

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

MINUTES OF MEETING

May 15, 2007

The Board of Trustees for the State Retirement and Pension System of Maryland held its annual education program at the Mount Washington Conference Center beginning at 8:00 a.m. A portion of this program was dedicated to Trustee business commencing at 1:46 p.m. There were present: Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; William D. Brown; John W. Douglass; T. Eloise Foster; James M. Harkins; Sheila Hill; F. Patrick Hughes; Carl D. Lancaster; Morris L. Krome; and, Patrick O'Shea, Trustees; and R. Dean Kenderdine, Secretary. Investment Committee members in attendance were Wayne Shaner; and Brian Topping.

Agency Staff members attending were: Deborah Bacharach; Anne Budowski; Margaret Bury; Robert Burd; Paige Davis; Shinelle Davis; Liz Fisher; John Greenberg; Michelle Lowery; Arthur Lynch; Vincent Marsiglia; Tatyana Mirkin; Howard Pleines; Brian Rowe; Janet Sirkis; Barbara Swain; and, Victoria Willard.

Others in attendance were Lisa Campbell; Anne Gawthrop; Melissa Moye; and John Kenney.

Attached is the agenda for the education session.

On motion made and duly seconded, the Board voted unanimously to meet in Executive Session to discuss the Eli Lilly Securities Class Action, pursuant to State Government Article 10-508(a)(8), which authorizes the Board to meet in closed session to consult with staff about pending or potential litigation.

EXECUTIVE SESSION

The Board met in Executive Session at 1:47 p.m. in the Mount Washington Room of the Mount Washington Conference Center to consult with counsel about potential litigation. There were present Nancy K. Kopp, Chairman; Peter Franchot, Vice-Chairman; William D. Brown; John W. Douglass; T. Eloise Foster; James M. Harkins; Sheila Hill; F. Patrick Hughes; Carl D. Lancaster; Morris L. Krome; and, Patrick O'Shea, Trustees; and R. Dean Kenderdine, Secretary.

Agency Staff members attending were: Deborah Bacharach; Anne Budowski; Margaret Bury; Howard Pleines; Janet Sirkis; and, Barbara Swain.

The Board ended its closed session at 1:58 p.m. and returned to its business session of the program.

REGULAR SESSION

Medical Board Reports

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.

CIO Salary and Incentives

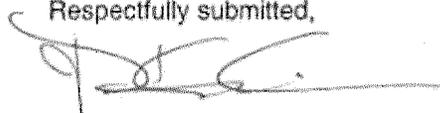
Mr. Dean Kenderdine advised the Board that on May 11, 2007 a special meeting of the Investment Committee was held to determine a recommended compensation package for the position of Chief Investment Officer (CIO). Ennis Knupp prepared a memorandum (see attached) with a recommendation for a CIO compensation package. He noted that SB999 authorizes the Board of Trustees to set the CIO's salary and establish the criteria for incentive awards.

On motion made by Mr. Douglass, and seconded by Mr. Hughes, the Board voted to approve the following recommendations of the Investment Committee.

1. That the System initiate a hiring process for a Chief Investment Officer with an advertised salary range of \$200,000 to \$300,000 and an incentive award opportunity of up to 33% of base pay.
2. That the System procure the services of an Executive Search firm to identify CIO candidates.
3. Mr. Kenderdine and Ennis Knupp will further refine the criteria for the incentive compensation and submit them to the Investment Committee and Board for approval. When approved, they will be forwarded to the General Assembly for its 45-day comment period.
4. Mr. Kenderdine and Investment staff will review the current Investment Policy Manual and identify those areas where the Investment Committee and the Board of Trustees will want to consider revisions in order to ensure that the Board's expectations and parameters to be followed in the hiring and firing of managers are met when the CIO exercises his/her authority under the new law.

There being no further action items, the business meeting of the Board ended at 2:10 p.m. The Board returned to its annual education program.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

RDK/js