

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2019

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:36 a.m.

The Committee Members present included:

Richard Norman, Chairman, presiding	Nancy K. Kopp
Kenneth Haines, Vice Chairman	Marc Nicole
Sheila Hill (via phone)	Douglas Prouty

Other Trustees attending included: Jamaal Craddock and Linda Herman (via phone)

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Robert Burd	Ira Greenstein	Chandra Puranam
Melody Countess	Angie Jenkins (via phone)	Harvey Raitzyk
David Ferguson	Van Lewis	Kenneth Reott
Patricia Fitzhugh	Will Morrow	David Rongione
Anne Gawthrop	Kim O’Keeffe	Janet Sirkis
Michael Golden	Andrew Palmer	

Assistant Attorneys General present included: Rachel Cohen, Alex Harisiadis and Jody Shaw

Other attendees included: Phillip Anthony

Minutes On a motion made by Mr. Prouty and seconded by Mr. Haines, the Administrative Committee approved the August 6, 2019 open session meeting minutes.

Request for a Waiver of the One Year Requirement to Request a Service Credit Transfer Ms. Tammy Cook appeared before the Administrative Committee to ask that the Committee overturn the Executive Director’s recommendation to deny her request for a waiver of the one-year requirement to request a service credit transfer. Ms. Cook indicated that she was not informed by her employer, when she became a member of the Correctional Officers’ Retirement System (CORS), as a result of her employment at the Clifton T. Perkins Hospital Center, that she could combine her service in that System with her service in the Employees’ Pension System (EPS). Ms. Cook also indicated that she did not receive any communications from the State Retirement Agency that she could combine her service.

Kim O’Keeffe, Deputy Retirement Administrator, presented background information regarding Ms. Cook’s request for a waiver of the one-year requirement to request a service credit transfer and the Executive Director’s recommendation that the Committee uphold his decision in this regard. Ms. O’Keeffe indicated that Ms. Cook became a member of the EPS in September 2000 and continued her employment as a member of the EPS until July 13, 2010. On July 14, 2010, Ms. Cook became a member of the CORS when she took a position at the Clifton T. Perkins Hospital Center. Ms. O’Keefe reported that on September 15, 2010, the State Retirement Agency mailed a letter to Ms. Cook advising her of her right to transfer her service.

Ms. O’Keefe reported that it wasn’t until February 9, 2016, that the Agency received an Election to Transfer Service form from Ms. Cook. The Agency responded on May 12, 2016, that the Election to Transfer Service form could not be accepted as it was not received within the one (1) year deadline to make such a request. On February 27, 2019, Ms. Cook wrote a letter to the Agency and submitted another Election to

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2019

Transfer Service form. On March 14, 2019, Mr. Kenderdine notified Ms. Cook that her waiver request had been denied, as it was not received within four (4) years of Ms. Cook ending her membership in the EPS and beginning her membership in the CORS.

The Committee agreed to discuss and vote on this matter in closed session.

FY21 Budget
Proposal

Mr. Kenderdine, along with Van Lewis, David Rongione and Ira Greenstein presented the Agency's Budget Request for Fiscal Year (FY) 2021.

Mr. Kenderdine reported that the Department of Budget and Management (DBM) has given the Agency a budget target of \$27 million, which includes \$1.9 million for MPAS-3. The Agency's FY 2021 request is in excess of that target, at \$27,573,211. This proposed budget includes costs associated with conducting two (2) Trustee elections, for the positions currently held by Mr. Prouty and Mr. Craddock, and continued funding for the MPAS-3 project and agency systems development. The Agency's budget request includes an operating budget component of \$25,677,211, and continued funding for MPAS-3 in the amount of \$1,896,000.

Mr. Kenderdine reported that the budget request also includes the following four (4) unfunded initiatives or "Over the Target" requests that are submitted for the Board's consideration:

- Additional Technology Resources to Support Improved Member Services – (\$904,320). This request is to address additional operating costs associated with technology implemented as part of the MITDP, Business Process Reengineering (MPAS-3).
- Contractual Information Technology Internal Audit Services – (\$150k). This request would be on an annual basis for a contractual IT internal audit to be performed to help ensure that the IT risks associated with the ~\$54 billion pension fund are adequately addressed by the Agency, and that the Agency's information system security functions in accordance with applicable policies, procedures and regulations.
- Contractual Investment Internal Audit Services – (\$120k). This request would be on an annual basis for a contractual investment internal audit to be performed to help ensure that the investment risks associated with the ~\$54 billion pension fund are adequately addressed by the Agency, and that the Agency's information system security functions in accordance with applicable policies, procedures and regulations.
- Two (2) Additional Internal Auditor II Positions – (\$105,122). The Internal Auditor II positions are responsible for performing audits of the System to ensure functions are in accordance with applicable policies, procedures and regulations.

