

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

December 5, 2017

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:31 a.m.

The Trustees present included:

James Harkins, Chairman, Presiding	Sheila Hill
Theresa Lochte, Vice Chairman	Richard Norman
Susanne Brogan	

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

Melody Countess	Angie Jenkins	Harvey Raitzyk
Robert Diehl	Van Lewis	Ken Reott
Anne Gawthrop	Michelle Lowery	David Rongione
Michael Golden	Kim O’Keeffe	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Minutes On a motion made by Ms. Lochte and seconded by Ms. Hill, the Administrative Committee approved the November 3, 2017 open session meeting minutes.

Request for a Waiver of the One Year Requirement to Request a Service Credit Transfer Ms. Tonia Taylor appeared before the Administrative Committee to request 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. Taylor indicated that she received incorrect information from the State Retirement Agency (“Agency”) when she asked about her credit in the Baltimore City Employees’ Retirement System and was told by the Agency that she could purchase service when she was within one year from retiring.

Mr. Ken Reott presented background information regarding Ms. Taylor’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. Mr. Reott reported that a letter was received, on behalf of Ms. Taylor, from Lisa Staley, Chief, Center for Facility and Process Review, Department of Health, but this letter could not be considered as it was not signed by Ms. Taylor’s appointing authority, the Secretary or the Deputy Secretary of the member’s principal department.

Ms. Lochte asked if anyone told Ms. Taylor who the appointing authority of her employer is.

Mr. Reott responded that, to his knowledge, no one provided Ms. Taylor with that specific information.

Ms. Taylor responded that when she called the Agency, a counselor in the member services unit told her that her supervisor could send the letter.

Ms. Hill asked if anyone from the Agency told Ms. Taylor that she could transfer her service credit instead of purchasing it.

Mr. Reott responded that when Ms. Taylor contacted the Agency in August, 2017, she was past the one-year deadline to submit a request to transfer. Therefore, Ms.

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Taylor could only submit a request for a waiver of the one-year requirement to request a service credit transfer.

Ms. Lochte asked if there was still time for Ms. Taylor to correct this by having the correct person submit a letter to the Executive Director.

Mr. Reott responded in the affirmative and that the letter must also say that Ms. Taylor was not given the correct information or any information at all with regard to her one-year time limit for requesting a transfer to combine her service credit.

Ms. Brogan asked if the letter from Ms. Staley was signed by the proper authority would it be accepted.

Mr. Reott responded that it would not be accepted as the regulation states that the letter must be an affirmative statement that the employer gave Ms. Taylor incorrect information or that the information was not provided to Ms. Taylor. Mr. Reott further responded that he believed the language in the regulation called it "mishandling by the member's employer."

Mr. Norman asked what the deadline is for a new letter to be submitted on behalf of Ms. Taylor.

Mr. Reott responded that Ms. Taylor has until June 10, 2019 for a new letter to be submitted.

Ms. Lochte asked if Mr. Reott could assist Ms. Taylor in this matter by providing her with language to be taken to her employer for a letter to be written and the name of the appointing authority authorized to sign a letter of this nature for Ms. Taylor.

Mr. Reott responded affirmatively.

On a motion made by Ms. Lochte and seconded by Ms. Hill, the Administrative Committee voted to defer this matter.

Request for a
Waiver of the
One Year
Requirement to
Request a
Service Credit
Transfer

Mr. Jamar Hanson appeared before the Administrative Committee to request that the Committee overturn the Executive Director's recommendation to deny his request for a waiver of the one-year requirement to request a service credit transfer. Mr. Hanson indicated that when he, and approximately twenty other coworkers, were involuntarily transferred to Clifton T. Perkins Hospital in January, 2010, he was not informed by either employer about transferring service credit.

Mr. Ken Reott presented background information regarding Mr. Hanson'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. Mr. Reott further reported that the Executive Director also based his decision upon the fact that a written certification from Mr. Hanson's employer was not received.

Mr. Hanson responded that he has been asking his employer for several months if they would write a letter to the Agency about this matter.

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Ms. Lochte asked Mr. Hanson if he knew who needed to write the letter.

Mr. Hanson responded that his human resources department would be the proper authority.

Ms. Lochte informed Mr. Hanson that the Secretary or the Deputy Secretary of the Department of Health must sign the letter.

