

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

MINUTES OF MEETING

April 16, 2002

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, at 9 30 a m There were present William Donald Schaefer, Acting Chairman, Treasurer Nancy K Kopp, Secretary T Eloise Foster (via-telephone from 9 59 a m until 12 55 p m), Arthur N Caple, Jr, Debra Humphries, William D Brown, Carl D Lancaster, David Rakes (arrived 10 10 am, departed 2 25 pm), Colonel David B Mitchell (departed 11 35 a m), Major Morris L Krome, G Bruce Harrison, Dr Ali A Alemi, and George Tydings, Trustees, and, Peter Vaughn. Secretary Agency Staff members also attending were Margaret A Bury, Retirement Administrator, Deborah Bacharach, Robert Feinstein, Jill Leiner, and Carla Katzenberg, Assistant Attorneys General, Carol Boykin, Chief Investment Officer, Tracey Ray, Deputy Chief Investment Officer, Sherlynn Matesky, Administrator, Lawrence Bach, Thomas Gighotti, Chief Internal Auditor, Gary Scribner, Chief Information Officer, Rick Harrison, Chief Financial Officer, and Gwen Mulkey, Executive Associate

Also present were, Mr Gerald Key, Ms Gayle Clarke, and her attorney Timothy Merring, Esq Ronald Ruffo, and Deborah Auerbach of Syscom, William Kahn, Principle Counsel of Contract Litigation unit of the Attorney General's office, and Dana Reed, Deputy Counsel of the Contract Litigation unit of the Attorney general's office

Minutes

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Dr Alemi requested a correction be made to the minutes of March 19, 2002 on page 9 of the agenda, item 11 Dr Alemi stated the record should reflect that he asked the Chairman for an update on the Ad-Hoc Committee for Benefits Improvement Dr Alemi stated that it was following his inquiry that the discussion regarding the Ad-Hoc Committee ensued

On motion made by Dr Alemi and seconded by Mr Brown, the minutes of the meeting of the Board of Trustees for the State Retirement and Pension System of Maryland, held on March 19, 2002, were unanimously approved as amended

Additionally, Mr Vaughn requested that the Board approve Executive Session minutes from Board meeting dates of the months November 01, December 01, January 02, and February 02 Mr Lancaster stated that the Board had not been given sufficient time to review the minutes, therefore, Mr Lancaster requested that all of the Executive Session minutes deferred until the May 21, 2002 meeting On motion made by Mr Lancaster and seconded by Mr Brown the Board voted unanimously to defer the approval of the Executive Session minutes until the May 21, 2002 meeting

1

Committee  
Appointments

2

On motion made by Mr Caple and seconded by Dr Alemu the Board voted unanimously to appoint Treasurer Nancy Kopp to the Investment Committee and the Executive Committee

Committee  
Establishment

3

On motion made by Mr Caple and second by Dr Alemu the Board voted to establish the Ad-Hoc Communications Committee, consisting of Treasurer Nancy Kopp as Chairwoman of the Committee and Mr George Tydings and Mr David Rakes to serve as members of the Committee

Foreman Lockwood

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The Board considered the report of William L. England, Jr., the Administrative Law Judge in connection with the claim of Foreman Lockwood, for accidental disability benefits. The report included a report by the Medical Board and related medical documentation.

The Medical Board denied Mr Lockwood's claim for accidental disability retirement benefits based on their determination that the reported accident was not the direct cause of the Claimant's disability. Mr Lockwood appealed the Medical Board's decision.

Mr Lockwood's case was heard on the record. 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.

Gerald Key

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The Board considered the report of Laurie Bennett, the Administrative Law Judge in connection with the claim of Gerald Key, for accidental disability benefits. The report included a report by the Medical Board and related medical documentation.

The Medical Board denied Mr Key's claim for accidental disability retirement benefits based on their determination that the reported accident was not the direct cause of the Claimant's disability. Mr Key appealed the Medical Board's decision.

Mr Key presented his arguments opposing 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.

Gayle Clarke

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The Board considered the report of Judith Finn Plymer, the Administrative Law Judge in connection with the claim of Gayle Clarke, for accidental disability benefits. The report included a report by the Medical Board and related medical documentation.