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2019

Ms. Herman asked how the Agency tracks the cost of internal management.

Mr. Kenderdine responded that costs associated with internal management within the Investment Division are off-budget for the Agency but subject to the Chief Investment Officer's budget request to be considered later in the agenda.

Ms. Herman asked how costs associated with staff's time is tracked with the OPEB and ORP Trusts.

Mr. Kenderdine responded that, at the request of the Board, staff began tracking and billing the individual Trusts for Agency administrative costs incurred last year.

Ms. Herman asked that material be provided to the Trustees, before the next Board meeting, showing how costs are allocated to each fund.

Mr. Nicole asked about the "other" line item under Miscellaneous Items of the administrative expenses (page 60 of the agenda packet), in which it shows a budget of \$718,046 and expenditures of \$140,774.

Mr. Lewis responded that \$641,000 did not move over with the investment division when it moved off-budget.

Mr. Nicole asked what the amount was for and commented that if the Agency did not spend the appropriation amount in FY19, will the Agency spend it in FY20 and is it also budgeted in FY21?

Mr. Lewis responded that he would have to follow up with the Committee on this question.

On a motion made by Mr. Haines and seconded by Mr. Prouty, the Administrative Committee approved, for recommendation to the Board of Trustees, the FY20 Budget Proposal, as presented. Mr. Nicole abstained.

FY20 and FY21
Budget Request
– Investment
Division

Mr. Palmer and Mr. Burd provided the Committee with two budget proposals for which Committee and Board approval is requested; one is a set of proposed expenditures in the current fiscal year (FY20) and the other is a projected budget for FY21 which reflects a full fiscal year's expenditures.

Mr. Burd reported that the current fiscal year's budget (FY 2020) was approved by the Board subject to the analysis and recommendations of the Objective Criteria Committee established under SB899. During its January 15, 2019 meeting, the Board approved these objective criteria, including a position classification structure and salary ranges, based on the recommendation of the Objective Criteria Committee and CBIZ, the Board's Compensation Consultant.

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2019

Table 1 below highlights the requested changes to the FY 2020 budget:

Table 1

	Last Year's Estimate	Updated Estimate
Salaries	\$3,599,106	\$3,910,908
Trade Order System	NA	\$500,000
Manager Background Checks	NA	\$40,000
Staff Trading Compliance Software	NA	\$7,500
Manager Database Provider	NA	\$40,000
Tax Agent	\$250,000	\$325,000
Investment Accounting System	\$500,000	\$0

Mr. Burd reported that the total budget request for FY20 is \$13.9 million, while the request for fiscal year 2021 is \$16.8 million, which represents 2.6 and 3.1 basis points to total plan assets, respectively. This compares favorably to recent peer data compiled by CEM, which reported median total investment cost, excluding manager fees, of 3.8 basis points. The main drivers of the \$2.9 million increase from FY20 to FY21 include the expenses related to the private equity consultant and staff compensation. The FY21 budget includes an increase in staff compensation and benefits of roughly \$2 million, plus an addition of six new positions to provide redundancy and succession planning in some areas, as well as to build out the internal management program in others. Table 2 below includes the requested new positions in the 2021 budget:

Table 2

Title	Target Salary
Sr. Investment Analyst II – Public Equity	\$ 97,261
Sr. Portfolio Manager II - Public Equity	\$ 160,480
Sr. Investment Analyst II – Fixed Income	\$ 97,261
Sr. Portfolio Manager II - Fixed Income	\$ 160,480
Sr. Investment Analyst II – Risk	\$ 97,261
Administrative Assistant	\$ 54,451
Total	\$ 667,197

Ms. Herman asked about the information she has requested, presenting a description of anticipated internal management costs in the next fiscal year.

Mr. Burd responded that he will, through Mr. Kenderdine, provide the Board with that information.

On a motion made by Mr. Prouty and seconded by Mr. Haines, the Administrative Committee approved, for recommendation to the Board of Trustees, the FY20 and FY21 Investment Division Budget Proposals, as presented. Mr. Nicole abstained.

Finance Reports
Quarter Ending
June 30, 2019

Ms. Countess and Mr. Lewis presented the Administrative Expenses report for the quarter ending June 30, 2019. Mr. Lewis reported that the Agency expended 95.08% of its available appropriation, with a year-end surplus of \$1,220,308. However, there was a deficit in personnel costs, due to an increase in the Agency's turnover rate.

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2019

Treasurer Kopp asked what the Agency's turnover rate was for FY19.

Mr. Lewis responded that the Agency's turnover rate was 7%.

Mr. Lewis presented the MBE Performance Report for the quarter ending June 30, 2019. Mr. Lewis reported that MBE performance, inclusive of the MPAS-3 contract modification, was 23.45%, which is below the Administrative MBE performance goal of 29.0%. Mr. Lewis added that the MBE performance exclusive of the MPAS-3 contract modification was 41.60%.

