

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

December 16, 2008

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.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David S. Blitzstein	William D. Brown
John Douglass	James M. Harkins	Sheila Hill	F. Patrick Hughes
Major Morris Krome	Theresa Lochte	Robert Schaefer	Harold Zirkin
Thurman W. Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Deborah Bacharach	Anne Budowski	Margaret Bury	Steve Cichelli	Rachel Cohen
Melody Countess	Robert Feinstein	Ira Greenstein	Dennis Krysiak	Sherynn Matesky
Mansco Perry, III	Howard Pleines	Harvey Raitzyk	Brian Rowe	Fred Semko
Janet Sirkis	Patrice Sowah	Barbara Swain	Toni Voglino	Victoria Willard

Also attended by:

Bill Anderson	Anne Gawthrop	Michael Halpin	John Kenney	Melissa Moye
Randy Mickens	Robert Palumbi			

Present only during the disability appeals portion of the agenda included:

Jill Leiner	Carla Katzenberg	Cynthia L. Kukta	David J. Sawyer	Warner G. Shorter
Jordan Lieberman, Esq.				

- Minutes
1. On a motion made by Mr. Brown and seconded by Ms. Lochte, the Board approved the minutes of the November 18, 2008 regular meeting with one modification.
- Administrative Committee Report
2. Mr. Harkins, Chairman of the Administrative Committee, reported on the meeting held on December 10, 2008.

Mr. Harkins reported that the Administrative Committee accepted the administrative and manager fees as of September 31, 2008.

Mr. Harkins reported that the Administrative Committee approved the criteria for evaluating the Executive Director's performance in 2009.

Mr. Harkins reported that the Administrative Committee received a good report on the Member Services call abandonment rate and call waiting time.

At Mr. Harkins' request, Mr. Kenderdine reported on the progress of MPAS. Mr. Kenderdine reported that the project is proceeding well, and staff remains optimistic that the project would be completed successfully by July 2010.

Mr. Kenderdine reported that the Agency presented before the House Appropriations Committee on the status of MPAS-1. The overall presentation went well with the Delegates recognizing the need to extend the length of the project to July 2010, and understanding that the Estimate to Complete (total cost) will increase.

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

December 16, 2008

Administrative
Committee
Report

On a motion made by Mr. Harkins, and seconded by Major Krome, the Board of Trustees accepted the participation of Chesapeake College in the Employer Pickup Program effective January 1, 2009, retroactive to February 1, 2001.

Audit
Committee
Report

3. Mr. Hughes, Chairman of the Audit Committee, reported on the meeting held on November 18, 2008.

Mr. Hughes reported that the Agency is continuing its discussions with the Office of Legislative Audits regarding the Agency's responsibility to audit local government employers with respect to retirement contributions for members of the Teachers' Systems whose compensation is partly paid from Federal aid.

Mr. Hughes reported that the Audit Committee reviewed recently issued internal audit reports and was satisfied that the Agency was taking appropriate actions in response to the audit recommendations.

Mr. Hughes reported that the Internal Audit Division is considering entering into a co-sourcing arrangement with an external expert for the purpose of providing investment audit coverage over a three-year period; providing a knowledge transfer to internal audit staff so that future audits could be conducted internally; and providing audit programs to ensure that future audits are comprehensive and risk based.

Mr. Hughes reported that Clifton Gunderson was selected through the RFP process to perform compliance audits of approximately 150 (118 Participating Governmental Units and 29 Local Educational Agencies) employers with members in the system.

Mr. Hughes reported that the Audit Committee received the completed audits for Deferred Retirements, Non-U.S. Resident Retirees, DROP Eligibility, and Ordinary Disability Eligibility, which will be discussed at their next meeting.

Mr. Hughes reported that the Audit Committee received updates on audits currently in progress.

Executive
Director's
Report

4. Mr. R. Dean Kenderdine reported on recent Agency developments.

Mr. Kenderdine reported that the Joint Committee of Pensions (JCP) approved all but two of the Board's 2009 legislative proposals. While they did not approve the requested legislation to remove investment fee caps, the committee did agree to introduce a bill to raise the current fee cap from 30 basis points to 50 basis points. They also voted against the request to eliminate the Corridor Funding language from law citing current budget challenges. However, Treasurer Kopp emphasized the fact that although the JCP voted not to repeal Corridor Funding, they stated for the record, that such a change in law should be pursued when the State's budget situation improves; and, it is their intention to do so.