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The Medical Board denied Ms Clarke's claim for accidental disability retirement benefits based on their determination that the reported accident was not the direct cause the Claimant's disability Ms Clarke appealed the Medical Board's decision

Ms Clarke presented his arguments opposing the Agency's position and the Administrative Law Judge's recommendations 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 by Mr Caple and seconded by Dr Grasmick, the Board voted unanimously to meet in Executive Session to consider the following matters deliberations regarding the disability appeals, legal advice and staff consultation regarding Chapman Capital Management, Alan Bond and system losses, and Strategic System issues, and discussion regarding the minority manager search State Govt Article, Section 10-503(a)(1) authorizes the Board to meet in closed session to exercise a quasi-judicial function Section 10-508(a)(5) authorizes the Board to meet in closed session to consider the investment of public funds Section 10-508(a)(7) authorizes the Board to meet in closed session to obtain legal advice, and Section 10-508(a)(8) authorizes the Board to meet in closed session to consult with staff or other individuals about pending or potential litigation

### EXECUTIVE SESSION

The Board met in Executive Session at 11 36 a m in the Board Room of the SunTrust Building at 120 East Baltimore Street consider the appeals of Foreman Lockwood, Gerald Key, and Gayle Clark, legal advice and staff consultation regarding Chapman Capital Management, Alan Bond and system losses, and Strategic System issues, and discussion regarding the minority manager search All of the persons present at the beginning of the meeting were present in Executive Session except the following Jill Leiner, Carla Katzenberg, Mr Gerald Key, Ms Gayle Clarke, and her attorney Timothy Merring, Esq, Ronald Ruffo, and Deborah Auerbach of Syscom The Board adjourned its Executive Session at 2 10 p m and returned to regular session to complete the agenda

Foreman Lockwood

The Board considered the record of Foreman Lockwood Following a discussion, Dr Alemi made a motion, seconded by Mr Caple, to reject the Administrative Law Judge's Proposed Findings and grant Mr Lockwood accidental disability benefits The motion failed with a vote of two yeas, nine nays and one abstention Dr Alemi and Mr Caple registered yea votes Chairman Schaefer, Treasurer Kopp, Major Krome, Messrs Brown, Lancaster, Harrison, Rakes, Tydings, and Ms Humphries, registered nay votes Secretary Foster abstained

On motion made by Mr Brown and seconded by Ms Humphries, the Board voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Mr Lockwood's request for accidental disability retirement benefits, with a vote of nine to two with one abstention Chairman Schaefer, Treasurer Kopp, Major Krome, Messrs Brown, Lancaster, Harrison, Rakes, Tydings, and Ms Humphries, registered yea votes Dr Alemu and Mr Caple registered nay votes Secretary Foster Abstained

GeraE Key

The Board considered the record of Gerald Key Following a discussion, on motion made by Treasurer Kopp and seconded by Major Krome, the Board voted to adopt the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and denied Mr Key's request for accidental disability retirement benefits, with a vote of nine with three abstentions Chairman Schaefer, Treasurer Kopp, Major Krome, Messrs Brown, Lancaster, Harrison, Caple, Tydings, and Ms Humphries, registered yea votes Secretary Foster, Mr Rakes and Dr Alemu Abstained

Gayle Clarke

The Board considered the record of Gayle Clarke Following a discussion, on motion made by Mr Brown and seconded by Mr Caple, the Board voted to reject the Administrative Law Judge's Proposed Findings of Fact and Conclusions of Law and grant Ms Clarke's request for accidental disability retirement benefits, with a vote of seven to four with one abstention Chairman Schaefer, Messrs Brown, Lancaster, Harrison, Caple, Tydings and Ms Humphries, registered yea votes Treasurer Kopp, Dr Alemu, Major Krome, and Mr Rakes registered nay votes Secretary Foster Abstained

Investment Committee  
Report

Mr Caple, Chairman of the Investment Committee, reported on the meeting held on April 12, 2002

On motion made by Mr Caple and seconded by Treasurer Kopp, the Board unanimously voted to ratify the Investment decisions made during closed session

On motion made by Mr Caple and seconded by Mr Tydings, the Board voted to unanimously approve the Real Estate Registry

Mr Caple advised the Board that the System engages the ISS proxy voting service, and ISS recommended voting against Mr Savage's appointment On motion made by Mr Caple and seconded by Treasurer Kopp the Board voted unanimously to oppose the re-election of Mr Frank Savage to Lockheed's board at the proxy level

The Board accepted Mr Caple's report

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Executive Director's  
Report

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Mr Peter Vaughn reminded the Board that the State Ethics forms are due Tuesday April 30, 2002 Mr Vaughn stated that Janet Nathanson is a Notary and that members of the Board need only complete the ethics forms and staff would see that they were notarized and mailed

Mr Vaughn stated that interviews for the PIO Position would take place the week following the meeting Additionally, Mr Vaughn noted that the candidate should be selected by the end of April

Mr Vaughn noted that the year to date investment returns thru February 28, 2002 yielded a negative 4.5 %

Mr Vaughn informed the Board that on Friday, April 19, 2002 the Agency's Employee service award celebration would take place Mr Vaughn invited the Board to attend

The Board accepted Mr Vaughn's report

Executive  
Committee Report

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Mr Brown, Chairman of the Executive Committee reported on the regular meeting held April 16, 2002

Attachment A

Mr Brown advised the Board that the Agency had received confirmation that the Agency would not be subjected to additional budget cuts for fiscal year 2002

