

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

[revised] MINUTES OF MEETING  
December 16, 2003

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 9:05 a.m. There were present William Donald Schaefer, Chairman (arrived at 9:30am), Nancy K. Kopp, Vice-Chair, James C. DiPaula, Dr. Nancy S. Grasmick, Arthur Caple, William D. Brown, Carl D. Lancaster, Dr. Melissa Moye, Patrick O'Shea, Morris L. Krome, David B. Hamilton, Trustees, and, Thomas K. Lee, Secretary. Agency Staff members also attending were Margaret Bury, Retirement Administrator, Deborah Bacharach, Robert Feinstein, Rachel Cohen, and Jill Leiner, Assistant Attorneys General, Steve Huber, Chief Investment Officer, Sherlynn Matesky and Howard Pleines, Legislation and Research, Thomas Gigliotti, Chief Internal Auditor, Margo Wheat, Chief Financial Officer, Arthur Broadwick and Jeannie Abramson, Finance, Harvey Raitzyk, Deputy Retirement Administrator, Joseph Coale, Public Information Officer, Gary Scribner, Chief Information Officer, and Monica Bias, Executive Associate.

Also attending were Andrea Fulton, Department of Budget and Management, Dean Kenderdine, Comptroller's Office, Anne Gawthrop and Daniel Tompkins, Legislative Services, Mary Jo Neville, Maryland State Teachers' Association, Robert Palumbi, Maryland Retired Teachers' Association, Timothy Talbot, Esquire and Mary E. Ringrose, Gerald F. Gay, Esquire and Martin M. Mrozinski, and Daniel H. Green, Esquire and Karen Hanna.

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| Minutes   | 1 | On a motion by Mr. Caple, seconded by Dr. Grasmick, the Board approved the minutes of the meeting held November 18, 2003. Secretary DiPaula wanted the minutes to reflect that he fully recognizes the importance of providing a fair hearing on disability requests, however, he believes that the Board spends a disproportionate amount of time in relation to its other fiduciary responsibilities on these cases each month.   |
| 2004 Meeting Dates                              | 2 | On a motion by Mr. Caple, seconded by Mr. Brown the Board approved the meeting dates for 2004.  |
| Investment Committee Report and Recommendations | 3 | Mr. Arthur Caple, Chairman of the Investment Committee, reported on the meeting held December 12, 2003.<br><br>Ms. Vicki Willard reported on the amount of business the System conducted with State Street, specifically State Street Global Advisors, State Street Global Markets, and State Street Bank and Trust. The Retirement Agency will continue to monitor the volume of business and make a more detailed report in the future.<br><br>On a motion by Mr. Caple, seconded by Mr. Lancaster the Board voted to appoint Mr. O'Shea to the Private Equity Ad Hoc Subcommittee. |

On a motion by Mr Caple, seconded by Major Krome the Board agreed to develop a soft dollar policy (report back in February) and to list the policy in the Investment Operations Manual

Mr Caple advised that he and Mr Feinstein are continuing to collect information pertaining to the mutual fund investigation While there are no major issues to report involving the System's external managers, additional information will continue to be collected, which will be summarized in the future for a more detailed report to the Board

Mr Caple reported that EnnisKnupp reviewed the watch list and there are no changes recommended

Following a presentation and explanation by Robert Feinstein, on a motion by Mr Caple, seconded by Mr Lancaster, the Board voted to send two letters to the Securities and Exchange Commission regarding the SEC's proposed proxy rules

On a motion by Mr Caple, seconded by Mr O'Shea the Board accepted staff's recommendation to alter the present language in the amendment letter of Brown advisory's contract and the language in the Investment Operations Manual This changes the 5% limit from one based on security cost to a limit based on market value

The Board accepted Mr Caple's report

Executive  
Committee Report  
and Recommendations

4 Mr William Brown, Chairman of the Executive Committee, reported on the meeting held December 2, 2003

On a motion by Mr Brown, seconded by Secretary DiPaula the Board approved staff's recommended amendments to the process for approving manager fee payments

