

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

June 15, 2010

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.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	T. Eloise Foster	James Harkins	Sheila Hill
F. Patrick Hughes	Major Morris Krome	Theresa Lochte	Robert Schaefer
Harold Zirkin	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Margaret Bury	Steve Cichelli	Robert Feinstein	Patricia Fitzhugh	Michael Golden
Ira Greenstein	Dennis Krysiak	Mansco Perry	Howard Pleines	Ken Reott
Brian Rowe	Janet Sirkis	Patrice Sowah	Toni Voglino	

Assistant Attorneys General attending:

Deborah Bacharach	Rachel Cohen	Melissa Warren
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Also attended by:

John Kenney	Melissa Moye	Dylan Baker	Anne Gawthrop	Anthony Phillip
Michael Rubenstein	Peter Goldsmith, Legal Intern			

- Minutes
1. On a motion made by Mr. Zirkin and seconded by Mr. Brown, the Board approved the minutes of the April 20 and May 18, 2010 open session meeting.
- Board Officers
2. On a motion made by Major Krome, and seconded by Mr. Brown, the Board elected Nancy K. Kopp as Chairman.
- On a motion made by Mr. Harkins, and seconded by Mr. Zirkin, the Board elected Peter Franchot as Vice-Chairman.
- On a motion made by Mr. Brown and duly seconded, the Board elected R. Dean Kenderdine as Secretary.
- Administrative Committee Report
3. Mr. James Harkins, Chairman of the Administrative Committee, reported on the regular meeting held on June 1, 2010.
- Mr. Harkins reported that Mr. Kenderdine provided his first quarterly report, as requested by the Committee, on the Agency's Strategic Plan (2009 – 2014) status. He noted that as some items in the Strategic Plan had been part of the discussion of the FY2011 Business Plan (Workforce Development Project and Office Space Reconfiguration), he would not repeat those initiatives in this report.
- Mr. Harkins reported that the Member Services on-line Reference Manual had been created and was in use. The Office of External Affairs is established, and Mr. Golden is in the process of hiring a Deputy Director of External Affairs, which should be completed in the next few months. For the initiative concerning Agency autonomy, the RFP to obtain a consultant to study potential benefits of autonomy to the State and the System has been drafted and will be reviewed by counsel before being sent to the Department of Budget & Management. It is hoped that the RFP will be out by the

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beginning of August, and the consultant hired by October.

Mr. Harkins reported that Mr. Michael Golden presented information pertaining to the Agency's communication activities during April and May. He reported that four press releases were issued during that period: "Negative COLA for State Retirees Delayed One Year by Legislature (April 13); "Maryland State Retirement Agency Seeks to Add Four Senior Investment Analysts" (April 21); "Maryland State Retirement and Pension System Trust Grows More Than 20% in First Three Quarters of Fiscal Year 2010" (April 29); and, Maryland State Retirement Agency Hires New Real Estate Consultant/Rehires Private Equity Consultant" (May 6).

Mr. Harkins reported that Mr. Golden has had great success in building relationships with members of the trade media, and though he has had some difficulty in generating interest among the local media, he has begun identifying the key reporters and editors to turn that around.

Mr. Harkins reported that the next issue of the Mentor (for active members) was in delivery, and that the Retiree News & Notes would go out in July as usual -both include, as a new feature, highlights of Board meetings. A profile of Mansco Perry will soon appear (June 14) in *Pensions and Investments* as a result of pitching the idea to the publication in May. A news release is planned to provide information on the System's year-end results.

Mr. Harkins reported that the Agency is investigating new social media, such as Facebook, to determine if these applications would be valuable to the Agency for future communications needs.

Mr. Harkins reported that the Administrative Committee accepted the reports of the Administrative Expenses and Management Fees for the quarter ending March 31, 2009.

Mr. Harkins reported that the Administrative Committee accepted the report on MBE Performance for the quarter ending March 31, 2009. Ms. Countess noted that the Agency was continuing its outreach efforts to obtain greater minority participation with the Agency's procurements.

Chairman Kopp and Secretary Foster questioned how the Agency was able to achieve a 37% MBE/ WBE participation rate. Mr. Kenderdine stated that he will provide a detailed report.