Ms. Hill recommended that Mr. Hanson hand-deliver the letter to be signed by the proper authority.

Ms. Lochte asked that Mr. Reott assist Mr. Hanson with this matter by providing him with language that would be acceptable to the Agency to provide to his employer.

Mr. Reott responded that he would.

On a motion made by Ms. Lochte and seconded by Ms. Hill, the Administrative Committee voted to defer this matter.

Work Plan
regarding the
Board
Governance
Consulting
Services
Provider –
Request for
Proposal (RFP)

Mr. Kenderdine reported that in August 2002, the Board procured the services of Cortex Applied Research, Inc., a qualified consultant, to assist the Board of Trustees in developing governance policy. As a result of the consultant's work in concert with the Board, the System's Governance Policies and Charters were adopted by the Board in December 2003. The Policies and Charters have been subject to a triennial review by the Board, with the most recent review having been completed in February, 2017.

Mr. Kenderdine further reported that under the Board's current Governance Policies, this particular type of consultant is not identified as a "Key Service Provider", but that given the services to be procured, it is appropriate that the Board be responsible for this consultant's selection and termination. The Committee was provided with a proposed timeline for completing the procurement for a Board Governance Consulting Services Provider.

DATE	ITEM
December 5, 2017	Submit work plan to Administrative Committee.
December 15, 2017	Submit draft RFP for internal review by SRA Legal Division.
December 19, 2017	Administrative Committee submits work plan to BoT.
December 21, 2017	RFP for Governance Consulting Services finalized by SRA Procurement and Executive Director.
December 22, 2017	Issue RFP to E-Maryland Marketplace and directly solicited firms.
January 19, 2018	Completed proposals due.
January 22, 2018- February 9, 2018	Evaluation period. Evaluation Committee reviews proposals and conducts preliminary interviews of all qualified candidates. The Evaluation Committee will then identify finalists based upon the candidates' technical and financial proposals. Procurement review with BAFO.
February 20, 2018	Finalist(s) presented to the BoT.
February 26, 2018	Contract begins

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It is staff's recommendation that the Board engage the services of a public pension plan governance consultant for the purpose of conducting a full and thorough review of the current Governance Policies and Charters for the purpose of ensuring that the System is operating under what is considered best governance practice.

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Administrative Committee approved the work plan regarding the Board Governance Consulting Services Provider RFP.

Review of the
Criteria for the
Executive
Director's
Evaluation

The Administrative Committee reviewed the evaluation criteria for the Executive Director for the performance period January 16, 2017 through January 15, 2018.

Mr. Harkins commented that he reviewed the criteria and that it appeared to be the same as used in previous years.

Mr. Kenderdine responded in the affirmative.

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Administrative Committee approved the Executive Director evaluation criteria for recommendation to the Board of Trustees.

Member
Services
Update

Mr. Raitzyk reported that the Member Services unit was able to meet its performance goals for both the call abandonment rate and for the average call wait time for October 2017. The unit's call abandonment rate was 2.08% and the average speed of answer was 0:47.

Ms. Lochte asked that Mr. Raitzyk remind the Committee why the Agency increased the performance goal rates.

Mr. Raitzyk responded that staff raised the performance goals during the period of 2015-2016 as the unit was not meeting the goals due to vacancies in that unit. Mr. Raitzyk further responded that the unit is able to meet performance goals now due to the unit being fully staffed and reducing the number of field-based retirement counseling sessions.

Ms. Brogan asked, referring to the survey comment concerning purchase of service requests, if staff is doing anything to improve the process to request an estimate.

Mr. Raitzyk responded that preparing an estimate for a member is very time consuming and tedious because it must be reviewed several times by staff for accuracy; therefore a request for an estimate is only accepted and processed when the request is within one-year of the member's anticipated retirement date. Mr. Raitzyk further responded that the MPAS-3 initiative will allow for on-line estimate calculations.

Ms. Hill commented that she wanted to give "kudos" to the retirement staff, especially for helping with the members she refers to the Agency for assistance.

Ms. Lochte asked about the presented Retirement Coordinator Training schedule, which showed for one class that eight registered, but only three actually attended.

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Mr. Kenderdine responded that he would contact Cindy Kollner's officer at the Department of Budget and Management and discuss attendance at retirement coordinator training sessions.