On motion made by Mr Brown, seconded by Dr Grasmick, the Board upheld Mr Lee's recommendation to deny Mr McCutcheon Marshall Jr and Mr Jon Chamberlin's requests to change their retirement option selection after their retirement

On motion by Mr Brown, and duly seconded, the Board approved amending COMAR 22 03 04, Procedures for hearings by or for the Board of Trustees and 22 01 02, Public Information Act Requests

Mr Brown advised that Ms Bury reported on the backlog of estimates received by the Retirement Agency, indicating that the Agency is making every attempt to reduce the 1800 backlog A letter is being sent to members requesting estimates explaining the delay in response time

Mr Brown noted that the Committee had asked staff to contact the University of Maryland concerning an apparent personnel decision that could impact on the System When additional information is received, the Executive Committee will review the data and determine if any action is needed from the Board

On motion by Mr. Brown, seconded by Major Krome, the Board accepted the recommendation that the Tri-County Council for the Lower Eastern Shore and the Town of Chestertown be approved for participation in the Employer Pick-Up Program

Mr. Harvey Raitzyk informed the Board that the Retirement Agency is to develop a plan to continue operations in the event of a disaster under the Continuity of Operations Planning (COOP). An Executive Order on this program is forthcoming.

Mr. Scribner reported on the progress of developing an RFP for a pension consultant who would assist in the preparation of a request to establish a new computer system. He has been meeting with information technology staff from the Department of Budget and Management on preparing this RFP.

The Minutes of the Executive Committee meeting are shown as Exhibit A.

The Board accepted Mr. Brown's report.

Executive  
Director's Report

5 Mr. Thomas Lee advised the Board that Mr. Kenneth Holt is reviewing his appointment to the Board with his employer to determine if there is a conflict of interest. His firm's legal department is reviewing at this time, and Mr. Lee should hear from Mr. Holt by December 18, 2003.

Mr. Lee indicated to the Board that an attendance roster is being sent to Governor Ehrlich at the governor's request. There is also a requirement that the attendance record be sent to the General Assembly.

Mr. Lee reported that he had attended a summit with Treasurer Kopp on the impact of global climate on investment results as to whether managers were or should account for such changes in their investment strategies.

Mr. Lee advised that each Trustee had received a timeline for implementing Board Governance Policies and an annual checklist for implementing Board policies and submission of deliverables. He asked for the Trustees to review these documents in the next several weeks and advise him of recommended changes so that the documents could be finalized for distribution to the Board in January 2004.

At Mr. Lee's request, Mr. Pleines informed the Board that the Joint Committee had agreed to introduce the Board's entire 2004 legislative packet. In addition, the Joint Committee added a proposal to permit trustee education to occur in the Baltimore-Washington metro area. The Joint Committee also intends to introduce legislation to give the Office of Administrative Hearings the final decision on disability appeals.

On motion made by Dr. Grasmick, duly seconded, the Board requested Mr. Lee to notify the Joint Committee on Pensions of the Board's concerns that their fiduciary responsibilities to the membership would be reduced if the Office of Administrative Hearings is given the final decision for disability appeals. Mr. Hamilton and Mr. O'Shea opposed the motion.

Ms Deborah Bacharach advised that tax counsel had strongly suggested that any changes to pension law permitting the rehiring of retirees include language requiring a break of at least 30 days. On motion made by Dr. Grasmick,

seconded by Mr. Lancaster, the Board agreed to support a 30-day break in employment between retirement and rehiring of teachers. Ms. Bacharach is to investigate if there are tax concerns related to the re-hire of employees and state police.

Mr. Lee stated that staff was working on streamlining the process for the preparation of Board materials in an effort to mail agendas on a more timely basis.

The Board accepted Mr. Lee's report.