Mr. Harkins reported that Ms. Anne Budowski updated the Administrative Committee on the performance of the Member Services Unit through the month of April, noting that the Agency returned to meeting its goals for both the abandonment rate and answering calls in April. She stated that the Member Services Unit had answered 11,156 and 9,259 calls in March and April, respectively. She also stated that the Member Satisfaction surveys showed about 93% are satisfied with the services provided. The Agency is continuing to follow up on issues raised by the small percentage of respondents (2.4%) that are not satisfied with the service provided.

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Mr. Harkins reported that MPAS-1 Project Director, Steve Cichelli, together with Ira Greenstein, the Agency's Chief Information Systems Officer and Harvey Raitzyk, the Project's Business Sponsor, reported the project's progress to the Committee in substantial detail.

Mr. Harkins reported that the project is in Parallel Testing, which is the final testing before MPAS-1 goes into production as the system of record to generate the August 2010 payroll. While the parallel testing process itself has been exceedingly complex and challenging to execute, the current MPAS code will be - with the expectation that a few identified issues are cured in an acceptable timeframe - able to satisfactorily replicate the Legacy (LPS) system for MPAS Go-Live as planned.

Mr. Harkins reported that due to the almost limitless possible combinations of variables that are in some of the LPS programs, it is expected during the use of MPAS in operations, defects or missing functionality for unique transaction conditions will be discovered. This is part of routine operations, both in LPS and prospectively in MPAS; it is also noted that related fixes will be made and the operations are anticipated to continue without significant impact, which is normal for large new replacement systems such as MPAS. Mr. Greenstein and Mr. Raitzyk said that after 35 years of use, LPS still encounters problems needing correction when attempting to process certain data input combinations it hasn't encountered before. Fixing the code and moving-on when this occurs is normal system maintenance and operations.

Mr. Harkins reported that during MPAS parallel testing, whenever a need for code modifications has been necessary to address an issue identified in testing, the developer Saber/HP has consistently shown that they are able to analyze, code, test, and implement the needed modification expeditiously. Furthermore, the same Saber/HP team through open competition was recently awarded the on-going MPAS maintenance and operations contract

Mr. Harkins reported that given these favorable test results and expected future support capabilities, and transition activities now in place, Mr. Cichelli concluded it is his opinion that MPAS is good enough now to Go-Live. Parallel testing will continue and the MPAS PMO and Steering Committee will carefully review the factors and risks, in anticipation of a formal Go-Live decision later this month.

Mr. Kenderdine outlined the FY11 Business Plan as follows:

EXECUTIVE DIVISION

Business Continuity Plan: By December 31, 2010, develop a comprehensive business continuity plan that will enable the Agency to quickly resume operations should disaster either temporarily or for an extended period close down the Agency's facilities.

ADMINISTRATIVE DIVISION

Automation of Deferred Retirement Option Program: January 2011, end the entirely manual processing of the Deferred Retirement Option Program through automation of the DROP processing utilizing internal and contractor resources, thus enhancing the Agency's ability to more efficiently and effectively manage the DROP.

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EXTERNAL AFFAIRS

Communications Audit: Develop a comprehensive communications plan to guide the Retirement Agency's communications efforts by auditing the Agency's current communications activities to assess the efficacy of current practices and explore new methods of communications with all stakeholders. The audit is to be completed by October 15, 2010.

Intranet-Based Legislation Tracking System: Through the Agency's intranet (SRA Café) establish an on-line tracking system by the start of the 2011 Session of the Maryland General Assembly for pension and "of-interest" legislation that would provide a more timely and efficient means of presenting pending legislation to staff.

Web-Based Legislation File: By the start of the 2011 Session of the General Assembly, provide a listing of pension legislation on the Agency's website with a link to the General Assembly's website for further information.

Educational Program for Participating Governmental Units: By June 2011, work through Towson University to develop and conduct educational seminars for participating governmental units that focus on actuarial, financial and investment issues relevant to the PGUs participation in the Employees' Pension System, Law Enforcement Officers' Pension System, and Correctional Officers' Retirement System.

FINANCE DIVISION

Revision of Revenue Control Transmittals: By March 2011 develop a standard revenue control transmittal form on our secure website for participating agencies to submit payroll funds, which will eliminate manual keying of payroll information.