Finance Reports

Ms. Melody Countess presented to the Committee the Administrative Expense Report Dashboard, which provided an overview of the how the Agency expended/encumbered 18.53% of the appropriation through the first quarter of FY2018.

APPROPRIATION EXPENDED/ENCUMBERED	18.53%
REGULAR SALARIES	19.17%
CONTRACTUAL PAYROLL AND TECHNICAL SUPPORT	23.51%
COMMUNICATIONS (INCLUDES POSTAGE)	29.24%
TRAVEL	20.69%
VEHICLE COSTS	24.11%
CONTRACTUAL SERVICES (including equipment leasing & building maintenance)	13.13%
SUPPLIES	35.25%
EQUIPMENT PURCHASES	24.91%
RENT AND INSURANCE	32.84%
DUES, SUBSCRIPTIONS AND LICENSES	17.44%

The dashboard also provided the following discussion points for several line items in the Agency's budget:

1. The projected end-of-year surplus is primarily attributable to assumptions regarding the award of the custodial banking contract.
Discussion: The custodial banking contract has yet to be finalized. The actual costs could be significantly different than the estimated costs for this service depending upon which vendor is ultimately awarded the contract.
2. We have expended 32% of our "**Contractual Personnel Costs**" budget.
Discussion: The State's new personnel system combines both contractual employee salary costs and summer intern salary costs. In the past, summer intern salary costs were charged to the "Regular Salaries" budget. The combining of these two costs gives the appearance that the Agency is trending to exceed its budgetary provision for contractual salary costs.
3. We have expended 34.28% of our budget for "**Postage**".
Discussion: This percentage is driven by the purchase of \$200k of postage in the month of August to replenish the account and to cover upcoming mailings.
4. We expended 39.47% of our "**In-State Travel**" budget.
Discussion: The major drivers of this percentage are costs expended for in-State conferences/seminars/training in Executive Direction (NASRA Summer Conference), the Investment Division (CFA Society of Baltimore Finance annual seminar), and to a lesser degree, Member Services participation in the MSEA annual convention). The NASRA Summer Conference costs are usually charged to "Out-of-State Travel", but this year the conference was held in Baltimore, so the costs were charged to the in-State budget. In addition SRA registered three

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staff in addition to the executive director, so total cost for NASRA was greater than in all past years when only the director attends.

5. We expended 89.01% of our **“Printing and Reproduction”** budget.
Discussion: All of the Agency’s printing requirements were processed in the first quarter of the fiscal year, with the exception of the January mailing of the Retiree’s Newsletters.
6. We expended 49.97% of our **“Equipment Leasing/Maintenance”** budget.
Discussion: This percentage is being driven by photocopier usage in excess of the copies allowed per the contract. The photocopier contract is up for renewal at the end of the fiscal year. This unusual experience with photocopying is being researched and will be explained at the 12/5/2017 Administrative Committee meeting.
7. We expended 44.27% of our **“Fiscal Services”** budget.
Discussion: These costs represent three separate Agency auditing requirements (Clifton Larsen, SB & Co., specific asset class audits for Investment Division). A purchase order for the largest of the three, the audits of local governmental employers, was processed in the first quarter, giving rise to the stated percentage.
8. We have expended 35.25% of our **“Supplies”** budget.
Discussion: This percentage is driven by the fact that at the end of the first quarter, credit card charges for the months of August and September had not yet been allocated throughout the Agency to the proper programs and cost categories. The charges in question approximated \$38k at September 30th. Credit card charges posted by the Comptroller to “Supplies” typically represent charges to a wide array of other cost categories, once allocated. These cost categories typically include: professional memberships; contractual services; subscriptions; travel related lodging. Therefore, this percentage is somewhat misleading.
9. We have expended 32.84% of our **“Rent and Insurance”** budget.
Discussion: This percentage results from the October rent payment being paid in September.
10. The current calculation of the end-of-year healthcare cost reversion is \$451K.
11. The Agency entered into a new actuarial contract in the current fiscal year. The cost of the first year of this contract exceeds the budgetary provision by \$116k. \$41k of this shortfall is due to an overly conservative estimate of what these services would cost; however, \$75k of this shortfall is due to a \$75k reduction to this line item that was sustained by the Agency during the FY2018 budgetary approval process

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Mr. Van Lewis addressed item #6, which indicates that 49.97% of our “equipment leasing/maintenance” appropriation has been expended. Mr. Lewis attributed those expenses to the photocopier usage in excess of the copies allowed per the contract. Mr. Lewis reported that the contract does not allow for color copies to be produced at the same expense rate as documents printed/copied in black and white and therefore has driven the cost up for this line item. Under the contract, any document printed/copied in color costs approximately .047¢ per page compared to the contracted rate of .0044 per page for black and white prints/copies.