Treasurer Kopp commented that it would be helpful to see a narrative with future MBE performance reports that describe how the MBEs were attained for Agency contracts and what we could do, if anything, to help meet the performance goal when, during the course of the year, we are not on track to reach that goal.

Mr. Nicole asked, regarding Trustee elections, if mailing costs could be reduced with the new member portal and automating the process.

Mr. Kenderdine responded that automating or making the election process electronic is not a priority within the MPAS project but that it can be added at a future date.

Status and Roll-out Strategy for mySRPS Secure Participant Portal

Mr. Puranam introduced Will Morrow, MPAS+ Project Manager to the Committee. Mr. Morrow presented a status update and roll-out strategy for the mySRPS secure participant portal.

Mr. Morrow reported that mySRPS is scheduled to go-live on November 4, 2019. He indicated that the program uses a responsive design that will work on computers, tablets and phone, which will eliminate the need for a separate application.

Mr. Morrow provided the Committee with a launch schedule, which provides for an alpha test, in which all Agency employees will be given access to the portal, on September 16, 2019. The next phase will begin on October 4, 2019, in which a group of 500 members, both active and retirees, will be given a sneak preview and be allowed to access the portal.

Ms. Hill asked if Board Trustees, who are members of the System, would be included in the sneak preview.

Mr. Morrow responded that the preview will include Trustees in the group.

Mr. Prouty asked if the employers and their HR personnel were being notified of the sneak preview.

Mr. Morrow responded in the affirmative, indicating that all retirement coordinators are being asked to participate in the sneak preview.

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2019

Member Services
Update

Mr. Raitzyk reported that the Member Services unit was not able to meet its goals for the call abandonment rate and average call wait time for the month of July 2019. However, the unit's call abandonment rate of 13.27% was below the FY19 average of 15.00%. The unit's average speed of answer was 177 seconds for the month of July.

In response to Treasure Kopp's inquiry at the August Administrative Committee, Mr. Raitzyk provided the Committee with a memorandum regarding the member services survey responses. Mr. Raitzyk reported that starting in August, 2019 the Agency has expanded Agency survey responses to also acknowledge all complaints and suggestions provided through survey responses and that the performance update will be modified to provide statistics.

Mr. Nicole asked where the Agency was with regard to filling positions within the member services unit.

Mr. Raitzyk responded that the member services unit is fully staffed.

Mr. Nicole commented that the Department of Budget and Management mailed letters on Friday, August 30, 2019, regarding future retiree prescription drug health benefits.

Treasurer Kopp asked if the Committee could get a copy of the letter.

Mr. Nicole responded in the affirmative and that he would send an electronic copy of the letter to Mr. Kenderdine.

On a motion made by Mr. Haines and seconded by Mr. Prouty, the Administrative Committee voted to meet in a Closed Session beginning at 11:07 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purposes of:

- a) reviewing the closed session Administrative Committee meeting minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
- b) considering an individual participant's request for a waiver of the one-year requirement to request a service credit transfer, pursuant to General Provisions Art., § 3-103(a)(1)(iii), a quasi-judicial function;
- c) receiving an advice of counsel regarding the legal review process for private fund investments, pursuant to General Provisions Art., § 3-305(b)(7), to consult with counsel to obtain legal advice; and
- d) considering the rescission of a disability award of an individual participant, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure, namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records; and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and psychological information.

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2019

CLOSED SESSION

The Committee Members present included:

Richard Norman, Chairman, presiding	Nancy K. Kopp
Kenneth Haines, Vice Chairman	Marc Nicole
Sheila Hill (via phone)	Douglas Prouty

Other Trustees attending included: Jamaal Craddock and Linda Herman (via phone)

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Robert Burd	Michael Golden	Harvey Raitzyk
Melody Countess	Angie Jenkins (via phone)	Kenneth Reott
David Ferguson	Van Lewis	David Rongione
Patricia Fitzhugh	Kim O’Keeffe	Janet Sirkis
Anne Gawthrop	Andrew Palmer	

Assistant Attorneys General present included: Rachel Cohen, Alex Harisiadis and Jody Shaw

On a motion made by Mr. Prouty and seconded by Mr. Haines, the Administrative Committee returned to open session at 11:34 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Administrative Committee discussed and took action on the following matters:

Closed Session Minutes	The Administrative Committee reviewed and approved the August 6, 2019 closed session minutes.
Request for a Waiver of the One-Year Requirement to Request a Service Credit Transfer	The Administrative Committee adopted the Executive Director’s decision to deny the participant’s request for a waiver.
Rescission of a Disability Award	The Administrative Committee discussed and approved staff’s recommendations regarding the rescission of a disability award.
Adjournment	There being no further business before the Committee, on a motion made by Mr. Nicole and seconded by Mr. Prouty, the meeting adjourned at 11:35 a.m.

Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board