Workforce Development Project: By December 2010, study all Agency operations and staffing to survey employees' skills to determine anticipated future personnel needs, with succession planning through training and a comprehensive hiring strategy.

Office Space Reconfiguration/Expansion Request: By July 2011, utilize the soon to be completed space utilization study, and in coordination with DGS and Manekin reconfigure or expand existing office space.

Microfilm Conversion Project: By July 2011, complete first of a three-year phased project to convert aging microfilm storage tapes to an electronic image format.

INFORMATION SYSTEMS DIVISION

Investment Information Management – Compliance: By June 30, 2011, review current information management practices, procedures, and computer systems' tools within the Investment Division in order to fully exploit, adapt, and extend available information systems capabilities and tools. This will be constructed within the Agency's intranet to facilitate sharing designated investment data among staff in a controlled manner.

PGU Payroll Reporting: By July 31, 2011, finalize the re-writing of the

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software program used by at least 50% of PGUs to upload their payroll files to the Agency.

Expand “SRA Café” and SharePoint: Expand the use of SharePoint to encompass Fleet Management; Procurement RFPs and Contracts, Recruiting; Investments; Performance Evaluation Program documentation (PEP); and, Retirement Coordinator Certification Tracking.

Increase Functionality of Secure Member Internet Portal: Before June 30, 2011, continue ongoing process to deploy additional information to the membership over the Internet, including reprints of the Personal Statement of Benefits, 1099Rs, and commonly-completed forms.

Post-MPAS Security/Risk Review: By November 2010, develop a plan to systematically improve the risk profile of the Agency’s networked computing resources.

PROJECT MANAGEMENT DIVISION

Maryland Pension Administration System (MPAS-1) Project: By July/August 2010, complete first step in modernizing the Agency’s pension administrative technologies and business processes.

Maryland Pension Administration System: Improve Data Integrity Project (MPAS-2): Continue the process of data cleansing begun during MPAS-1 to identify and correct inconsistent data and to obtain and capture missing data in the MPAS database. Completion will take several years.

INTERNAL AUDIT DIVISION

Develop a Policies and Procedures Manual for the Internal Audit Division: By July 2011, develop an Internal Audit Division Policy and Procedures Manual to standardize operations, review current policies and procedures, adopt appropriate professional auditing standards, and develop a comprehensive set of policies and procedures to govern the activities of the Internal Audit Division.

Develop Investment Audit Expertise: A risk assessment of the Investment Division, conducted in a co-sourcing arrangement with an external contractor, will be completed by July 2011.

Develop Standard Audit Programs for Non-Technical Information Systems Audits: By July 2011, develop standardized audit programs to perform non-technical audits of Information Systems, including physical security, disaster recovery, program change controls, logical access controls, and back-up and offsite storage.

Develop Performance Indicators for the Internal Audit Division: By July 2011, develop performance indicators to be used for evaluating the Internal Audit Division.

Develop Peer Review Guidelines and Readiness: By July 2011, develop guidelines for external peer reviews of the internal audit function to insure that the Division satisfies the requirements of an external peer review.

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Develop a Waste, Fraud, and Abuse Webpage: By July 2011, develop a webpage enabling staff, members, retirees, and outside parties to report waste, fraud, and abuse.

On a motion made by Mr. Harkins and seconded by Ms. Hill, the Board accepts the FY11 Business Plan.

MPAS Rollout
Board Monitor's
Report

4. Mr. John Douglass reported on the MPAS project and the plan for roll-out.

Mr. Douglass reported that things are going comfortably. He is confident that by August we will generate payroll (retirement) checks. There are still two payroll validation test have to be completed in preparation for the August payroll production.

Investment
Committee
Report

5. Mr. Robert Schaefer, Chairman of the Investment Committee, reported on the meeting held on May 14, 2010.

Mr. Schaefer reported the Investment Committee unanimously approved the February 12, 2010 open meeting minutes, with one amendment. The amendment noted that the System had issued a call for nominations for the public member position expiring June 30, 2010 and that the call for nominations was made public through the System's website as well as by direct communication with relevant professional associations.

