee and Vanessa Garrett-Ingram to introduce our summer interns. Following the introductions, Tom Lee announced the retirement of Tom Gigliotti. A letter of recognition was read by Mr. Hughes and presented to Tom Gigliotti.

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|----------------|---|----------|-------------------------|---------------|---------------|-----------|---------------|
| Minutes        | 1. On motion made and duly seconded, the Board approved the minutes of the April 18, 2006 regular meeting.  |          |                         |               |               |           |               |
| Board Officers | 2. On a motion made by Ms. Hill and seconded by Mr. Hughes and in accordance with State Personnel and Pension Article, Section 21-105, the Board elected the following officers:<br><br><table border="0" style="margin-left: 40px;"><tr><td>Chairman</td><td>William Donald Schaefer</td></tr><tr><td>Vice Chairman</td><td>Nancy K. Kopp</td></tr><tr><td>Secretary</td><td>Thomas K. Lee</td></tr></table><br>Major Krome abstained from voting. | Chairman | William Donald Schaefer | Vice Chairman | Nancy K. Kopp | Secretary | Thomas K. Lee |
| Chairman       | William Donald Schaefer   |          |                         |               |               |           |               |
| Vice Chairman  | Nancy K. Kopp   |          |                         |               |               |           |               |
| Secretary      | Thomas K. Lee   |          |                         |               |               |           |               |

Investment  
Committee  
Recommendations and  
Information Items

3. Mr. Carl Lancaster, Chairman of the Investment Committee, asked Barbara Swain to discuss the additional informational item brought before the Board regarding a Special Real Estate Counsel Request for Proposals.

Ms. Swain explained that the RFP is for a contract between the Office of the Attorney General and Special Real Estate Counsel and those three firms currently serve as Special Real Estate Counsel. The contract is set to expire in November 2006 and the RFP is being drafted. Ms. Swain stated that outside counsel has been retained to assist with issues relating to the Retirement System's real estate program since the early 1990's. Ms. Swain fielded questions regarding MBE goals, number of firms contracted and procurement-related questions.

Major Krome asked how many outside counsels/firms we use. Deborah Bacharach responded that she would have that information available at the next meeting.

Mr. Lancaster then reviewed the items from the June 9, 2006 Investment Committee meeting. He announced the addition of Michelle Lowery to the Investments Division as Senior Investment Analyst.

Mr. Lancaster stated that the TUCS Report shows that we are holding up well over time. For the period ending March 31, 2006 the System was in the 60<sup>th</sup> percentile for the most recent quarter and in the 41<sup>st</sup> percentile for twelve months ending March 31, 2006. He further stated that the System placed in the 62<sup>nd</sup> percentile for two years trailing and 50<sup>th</sup> percentile for three years trailing and 63<sup>rd</sup> for four years trailing.

Mr. Lancaster noted that the fund's performance for the period ending May 31<sup>st</sup> was 10%. The market has been volatile since that time but we are hoping to end the fiscal year above the 7.75% assumption.

On a motion made by Mr. Lancaster and seconded by Mr. Hughes, the Board voted to exercise the System's sole remaining one-year contract extension with Ennis Knupp.

On a motion made by Mr. Lancaster and seconded by Mr. Hughes, the Board voted to approve the staff suggested guideline changes to the external manager guidelines.

On a motion made by Mr. Lancaster and seconded by Mr. Hughes, the Board agreed to refer the Sudan issue to the Corporate Governance Subcommittee for further consideration and development of a recommendation to be presented to the Investment Committee and the full Board at some future date.

Lastly, on a motion made by Mr. Lancaster and seconded by Ms. Hill, the Board approved the staff request to delete the term "general partners" from the Key Service Provider Selection Policy of the Board Governance Policies.

Administrative  
Committee  
Recommendations and  
Information Items

4. Major Krome, Vice Chairman of the Administrative Committee, reported on the meeting held June 6, 2006.

On a motion made by Major Krome and seconded by Mr. Harkins, the Board voted to approve participation of Federalsburg and Ridgely in the Pick-Up Program.

Major Krome then stated that copies of the draft FY2007 Business Plan have been provided to each of the Board members for their review. The Board will take this up as an action item at the August meeting. Major Krome also noted that the Mr. Lee gave an update on the Board's Deliverables and that we are on schedule and meeting our timelines.

Major Krome then asked Will Morrow to give the Board an update on where we are on MPAS-1. Mr. Morrow reported that the sale of Covansys to Saber went through on June 1<sup>st</sup> and that staff received a briefing with the CEO of Saber. The CEO reported that 386 Covansys employees accepted employment offers from Saber and that all proposed personnel for MPAS-1 will be working on the project. The contract is on the BPW agenda for June 21<sup>st</sup> and there is a project kick-off date of July 10<sup>th</sup>.