Mr Brown reported that the Retirement Agency is required to provide a report to the Governor on how 3% to 8% of budgeted positions can be eliminated while the functions of the Retirement Agency are still carried out Major Krome stated his concerns that the Retirement Agency is forced to reduce services because of budget constraints when none of the Retirement Agency cuts impact on the General Fund Staff was directed to prepare a report indicating where cuts have or will impact on the services that must be provided

Mr Brown stated that there were three requests for appeal for which the Executive Committee is recommending a denial Each case involves provisions of State Pension law, which cannot be waived

The first request is from Mr John Stolz Mr Stolz is seeking to receive service credits for time when Baltimore City employed him He had been a member of the Baltimore City Retirement System for 125 months when he accepted a State contractual position

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The second request for a hearing comes from Corporal Bruce Hayden. Mr. Brown indicated that Corporal Hayden retired to enter the State Police DROP program effective July 1, 2001. After receiving 6 months of his retirement allowance, Corporal Hayden attempted to alter his option selection, which the Agency denied.

The third appeal involved a request from a Karl McGovern for a hearing to extend his participation in the DROP to a full 5 years.

The Executive Committee recommends to the Board of Trustees that the denials to of requests for hearings in the cases of Mr. John Stolz, Corporal Bruce Hayden, and Karl McGovern be upheld. On motion made by Mr. Brown and seconded by Treasurer Kopp the Board voted unanimously to uphold Mr. Vaughn's decision and deny hearing requests for Mr. John Stolz, Corporal Bruce Hayden, and Karl McGovern.

Mr. Brown stated that during the Executive Committee meeting, Mr. Peter Vaughn presented information for discussion by the Executive Committee involving a request to suspend a members retirement allowance. Staff was directed to report to the committee its recommendations and present a review of the positive and negative aspect of their findings. This review would take place at the Executive Committee meeting the following month.

Mr. Brown noted that Ms. Margaret Bury presented information to the Executive Committee concerning the recovery of pension benefits against a Workers' Compensation payment that is paid or payable after retirement.

The Executive Committee asked that the draft policy be submitted to all Trustees for their comments, noting that it will be discussed again at the next Executive Committee meeting. Both Ms. Bury and Ms. Bacharach noted that following Board approval of a policy, the Agency will prepare the needed regulations to place the Board's decisions in COMAR.

The Board accepted Mr. Brown's report.

Audit Committee  
Report

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Mr. William Brown, Chairman of the Audit Committee, stated that the Internal Audit Division would report on its continuing review of the Domestic Emerging Markets - Minority Equity Trust Fund.

Mr. Gighotti gave a very-brief description of five issues that had arisen during the review:

- 1 Securities purchases that might be prohibited for fiduciaries,
- 2 A late settlement date for one stock purchase,
- 3 Access to monthly transaction reports,
- 4 The starting date for a sub-advisor to the DEM - MET Fund, and
- 5 Purchases not identified by staff.

There were no questions or comments regarding Mr. Gighotti's report.

(6)

In the interest of time Mr Brown asked that the Board review the Audit Committee minutes at their leisure Attachment B

The Board accepted Mr Brown's report

2002 Proposed  
Legislation

11

Mr Howard Pleines gave the final legislative report for Legislation 2002 session of the General Assembly Attachment C

Mr Pleines continued by noting that the two investment bills (HB1354 and HB1403) concerning the Board had failed Both, however, were to be referred to summer study by the Joint Committee on Pensions

The Board accepted Mr Pleines's report

Circuit Court  
Decisions

12

Ms Bacharach stated that the Agency received favorable outcomes with respect to the Carroll County Board of County Commissioners vs the Agency In the interest of time, Ms Bacharach asked that the Board members review the decisions at their leisure and contact her with any questions Attachment D

Medical Board  
Reports

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The Board, on motion made by Mr Lancaster and seconded by Mr Brown, unanimously accepted and approved the reports of the Medical Board in connection with applications of members for ordinary and accidental retirement allowances, with one exception The Medical Board's conclusions were reached after its review of the evidence provided by the claimants Attachment E

Supplemental  
Medical Board Reports

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The Board, on motion made by Mr Lancaster and seconded by Major Krome, the Board unanimously accepted and approved the Supplemental Report of the Medical Board in connection with applications of members for ordinary and accidental 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 Attachment E

Other Business

15 - Dr. Alemi addressed the Board with the request of re-establishing the Ad-Hoc Sub-Committee on benefit improvements. Chairman Schaefer deferred the issue until the May 2002 Board meeting.

Chairman Schaefer approved Mr. David Rakes to Chair an Ad-Hoc Committee on Minority Participation Policy. Membership of this Committee is yet to be determined.

Adjournment

16 There being no further business, the meeting adjourned at 2:50 pm.

Peter Vaughn  
Secretary to the Board

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