Mr. Schaefer reported that Dr. Karyn Williams of Wilshire Associates, Mr. Perry and Mr. Ruetz provided a review of the System's risk management program and its impact on the portfolio. The Investment Committee received and examined samples of the types of risk reports provided by Wilshire to the System. As part of her presentation, Dr. Williams reviewed these sample reports with the Investment Committee and explained the benefits that these reports provide to staff in their monitoring of the System's investment managers and the structure of the System's portfolio.

Chairman Kopp asked for a simple written explanation of "risk" related to investments and audit.

Vice-Chairman Franchot commended Mr. Perry and the entire Investment staff on the System's portfolio growth.

Mr. Schaefer reported on the Investment Division's FY11 projected travel. The Investment staff travels for two primary reasons: (1) to conduct comprehensive due diligence on prospective investment managers and (2) to conduct ongoing monitoring/compliance reviews of existing managers. Other travel includes meetings with the System's consultants and master custodian; participation on investor advisory committees, and attendance at educational conferences, and meetings with other investors and partnership groups. The staff provided the Investment Committee with a list of potential off-site manager meetings to be completed in FY 2011. It was noted that this list is subject to change.

Investment
Committee
Report

Mr. Schaefer reported that the Investment Committee received several reports including:

- › Ennis Knupp's Flash Report
- › Securities Lending Report

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- › State Street Performance
- › Quarterly TUCS Results
- › PE & RE Updates
- › Broker Commission Reports
- › OPEB Update
- › Investment Policy Manual Update

Audit
Committee
Report

6. Mr. F. Patrick Hughes, Chairman of the Audit Committee, reported on the regular meeting held on April 20, 2010.

Mr. Hughes' report included the Audit Committee held an entrance conference meeting with Graylin Smith of SB & Co., the Systems' new financial statement auditors.

- › The Audit Committee received a document outlining the firm's audit strategy and approach, which included:
 - Risk-based audit approach;
 - Evaluation of the control environment; and
 - Identification of significant accounts and processes for testing.
- › The Audit Committee expressed its continued concerns regarding the proper valuation of certain investments, such as real estate and private equity investments. Mr. Smith understood the Committees concerns and indicated that these areas would be subject to additional or alternative audit procedures.
- › A change in accounting principles for this year requires that costs associated with internally-developed software, i.e., MPAS, should be capitalized and amortized. However, due to materiality, this is not expected to be a major issue. Currently, these costs are expensed.

Mr. Hughes' report included Clifton Gunderson provided the Audit Committee with the results of the audits of local government employers for Year-1 of a three-year audit process.

- › Year one included 43 of the 148 local government employers.
- › The audit objectives and related procedures were identified and developed by the Internal Audit Division.
- › The audit summary includes several areas of noncompliance that may be categorized as follows:
 - Those areas of noncompliance that require corrective action by the Agency; and
 - Those areas of noncompliance that require corrective action by the local government employer.
- › The Audit Committee was pleased with the report provided by Clifton Gunderson and the comprehensive method of assessing compliance on the part of local employers.
- › The Internal Audit Division will monitor the actions required to correct the areas of noncompliance.
- › Mr. Harkins will share the report with the Maryland Association of Counties (MACo) and the Maryland Municipal League (MML) to help inform local government employers of the types of issues that are being identified by the audits.

Mr. Hughes' report included the Audit Committee was updated on the status of audits of Local Education Agencies (Boards of Education, Community Colleges, and Public Libraries).

Audit
Committee
Report

- › Local Education Agencies (LEA's) are required to reimburse the State for

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employer retirement contributions of Teachers' Systems members whose salaries are paid from federal funds.

- ▶ The Agency was given the authority to audit the LEA's to help ensure that the State is being properly reimbursed.
- ▶ To satisfy this audit requirement, the Agency is working with the Maryland State Department of Education to incorporate the audit requirement into the "single audits" that are already being conducted of the LEA's.
- ▶ However, it is expected that possible legislation to shift some of the retirement costs for the Teachers' Systems to the local governments could impact this process. Accordingly, this issue is being deferred until such time that responsibility for Teachers' Systems costs is determined.

Mr. Hughes' report included the Audit Committee's review of the results of its self-evaluation and its evaluation of the internal audit function was deferred to its next meeting.

