

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

MINUTES OF MEETING

December 19, 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 9:13 a.m. There were present: William Donald Schaefer, Chairman; Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; David B. Hamilton; James M. Harkins; Sheila Hill; F. Patrick Hughes; Cecilia Januszkiewicz; Morris L. Krome; Carl D. Lancaster; and, Melissa A. Moye, Trustees; and, R. Dean Kenderdine, Interim Secretary.

Agency Staff members attending were: Jeannie Abramson; Deborah Bacharach; Anne Budowski; Margaret Bury; Cathy Clevinger; Rachel Cohen; Melody Countess; Robert Feinstein; Vanessa Garrett-Ingram; John Greenberg; Carla Katzenberg; Calvin Kiser; Jill Leiner; Vincent Marsiglia; Larry Martin; Sherlynn Matesky; Howard Pleines; Harvey Raitzyk; and, Barbara Swain.

Also attending were Bill Anderson; Randy Mickens; and Robert Palumbi. Appeal cases presented were Anthony Collins and Michael Davey, Esq.; George Golomb, Esq. representing Veleta Harris; Robert Silberman, Esq. representing Cleo Johnson and Dorothy Smith.

Minutes

1. On motion made by Mr. Brown, and duly seconded, the Board approved the minutes of the November 21, 2006 regular meeting.

Investment  
Committee  
Recommendations and  
Information Items

2. Mr. Carl Lancaster, Chairman of the Investment Committee, reported on the meeting held December 8, 2006.

Mr. Lancaster advised the Board of the following information items discussed at the Investment Committee meeting.

The Committee unanimously approved the November 10, 2006 open meeting minutes as submitted.

Treasurer Kopp indicated that the Joint Committee on Pensions met November 30, 2006, and continues to link corridor funding/actuarial funding issues to a comparison of the System's investment returns with those of public plans in Virginia, Pennsylvania and Delaware. She stated that staff and Ennis Knupp are working on a response to the latter issue.

The Committee received a presentation from Bridgewater Associates regarding their proposal to transition their existing core plus fixed income mandate to a "pure alpha overlay" strategy. Ms. Fisher noted that staff would seek a decision from the Committee concerning Bridgewater's proposal in January 2007.

The Committee received an update regarding Sudan investment issues. Dr. Moye summarized the work that has been done by the Corporate Governance Subcommittee, and Mr. Feinstein briefly summarized the contents of the staff report that has been distributed to all trustees and members of the Committee. The Subcommittee will convene following the December 19 Board of Trustees meeting, and plans to present a recommendation for the Committee's consideration at its January 2007 meeting.

Ennis Knupp presented the 3<sup>rd</sup> Quarter Performance with Fund Attribution Analysis and the 3<sup>rd</sup> Quarter Tactical Asset Allocation reports for the System. It was noted that since inception, staff's tactical asset allocation decisions have added a total value of approximately 21 basis points (approximately \$76 million) to the System.

Mr. Greenberg informed the Committee of staff's plans to rebalance global equity back to the target allocation of 10%. Mr. Greenberg explained that Global equity has performed well and has appreciated from \$3.4 billion to \$4.0 billion and, as a result, has moved from 10% of total System assets to 11% of total System assets.

The Committee received the following Staff reports: Performance Report; TAA Update; Private Equity Report; Upcoming Manager Meetings, Manager Meeting Reports; and, Quarterly Directed Brokerage Report.

Administrative  
Committee  
Recommendations and  
information Items

3. Mr. James Harkins, Chairman of the Administrative Committee reported on the meeting held December 5, 2006.

Mr. Harkins reported that the Comptroller's Office notified the Retirement Agency that as of September 1, 2006 it would be assessing the Agency monthly finance charges for the use of State General Funds to cover all Retirement Agency operational costs totaling about \$88 million. The annual interest payments to the Comptroller's office would come to approximately \$350,000. The Agency has the internal means to process investment management fee invoices reducing the Agency's use of the State General Funds by approximately 75%, reducing the remaining finance charge assessment from the Comptroller's Office to approximately \$87,500 per year.

On motion made by Mr. Harkins, and seconded by Ms. Hill, the Board approved the payment of all invoices representing investment management fees to be disbursed directly out of the Agency's special funds disbursing account, thereby eliminating the need to process such payments as General Fund disbursements through the Comptroller's Office. Staff is to continue to meet with the Comptroller's Office and the Treasurer's Office to find a means to eliminate all such assessments against the Retirement Agency.

On motion made by Mr. Harkins, and seconded by Major Krome, the Board approved the creation of the special-funded positions for the Investment Division and further gives approval to the Agency to seek BPW approval of the positions at the December 20<sup>th</sup> BPW meeting.