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| Executive Director's Evaluation | 6 | Ms. Andrea Fulton, Director of Personnel Services and Benefits, Department of Budget and Management presented an evaluation form for the Executive Director for the Board's approval that was developed from evaluation forms for directors of other state systems and agencies in Maryland. Mr. Brown also stated that a salary review is underway to gather information on compensation levels of other system directors. On motion by Mr. Brown, seconded by Major Krome, the Board accepted the evaluation documents for the annual performance review of the Executive Director.   |
| Annual Report                   | 7 | Mr. Arthur Broadwick presented a brief overview of the principal data presented in the 2003 Comprehensive Annual Financial Report. On motion made by Treasurer Kopp, seconded by Mr. O'Shea, the Board accepted the report.   |
| Mary E. Ringrose                | 8 | The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Mary E. Ringrose 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.<br><br>Mr. Timothy Talbot, attorney for Ms. Ringrose, appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations. 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. |
| Martin M. Mrozinski             | 9 | The Board considered the recommendation of the Medical Board report and the Administrative Law Judge in connection with the claim of Mr. Martin M. Mrozinski, for accidental and ordinary disability benefits. The Medical Board report and all related documents submitted by the parties were presented.<br><br>Mr. Gerald F. Gay, attorney for Mr. Mrozinski, appeared before the Board and opposed the Agency's position and the Medical Board report. 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.                      |

- Karen J Hanna 10 The Board considered the recommendation the Administrative Law Judge in connection with the claim of Ms Karen J Hanna 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 Daniel H Green, attorney for Ms Hanna, appeared before the Board and opposed the Agency's position and the Administrative Law Judge's recommendations. 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.
- Medical Board 11 On motion made by Mr Brown, seconded by Dr Grasmick 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 12 On motion made by Mr Brown, seconded by Dr Grasmick the Board unanimously voted to accept 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 evidence provided by the claimants. The Supplemental Report of the Medical Board is shown as Exhibit B.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session, to consider the following matters: deliberations regarding the disability appeals. State Govt Article, Section 10-503(a)(1)(iii) authorizes the Board to meet in closed session to exercise a quasi-judicial function.

#### EXECUTIVE SESSION

The Board met in Executive Session at 12:35 p.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street to consider the appeals of Mary E Ringrose, Martin M Mrozinski, and Karen Hanna. All of the persons present at the beginning of the meeting were present in Executive Session except Secretary James C DiPaula, Robert Feinstein, Margo Wheel, Arthur Broadwick, Jeannie Abramson, Harvey Raitzyk, Gary Scribner, Joseph Coale, Timothy Talbot, Mary Ringrose, Gerald F Gay, Martin M Mrozinski, Daniel H Green and Karen Hanna. The Board adjourned its Executive Session at 12:43 p.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.

- Mary E Ringrose The Board considered the appeal of Mary E Ringrose. Following a discussion, on motion made by Mr Brown, seconded by Dr Grasmick, the Board voted to reject the Administrative Law Judge's Proposed Decision and grant Ms Ringrose's request for accidental disability benefits. Mr Hamilton opposed.

Martin M Mrozinski

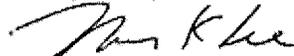
The Board considered the appeal of Martin Mrozinski. Following a discussion, a motion made by Major Krome, seconded by Treasurer Kopp the Board voted to accept the Medical Board report and the Administrative Law Judge's Proposed Decision and deny Mr Mrozinski's request for accidental and ordinary disability benefits.

Karen J Hanna

The Board considered the appeal of Karen Hanna. Following a discussion, and failure of a motion to reject the Administrative Law Judge's report by a 3 to 6 vote, on motion by Mr Lancaster, duly seconded the Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms Hanna's request for accidental disability benefits. Mr Brown and Mr Caple opposed. Comptroller Schaefer abstained.

There being no further business before the Board, the meeting adjourned at 12:55p m.

Respectfully submitted,



Thomas K. Lee  
Secretary to the Board

TKL/mcb