Mr. Hughes' report included the Audit Committee was updated on the Internal Audit Division's plan for obtaining a risk assessment for investment activities.

- ▶ An RFP to perform a risk assessment of investment activities through a co-sourcing arrangement is currently under review by the legal and procurement staff and is expected to be issued in May.
- ▶ The risk assessment will facilitate the development of a risk-based audit plan for investments.

Mr. Hughes' report included the Audit Committee was updated on an earlier cash receipts audit finding that found that cash receipts were not always deposited intact.

- ▶ To improve internal control, the Finance Division has established a separate bank account for depositing certain receipts that require further investigation as to their proper disposition. Finance will then develop internal procedures and provide training to staff in the proper handling of cash receipts.
- ▶ Internal Audit will continue to monitor the cash receipt procedures to insure that all receipts are deposited timely and intact.

Mr. Hughes' report included the Audit Committee accepted the completed audit of Cost of Living Adjustments.

- ▶ The audit disclosed that the level of compliance was satisfactory.
- ▶ However, during the course of the audit, it was noted that the Agency did not retain copies of certain participating governmental unit Participation Agreements. It was determined that many of the Agreements were purged by a former Executive Director. These documents, which should be retained permanently, are needed to support certain on-going financial transactions.
- ▶ The Finance Division, in cooperation with other departments, will work to recover the missing agreements.

Audit
Committee
Report

Mr. Hughes' report included the Audit Committee was advised that the following audits are in progress:

- ▶ Members' Contributions

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- Transfer of Data to Actuary
- Travel Expenses
- ACL Project – Social Security Integration Level Review
- ACL Project – Eligibility Service Verification
- Continuous Audit – Required Distributions at Age 70 ½
- Legacy System and MPAS Payment File Reconciliation
- ACL Project – Deceased Maryland Retirees
- Continuous Audit – Cash Receipts

Mr. Hughes reported that Internal Audit is in the process of reviewing the Investment Division's policies and procedures for identifying placement agents used by external managers and the fees paid. Preliminary results indicate that the Investment Division does not have a written policy or procedures for identifying all placement agents used or the fees paid by the external managers. A review of other pension systems indicates that it is an accepted practice to require an annual reporting of placement agents by all investment managers. The Audit Committee believes that it would be prudent for the Agency to adopt a similar policy and procedure.

Mr. Hughes reported that In conjunction with the Funding Policy Committee, certain statistics on the average age and service of members in the State Police System are being compiled with respect to the DROP program.

Mr. Hughes' report included that the Audit Committee directed Internal Audit to determine the Agency's policy and procedures for clearing the hard drives of disposed computers as well as the storage devices used by digital copiers, which are leased by the Agency.

Corporate
Governance
Committee
Report

7. The agenda for the meeting was amended such that the matter of "Update on Iran Sudan Divestiture Issues" was considered as an ACTION item rather than and INFORMATION item.

Ms. Sheila Hill, Chairman of the Corporate Governance Committee, reported on the regular meeting held on May 14, 2010.

On a motion made by Ms. Hill and seconded by Mr. Schaefer the Board approved the policies and procedures that the Board of Trustees, Investment Division staff, investment consultants, managers and other service providers will follow in administering the Divestiture from Iran and Sudan Act (the "Act"), which is codified at State Personnel and Pensions Article ("SPP Article") §21-123.

Ms. Hill reported that there are four broad categories of procedures: (1) review of holdings and engagement, (2) collection of information and list management, (3) actions by the Board of Trustees, and (4) semi-annual reporting.

Corporate
Governance
Committee

Ms. Hill reported that there are two main types of actions that the Board of Trustees is required to make under the terms of the Act: (1) "no net new funds" determinations in accordance with SPP Article §21-123.1(d)(2) and (2) "divest/hold" determinations.

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Report

Ms. Hill reported that the Investment staff will develop a single, consolidated list of companies that the managers of actively managed separate accounts may not hold, and present it to the Corporate Governance Committee for adoption at its August meeting.

Ms. Hill reported that the Corporate Governance Committee will be working with the Agency's legal counsel to flesh out and clarify certain process issues relating to the conduct of the Corporate Governance Committee's work. One of the process issues concerns the handling of time sensitive action items that come in during the interims between the Corporate Governance Committee's four regularly scheduled meetings each year. These action items typically include requests that that the System 'sign on' to letters or statements from other institutional investors or organizations (Council of Institutional Investors, INCR, etc.) that are being sent to regulators, commissions, legislators, shareholders or companies regarding corporate governance matters.