On a motion made by Major Krome and seconded by Mr. Brown, the Board authorized the award of a \$10.2 million contract to Saber Corporation for the MPAS-1 project.

Major Krome then summarized the information only items regarding the regional Education Meetings conducted by Howard Pleines and Sherlynn Matesky on the Alternate Contributory Pension Selection Plan and provided thoughts on potential 2007 legislation but informed the Board that we will get more information as we near the session.

**EXHIBIT A**

Executive  
Director's

5. Mr. Lee reported that the State Police Trustee Election is underway and that the results would be announced at the July Board meeting. Report Major Krome noted that he found the mechanics of the election process to be very easy to navigate.

Medical Board  
Reports

6. On motion made by Ms. Hill, and seconded by Mr. Hughes, 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

7. On motion made by Mr. Hill, and seconded by Mr. Hughes, the Board accepted the supplemental reports of the Medical Board in connection with application 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 B**

Yearly Attendance  
and Training  
Report 2006

8. As set forth in Statute, attendance records must be kept for each Trustee for monthly Board meetings January through December.

Earnings Limitation  
Recovery  
Reports

9. On a motion made by Ms. Hill and seconded by Mr. Hughes, the Board approved the Agency report certifying that the Total Actual Earnings of certain retirees has exceeded the Maximum Earnings allowable under current law. In accordance with State Personnel and Pensions Article, Sections 22-406(b) (2) and 23-407 (b) (2), and with the Board's concurrence, the pensions of the affected retirees will be reduced as specified in the law. The offsets are based on calendar 2005 earnings, which will be offset from pension benefits paid in fiscal year 2007.

Disability Offset  
Report

10. On a motion made by Mr. Hughes and seconded by Ms. Hill, the Board approved the report of the Medical Board certifying that the Total Actual Earnings of certain disability retirees has exceeded the Maximum Earnings allowable under the current law. The offsets are based on calendar 2005 earnings which will be offset from pension benefits paid in fiscal year 2007.

Laloni Witherspoon

11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Laloni Witherspoon 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. Witherspoon's attorney, Robert Silberman, addressed 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.

Christina G. Reinard

12. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Christina G. Reinard 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. Reinard and her attorney, Mr. Robin R. Cockey, 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.

Bryan D. Wisnom 13. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Bryan D. Wisnom 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. Wisnom 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.

Ellen Lewis 14. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Ellen Lewis for 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. Lewis and her attorney, Scott Baron, appeared before the Board to remand the case back to the Medical Board. 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.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to deliberate disability appeals, pursuant to State Government Article, Section 10-503(a)(1)(iii) which permits the Board to meet in closed session to carry out a quasi-judicial functions and Section 10-508(a)(5) which relates to the investment of public funds.

#### **EXECUTIVE SESSION**

The Board met in Executive Session at 10:53 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider various investment issues, pending litigation and several pending bids on contracts. There were present: Nancy K. Kopp, Vice-Chairman; William D. Brown; David Hamilton; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Carl D. Lancaster; Patrick O'Shea, Trustees; and, Thomas K. Lee, Secretary. Agency Staff members attending were: Deborah Bacharach; Monica Bias; Anne Budowski; and Margaret Bury.

The Board ended its closed session at 11:10 a.m. and returned to regular session to complete the agenda.



**ADMINISTRATIVE COMMITTEE  
OF THE  
BOARD OF TRUSTEES  
STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND**

**MINUTES OF THE JUNE 5, 2006 MEETING**

The Administrative Committee met on Tuesday, June 6, 2006, beginning at 9:30 a.m. in the Boardroom of the State Retirement Agency, 120 E. Baltimore Street, Baltimore Maryland. William D. Brown, Chairman; Morris L. Krome, Vice-Chairman; John W. Douglass; David B. Hamilton; James M. Harkins; Howard Freeland, representing Treasurer Kopp; and Thomas K. Lee were present. Agency staff attending were Jeannie Abramson; Deborah Bacharach; Marge Bury; Melody Countess; Vanessa Ingram; Dale Markle; Vincent Marsiglia; Larry Martin; Sherlynn Matesky; Will Morrow; Howard Pleines; Harvey Raitzyk; and Ken Reott.

Also present were Michael Rubenstein, Department of Legislative Services; John Wasillin, Deputy Secretary of the Department of Budget and Management representing Secretary Januszkiewicz; and Meghan Vince, University of Maryland Law School.

**A. Minutes of the Administrative Committee held April 4, 2006 and May 5, 2006**

On motion made by Major Krome, and seconded by Mr. Freeland, the Committee approved the minutes of the Administrative Committee held April 4, 2006 and May 5, 2006.

**B. Administrative Fees- Action Item**

Mr. Vince Marsiglia advised that the Retirement Agency's spending for the year was in line with the appropriation for the year. At the August meeting, he would provide a detailed statement on the expenditures for the year.