Ms. Lochte asked how long has this been going on.

Mr. Lewis responded since the duration of the contract, so approximately three and a half years. Mr. Lewis further responded that the contract is a four year contract.

Ms. Brogan asked about the deficit in the actuarial services line item.

Mr. Lewis responded that the budget request was for \$334,000, but that the Department of Budget and Management reduced the request by \$75,000, giving the Agency an appropriation of \$259,000.

Mr. Lewis presented the MBE Performance Report for the quarter ending September 30, 2017. The report showed that the MBE performance was 34.78%, with the majority of MBE awards going to women owned businesses.

Ms. Hill asked why there has not been greater diversity among the contracts that were awarded.

Mr. Lewis responded that for the reporting period, the preponderance of the procurements that were awarded were for Information Technology services and were competed upon by a list of vendors from the Department of Information Technology’s vendors list. It was women owned businesses that were selected for the majority of this work.

Business Plan
Status Report

Mr. Kenderdine provided the Administrative Committee with an update to the Business Plan, focusing specifically on the following topics:

1. Review and Revision of Code of Maryland Regulations:
 - SRA is presently engaged in the State “Regulatory Review and Evaluation” process in which every eight years, State agencies determine whether their regulations “are necessary for the public interest, continue to be supported by statutory authority and judicial opinion, or are appropriate for amendment or repeal.” Staff will be bringing recommendations for regulatory changes to the Board over the next several months.

Ms. Brogan reflecting back on the transfer of service credit cases, heard by the Committee, and in which an individual must obtain written certification from the Department Secretary or Deputy Secretary, suggested that the Agency consider altering the requirement to include human resources personnel.

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Ms. Hill also suggested that the Agency consider including anyone who may be considered an appointing authority or their designee.

2. MPAS 3 (Phase 1) – Business Process Re-engineering – Project Design and Planning
 - Contract for business process re-engineering consultant goes to the Board of Public Works on December 6, 2017.
3. Analysis and Re-engineering of Processing and Administration of Domestic Relations Orders within MPAS
 - This will be completed by December 31, 2017 and implemented with first register on January 18, 2018.
4. MSRA Public Website
 - The RFP for website design contractors resulted in the Agency selecting four qualified firms out of 13 respondents. The Department of Information Technology has directed the Agency to interview a number of the other firms as well. Interviews to be scheduled.
5. External Peer Review of the Agency's Internal Audit Function
 - Will be issuing a Task Order by February 15, 2018.

Board Work
Plan Annual
Checklist

Mr. Kenderdine provided the Administrative Committee with the Board work plan annual checklist for calendar year 2017. Mr. Kenderdine commented on certain items that had not been completed during the calendar year, specifically the Biennial Board Self-Evaluation, which will be addressed as part of the Board Governance Consulting Services Provider contract.

Ms. Lochte requested that the checklist be provided on a monthly basis to the Committee and Board.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee voted to meet in a Closed Session beginning at 11:18 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. reviewing the closed session Administrative Committee meeting minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function; and
2. discussing the offset of retirement benefits of one participant under State Personnel and Pensions Art., § 21-113, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records.

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CLOSED SESSION

The Trustees present included:

James Harkins, Chairman, Presiding	Sheila Hill
Theresa Lochte, Vice Chairman	Richard Norman
Susanne Brogan	

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

Melody Countess	Angie Jenkins	Harvey Raitzyk
Robert Diehl	Van Lewis	Ken Reott
Anne Gawthrop	Michelle Lowery	David Rongione
Michael Golden	Kim O’Keeffe	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee returned to open session at 11:24 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

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

Closed Session Minutes	The Committee approved the November 3, 2017 closed session minutes.
Correction of Errors – Offset of Retirement Benefits	The Administrative Committee adopted staff’s recommendations regarding the offset of retirement benefits of one participant.
Adjournment	There being no further business before the Committee, on a motion made by Ms. Hill and seconded by Ms. Lochte, the meeting adjourned at 11:25 a.m.

Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board