Ms. Hill reported that these items will be brought to the Executive Director, who will determine the appropriate course of action, with input from legal counsel and the Investment Division. In reviewing these items, the Executive Director will employ the following guidelines:

1. If the matter is clearly consistent with the System's proxy voting guidelines and other corporate governance policies, then the Executive Director may execute documents on behalf of the System.
2. If the matter is not clearly consistent with the System's proxy voting guidelines and other corporate governance policies, then the Executive Director will attempt to convene a special meeting of the Corporate Governance Committee. If it is not possible to convene a special meeting, the Executive Director will consult with the Chairman of the Committee and the Chairman of the Board of Trustees, apprise them of the matter and obtain direction regarding the proposed course of action. Staff informed the Committee that they would work with the System's proxy service provider to undertake a comprehensive review of the System's Corporate Governance Policy and Proxy Voting Guidelines. Preliminary results of the review will be presented to the Committee at its August meeting; a final policy document will be presented to the Committee in November.

Ms. Hill reported that the Corporate Governance Subcommittee Charter to reflect its status as a Committee of the Board, and to encompass changes in the responsibilities of the Committee. It will be presented to the Corporate Governance Committee at its meeting in August.

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Board approved the process approved by the Corporate Governance Committee.

System Funding
Policy Ad Hoc
Committee Report

8. Mr. Robert Schaefer, Chairman of the System Funding Policy Ad Hoc Committee, reported on the meetings held on April 21 and June 3, 2010.

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System Funding
Policy Ad Hoc
Committee Report

Mr. Schaefer reported that the System Funding Policy Ad Hoc Committee plans one final meeting on June 24th to finalize its recommendations to the Board for presentation at our July 20th Board meeting.

Mr. Schaefer reported that the System Funding Policy Ad Hoc Committee has focused its attention on two of the three alternative funding policies recommended to the Board by our actuary.

1. The so-called "clopen" alternative, in which there is a 25-year amortization that opens at 15 years, and;
2. A 20-year open amortization alternative.

Mr. Schaefer reported that there has been detailed analysis of these two alternatives with various scenarios involving alternative smoothing, including a discrete treatment of the System's 2009 losses, being tested.

Mr. Schaefer reported one matter that will be a part of the report submitted to you next month, will be a recommendation to smooth the 2009 losses over a 10 year period, with all other periods subject to the normal 5 year smoothing.

Mr. Schaefer reported that a second recommendation will be to phase out the Corridor Funding Method over 10 years. This will be based on the premise that no other funding policy changes can be made without a commitment to end the Corridor Method.

Mr. Schaefer reported that the recommendations will also include a new policy for the System when it achieves the status of being overfunded. The policy will address the need for ongoing contributions when overfunded status is reached as well as the need for asset allocation review or a program for reducing investment risk when such status is reached.

Major Krome commented that he was pleased to be on the System Funding Policy Ad Hoc Committee and, that the System's actuary has been informative and responsive.

2010 Attendance
And
Training Reports

9. Mr. Kenderdine presented the required annual Attendance Report and Training Report for January 1 through June 15, 2010 for review. The Attendance Report will be updated to reflect June attendance and then filed with the General Assembly by June 30, 2009 as required.

Earnings Limitation
Recovery Report

10. On a motion made by Mr. Harkins, and seconded by Ms. Hill, the Board approved the Earnings Limitation Recovery Report and authorized the Agency to reduce the FY11 benefits of the affected retirees.

Disability Offset
Report

11. On a motion made by Mr. Hughes, and seconded by Ms. Hill the Board approved the Earnings Limitation Recovery Report and authorized the Agency to reduce the FY11 benefits of the affected retirees.

Disability Retirement
Application

12. On a motion made by Chairman Kopp, and seconded by Mr. Brown the Board accepted affidavit validating the signature of Mr. Anoop Babra for the purpose of Disability Benefits qualification as required by Chapter 597.