**C. Employer Pick Up Program- Participation-Town of Federalsburg and Town of Ridgely**

Ms. Matesky indicated to the Committee that both Federalsburg and Ridgely had obtained private letter rulings from the Internal Revenue Service to participate in the State's pick-up program. The Agency had determined the appropriate start-up date for each agency.

**Action Item:** On motion made by Major Krome, and seconded by Mr. Harkins, the Administrative Committee recommends to the Board of Trustees that it approve participation of Federalsburg and Ridgely in the Pick-Up Program.

**D. Fiscal 2007 Business Plan**

Mr. Lee distributed the 2007 Maryland State Retirement and Pension System Business Plan to the Administrative Committee. He indicated that the Retirement Agency has been working on building its infrastructure over the past few years. Going forward, the intent is to gain efficiencies through technology. It is also hoped that the

Agency will develop outreach programs that will strengthen its capabilities to carry out the Agency's mission and reach its goals.

Mr. Lee advised the members that the Board is to approve the 2007 Business Plan at the August Board meeting. He asked the Trustees to have their concerns and comments made known to him prior to that meeting.

**E. Update on Board Deliverables**

Mr. Lee presented a checklist of annual events related to Board policies and deliverables required throughout the year. The checklist indicates items completed through May as well as additional items for Board action through December 2006.

**F. MPAS-1 Update**

Mr. Will Morrow presented an update on the MPAS-1 project. He noted that the sale of Convansys' public pension product to Saber was complete. As part of the sale, 386 employees of Convansy transferred to Saber, including all of the proposed MPAS-1 project team members. Mr. Morrow continued by stating that he and members of his staff met with Saber's Executive Officer and East Coast Sales Representative before the Administrative Committee meeting. Saber, which is headquartered in Oregon with an office in Annapolis, is reorganizing its business to make retirement its largest division, and is committed to improving its public pension product. All were encouraged by Saber's stated efforts to commit fully to build up the firm's retirement business. After the meeting, Mr. Morrow stated he felt more confident that Saber will be more than capable of fulfilling the contractual arrangements with the Retirement Agency initially bid by Convansy.

Mr. Morrow indicated that the contract is a time and materials contract with a term of 4 years – 2 years for implementation, followed by 2 years for optional support. The contract, which has a total cost of up to \$11.2 million, is to be presented to the Board of Public Works at its June 21 meeting. Mr. Morrow noted that with other security consulting and testing plans needed to finalize the MPAS-1 project, it is estimated that the total costs would be about \$14 million. With approval of the contract, the project is to begin July 10, with a completion date of October 2008.

Major Krome asked about other projects to upgrade the System's computer programs. Mr. Morrow stated that his staff is working on the MPAS-2 project, which will concentrate on cleansing and improving data within the System. A plan should be presented to the Administrative Committee during calendar 2007. Mr. Freeland asked if the Committee is to receive progress reports during the project. Mr. Morrow stated the Administrative Committee would continue to receive monthly progress reports; he also indicated he would invite Saber to attend these meetings. Mr. Freeland then recommended that Mr. Morrow's staff brief BPW staff on the importance of this contract prior to the BPW meeting on June 21. On motion made by Mr. Douglass, seconded by Major Krome, the Administrative Committee approved the contract for the MPAS-1 project.

**Action Item:** The Administrative Committee recommends to the Board of Trustees that the Board authorize the award of a \$10.2 million contract to Saber Corporation for the MPAS-1 Project, with the Board of Public Works contract authority up to \$11.2million.



**G. Other Business- Information Only**

Education Meetings:


Mr. Pleines indicated to the Committee that the Agency had completed 8 meetings with its participating governmental units to inform them as to the benefits, costs, and procedure for participation in the Alternate Contributory Pension Selection effective July 1, 2006 under Chapter 110. Two meetings were held in Hagerstown, Cambridge, College of Southern Maryland in Charles County, and Essex Community College in Baltimore County. In total 94 agencies attended these meeting.

Possible 2007 Legislation:

Mr. Pleines noted that the Retirement Agency has identified two items for the Board to consider in its 2007 legislative proposals. First, there is archaic language in pension law that makes it unclear if Dorchester County Commissioners participate as a governmental unit, or should, in some instances, be treated similar to a State agency. The law should be amended to remove the unclear references so that Dorchester County participates solely as a governmental unit. Second, language in pension law still requires that for pop-up options the benefit is to be prorated in the month that the beneficiary dies. In previous code simplification legislation, the Board requested that the prorating of checks in the month the retiree dies be eliminated. Similar language is needed for the pop-up options. Mr. Pleines noted that both of these issues would be fully explained at the August Administrative Committee meeting.

**H. Adjournment**

There being no further business, Mr. Brown adjourned the meeting at 10:35 a.m.

  
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J. Howard Pleines