Mr. Harkins reported that DBM had strongly recommended that the Retirement Agency seek the conversion of 13 contractual positions into 10 permanent positions by going to the Board of Public Works, rather than submit this request as part of the 2008 budget request. Following that advice, the Agency would be requesting those permanent positions at the Board of Public Works meeting on December 20.

Interim Executive  
Director's Report

4. Mr. Kenderdine reminded the Trustees that the Agency holiday party would begin at noon on December 20. He encouraged all to attend.

Mr. Kenderdine indicated that the meeting dates for 2007 had been distributed to each Trustee (see attached).

Mr. Kenderdine indicated that the financial reports for 2006 were completed and congratulated Melody Countess for her hard work in getting the report completed in December. On motion of Mr. Brown, and duly seconded, the Board accepted the FY2006 Comprehensive Annual Financial Report. At Mr. Lancaster's suggestion, the report will be reviewed with the Trustees at the January or February meeting.

Mr. Kenderdine indicated that a panel consisting of Marge Bury, Ellis Kitchen, Peter Murray and Charles Bristo interviewed candidates for the Agency's Project Manager and Chief Information Technology Officer positions. He hoped that these positions would be filled by early January.

Mr. Kenderdine stated that the head of the Agency's House budget subcommittee, Delegate Joan Cadden, had lost her bid for re-election. It is likely that Delegate Charles Barkley would fill that role in the future.

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 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. Major Krome voted against the motion in response to concerns raised by the employer on one specific case. The Administrative Committee has been asked to review the issue.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss certain new real estate investment and certain changes in other investments, pursuant to State Government Article, Section 10-508(a)(5), which authorizes the Board to meet in closed session to consider the investment of public funds.

## EXECUTIVE SESSION

The Board met in Executive Session at 9:43 am. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider investment issues. There were present: Nancy K. Kopp, Vice-Chairman; William D. Brown; John W. Douglass; David B. Hamilton; James Harkins; Sheila Hill; F. Patrick Hughes; Cecilia Januszkiewicz; Morris L. Krome; Carl D. Lancaster; and Melissa Moye, Trustees; and, R. Dean Kenderdein, Secretary. Agency Staff members attending were: Deborah Bacharach; Anne Budowski; Margaret Bury; Cathy Clevinger; Rachel Cohen; Melody Countess; Robert Feinstein; Vanessa Garrett-Ingram; John Greenberg; Carla Katzenberg; Calvin Kiser; Jill Leiner; Larry Martin; Sherlynn Matesky; Howard Pleines; Harvey Raitzyk; and Barbara Swain.

The Board ended its closed session at 9:55 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.

- Anthony Collins
7. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Anthony Collins 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.

Mr. Collins and his 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.

- Veleta Harris
8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Veleta Harris 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. Harris' attorney, George Golomb, 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.

- Cleo Johnson
9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Cleo Johnson 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. Johnson's attorney, Mr. Robert Silberman, 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.

Cynthia M. Jones 10. The Board postponed Ms. Jones request for accidental disability benefits until its February meeting, at her request.

Dorothy R. Smith 11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Dorothy R. Smith 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. Smith's attorney, Robert Silberman, 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 10:47 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider disability appeals. There were present: Nancy K. Kopp, Vice-Chairman; William D. Brown; James Harkins; Sheila Hill; F. Patrick Hughes; Morris L. Krome; Carl D. Lancaster; and Melissa Moye, Trustees; and, R. Dean Kenderdein, Secretary. Agency Staff members attending were: Deborah Bacharach; Anne Budowski; Margaret Bury; Rachel Cohen; and Howard Pleines.

The Board ended its closed session at 10:52 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.

Minutes On motion made and duly seconded, the Board approved the minutes of the November 21, 2006 closed session meeting.

Anthony Collins The Board considered the appeal of Anthony Collins. Following a discussion, on a motion made by Mr. Hughes, and seconded by Mr. Lancaster, the Board voted to accept the Administrative Law Judge's

Proposed Decision and deny Mr. Collins' request for accidental disability benefits.

Veleta Harris

The Board considered the appeal of Veleta Harris. Following a discussion, on a motion made by Mr. Hughes, and duly seconded, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Harris' request for accidental disability benefits.

Cleo Johnson

The Board considered the appeal of Cleo Johnson. Following a discussion, on a motion made by Mr. Hughes, and seconded by Mr. Lancaster, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Johnson's request for accidental disability. Ms. Hill is recorded as opposed to the motion.

Dorothy R. Smith

The Board considered the appeal of Dorothy R. Smith. Following a discussion, on a motion made by Mr. Hughes, and seconded by Mr. Brown, the Board voted to accept the Administrative Law Judge's Proposed Decision and deny Ms. Smith's request for accidental disability. Treasurer Kopp and Ms. Hill are recorded as opposed to the motion.

There being no further business before the Board, the meeting adjourned at 11:00 a.m.

Respectfully submitted,



R. Dean Kenderdine  
Interim Secretary to the Board