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- Executive Director's Report 13. Mr. R. Dean Kenderdine reported on recent Agency developments.
- Mr. Kenderdine reported that, similar to past years, the Agency will be assisting the Maryland Charity Campaign with their 2011 retiree campaign.
- Ms. Deborah Bacharach introduced Mr. John Kuchno the new Assistant Attorney General. Mr. Kuchno will be working in the Litigation division of the Legal Department.
- Mr. Kenderdine announced and invited the Trustees to the June 22nd Employee Appreciation event.
- Mr. Kenderdine reported that the Agency lost a long time employee Jacqueline "Jackie" Cole. She will be truly missed. Chairman Kopp, on behalf of the Board, extended her condolences to the family and Agency.
- CIO Report 14. Mr. Mansco Perry, III commented on the portfolio's performance.
- Mr. Perry reported that fiscal year-to-date earnings were 16% as of the end of April.
- Medical Board And Supplemental Medical Board Reports 15. On a motion made by Chairman Kopp and duly seconded, 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.

CLOSED SESSION

The Board met in a Closed Session (10:55 a.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to approve the closed session minutes, State Government Article §10-503(a)(1)(i), the exercise of an administrative function;
2. to discuss securities litigation, State Government Article §10-508(a)(7)&(8), the exercise of consult with counsel to obtain legal advice and to consult with staff, consultants, or other individuals about pending or potential litigation.

The Trustees present included:

Nancy K. Kopp, Chairman	Peter Franchot, Vice-Chairman	David Blitzstein	William Brown
John Douglass	T. Eloise Foster	James Harkins	Sheila Hill
F. Patrick Hughes	Major Morris Krome	Theresa Lochte	Robert Schaefer
Harold Zirkin	R. Dean Kenderdine, Secretary		

Agency Staff members attending included:

Margaret Bury	Robert Feinstein	Michael Golden	Dennis Krysiak	Mansco Perry
Howard Pleines	Ken Reott	Brian Rowe	Janet Sirkis	Patrice Sowah

Assistant Attorneys General attending: Deborah Bacharach, Rachel Cohen, Melissa Warren.

Also in attendance: John Kenney and Melissa Moyer.

The Board ended its closed session at 11:44 a.m. and returned to regular session to complete the agenda.

REGULAR SESSION – APPEALS AND HEARINGS

The Board reported that during the closed session the Board approved the closed session minutes.

- Joseph L. Farrow 16. The Board considered the recommendation of the Administrative Law Judge

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in connection with the claim of Mr. Joseph L. Farrow 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. Laurie Walters, Mr. Joseph L. Farrow'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.

- Vicki E. Contee 17. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Vicki E. Contee 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. Jordan Liberman, Ms. Vicki E. Contee'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.

- Virgie T. Foster 18. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Virgie T. Foster 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. Virgie T. Foster appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill Leiner, attorney for the Agency, briefly addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

- Viola S. Brown 19. The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Viola S. Brown 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. Viola S. Brown appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Jill Leiner, attorney for the Agency, briefly addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

CLOSED SESSION – APPEALS AND HEARINGS

The Board met in a Closed Session (12:56 p.m.) in the Boardroom of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. to discuss the disability appeals pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi-judicial function.

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The Trustees present included:

Sec. T. Eloise Foster	William Brown	James Harkins	John Douglass
Sheila Hill	Major Morris Krome	Theresa Lochte	Robert Schaefer
Harold Zirkin			

Agency Staff members attending included:

R. Dean Kenderdine Patrice Sowah Janet Sirkis
Assistant Attorneys General attending: Deborah Bacharach, Rachel Cohen
John Kenney and Peter Goldsmith was also in attendance.

The Board ended its closed session at 1:03 p.m. and returned to regular session to complete the agenda.

REGULAR SESSION

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

- Joseph L. Farrow 20. The Board voted to **REMAND** the case back to the Office of Administrative Hearings.
- Vicki E. Contee 21. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Vicki E. Contee's request for accidental disability benefits.
- Virgie T. Foster 22. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Virgie T. Foster's request for accidental disability benefits.
- Viola S. Brown 23. The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Viola S. Brown's request for accidental disability benefits.
- Adjournment 24. There being no further business before the Board, the meeting adjourned at 1:03 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/pws