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

December 16, 2008

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| Executive
Director's
Report | <p>Mr. Kenderdine reported that selected members of Agency staff as well as the Administrative Committee had its Strategic Planning Kick Off Session on December 10th. The sessions went very well.</p> <p>Mr. Kenderdine reported that the Board will not be meeting in January 2009 as there will be no committee meetings held that month and there are no disability cases to be heard.</p> <p>Mr. Kenderdine extended Holiday Wishes and Best Wishes in 2009 to everyone, on behalf of the Agency.</p> <p>At Mr. Kenderdine's request, Robert Feinstein and Victoria Willard reported on the implementation of the law 'divestiture from Iran and Sudan', State Personnel and Pension § 21-123.1.</p> <p>Mr. Feinstein provided the Board with a list of companies compiled by RiskMetrics Group which may meet the statute's definition of <i>doing business</i> in Iran and/ or Sudan.</p> <p>Mr. Feinstein reported that the Investment Division is currently in the process of transitioning from the requirements of the previous divestment statute concerned with Sudan to the new law that provides divestment requirements for Sudan and Iran, and are prepared to implement the new requirements when the law becomes effective January 1st.</p> |
| Fixed Income
Credit Opportunities | <p>5. Mr. Mansco Perry, Chief Investment Officer, presented a recommendation requesting authority to dedicate a portion of the System's assets for investment in fixed income credit opportunities.</p> <p>On a motion made by Mr. Schaefer, and seconded by Ms. Hill, the Board voted to approve (1.) the creation of a temporary allocation to fixed income credit opportunities, (2.) using the uninvested assets earmarked for private equity and absolute return as the source of funds, (3.) the allocation would be no greater than five percentage points of the total fund (the range would be 0-5%), and (4.) the benchmark for any manager would be the appropriate credit benchmark that is derived from the Barclays Capital Aggregate index.</p> |
| CAFR | <p>6. Ms. Melody Countess, Chief Operating Officer, presented an overview of the System's Comprehensive Annual Financial Report (CAFR) for the fiscal year ending June 20, 2008.</p> |
| Medical Board
And
Supplemental
Medical Board
Reports | <p>7. On a motion made by Mr. Hughes, and seconded by Ms. Hill, the Board of Trustees accepted all 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.</p> |

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

December 16, 2008

FIRST CLOSED SESSION

The Board met in a Closed Session (10:32 a.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of, and pursuant to:

1. to approve the closed session minutes and to discuss the watch list, State Government Article §10-503(a)(1)(i), the exercise of an administrative function; and,
2. to discuss a personnel issue, State Government Article §10-508(a)(1), personnel matters.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David S. Blitzstein	William D. Brown
John Douglass	James M. Harkins	Sheila Hill	F. Patrick Hughes
Major Morris Krome	Theresa Lochte	Robert Schaefer	Harold Zirkin
Thurman W. Zollicoffer, Jr.	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Deborah Bacharach	Margaret Bury	Melody Countess	Robert Feinstein	Mansco Perry, III
Brian Rowe	Janet Sirkis	Patrice Sowah		

Also in attendance: John Kenney and Melissa Moye.

During the closed session, the Board approved the closed minutes of the November 18, 2008 meeting and to discuss a personnel matter. The Board ended its closed session at 11:00 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION

- Cynthia L. Kukta 8. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Cynthia L. Kukta 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. Cynthia L. Kukta 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 Closed Session.

- David J. Sawyer 9. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. David J. Sawyer 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. David J. Sawyer 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 Closed Session.

- Wanda H. Pinder 10. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Wanda H. Pinder for ACCIDENTAL

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

December 16, 2008

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. Jordan Lieberman, Ms. Wanda H. Pinder's attorney, 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.

- Warner G. Shorter 11. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Warner G. Shorter 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. Warner G. Shorter 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.

SECOND CLOSED SESSION

The Board met in a Closed Session (12:30 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of, and pursuant to:

1. to discuss the appeals of Cynthia L. Kukta, David J. Sawyer, Wanda H. Pinder, and Warner G. Shorter pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

The Trustees present included:

Peter Franchot	William Brown	Sheila Hill	Major Krome
Theresa Lochte	Robert Schaefer	Harold Zirkin	Thurman Zollicoffer
R. Dean Kenderdine, Secretary			

Agency Staff members attending included:

Deborah Bacharach	Margaret Bury	Rachel Cohen	Janet Sirkis	Patrice Sowah
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The Board ended its closed session at 12:35 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

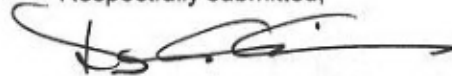
During the closed session the Board reviewed and decided on the following disability appeals:

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

December 16, 2008

- Cynthia L. Kukta 12. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Ms. Cynthia L. Kukta's request for accidental disability benefits.
- David J. Sawyer 13. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Mr. David J. Sawyer's request for accidental disability benefits.
- Wanda H. Pinder 14. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Ms. Wanda H. Pinder's request for accidental disability benefits.
- Warner G. Shorter 15. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Mr. Warner G. Shorter's request for accidental disability benefits.
- Adjournment 16. There being no further business before the Board, the meeting adjourned at 12:40 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/pws