

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

June 5, 2018

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:32 a.m.

The Trustees present included:

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

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

Robert Burd	Angie Jenkins	Chandra Puranam
Melody Countess	Van Lewis	Harvey Raitzyk
Anne Gawthrop	Kim O’Keeffe	Ken Reott
Michael Golden	Andrew Palmer	David Rongione
Ira Greenstein		

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Phillip Anthony, Michael Rubenstein

Minutes On a motion made by Ms. Lochte and seconded by Mr. Norman, the Administrative Committee approved the April 3, 2018 open session meeting minutes.

Administrative George Sparling appeared before the Administrative Committee, requesting that the
Appeal of George Committee reject the Summary Decision of the Executive Director regarding his
Sparling request that the Agency adjust his average final compensation (“AFC”), in a manner
 that would increase his pension allowance.

Mr. Sparling argued that he was employed, under written contracts, as the County Attorney for St. Mary’s County beginning June 14, 2010, and thereafter on March 11, 2014 and May 3, 2016. Mr. Sparling argued that those contracts included a Termination without Cause clause which entitled him to a “severance payment equal to six months of the employees current salary”, among other compensation. Mr. Sparling argued that on October 5, 2017, he received by hand delivery a letter which purported to terminate his contract of employment from St. Mary’s County. Mr. Sparling submitted an Application for Service or Disability Retirement with the Agency, with a retirement date of November 1, 2017.

On November 2, 2017 Mr. Sparling notified the County that its calculation of amounts to which he was entitled was incorrect and that he was contractually entitled to a 2.5% increase of his “earned salary” effective July 1, 2017. On December 5, 2017, the County terminated Mr. Sparling’s contract of employment in accordance with the Maryland Open Meetings Act and approved, by agreement, the 2.5% increase of his “earned salary” effective July 1, 2017. As a result, the Agency mailed a determination letter to Mr. Sparling, dated January 19, 2018, that due to the increase in his AFC, his monthly benefit would increase.

Mr. Sparling argued that the Agency failed to include the \$71,500.00 in severance compensation that he received pursuant to his employment contract.

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Ms. Kathleen E. Wherthey, Assistant Attorney General, argued on behalf of the Agency. Ms. Wherthey argued that the governing legal provisions do not support including severance payments in earnable compensation for purposes of computing average final compensation. Earnable compensation means “one-twelfth of the member’s annual salary rate payable for working the normal time in the member’s position.” Md. Code Ann. State Personnel & Pensions Art. (SPP) § 21-101(o). Ms. Wherthey argued that language reflects the legislature’s intention to base retirement benefits on normal, periodic compensation that is not inflated by one-time or ad hoc payments, and ensures reasonably regular, predictable employee compensation for purposes of the required valuation and funding of the System on an actuarial basis. SPP §§ 21-125, 21-304. Therefore, the one-time severance payment does not represent normal time actually worked, but instead constitutes a “plus” or extra payment added onto the earned salary and therefore, does not constitute “earnable compensation” and cannot be used in calculating his average final compensation.

Mr. Harkins asked if an employee received a payment for over-time, would that one-time payment be included in the average final compensation.

Mr. Raitzyk responded that overtime payment(s) would not be included in the AFC, as it would not be part of the employee’s permanent payment structure.

Ms. Cohen further responded that the Code of Maryland Regulations specifically says that the average final compensation does not include overtime.

The Committee discussed and voted on this appeal in closed session.

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

Mr. Ken Reott presented background information regarding Mr. Neville George’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 the law allows a member to transfer service between the State and local retirement systems. A member must not have incurred a break in employment and must make a request to transfer service within one (1) year of becoming a member of the new system. Regulation provides that if a member fails to request to transfer service credit within the initial one (1) year deadline, they may request a waiver of this requirement under certain circumstances. Specifically, a request for a waiver must be submitted to the Executive Director within four (4) years of the individual becoming a member of the new system and must demonstrate that the reason the member failed to meet the original one (1) year deadline was due solely to physical or mental incapacity during the filing period, or was due solely to misinformation or mishandling by the member’s employer.

Mr. Reott reported that Mr. George was a member of the Employees’ Pension System from September 21, 1998 through May 18, 2011. Mr. George then became a member of the Correctional Officers’ Retirement System on May 19, 2011 and is currently an active member of that System.

Mr. Reott reported that Mr. George failed to submit his request for a one-year waiver within the four (4) year deadline and therefore, the Executive Director’s decision to

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deny Mr. George's request should be adopted.

On a motion made by Mr. Nicole and seconded by Mr. Norman, the Administrative Committee voted to adopt the Executive Director's decision to deny Mr. George's request for a waiver of the one-year requirement to request a service credit transfer for recommendation to the Board of Trustees.

FY2019 Budget
Request –
Investment
Division

Mr. Kenderdine reported that with the enactment of HB1012/SB899 which takes effect July 1, 2018 the new law will affect the Investment Division's FY2019 budget. He reported that amendments will need to be made to the Board governance policies and charters to reflect the statutory changes to the Board's authority regarding Investment Division resources. At present, however, since the Administrative Committee has historically been the forum through which budget items are heard, staff is now coming forward with a revised FY19 budget request. The budget request will later be presented to the Investment Committee and full Board in July.

Mr. Palmer presented a memorandum to the Administrative Committee which presented a revised budget request relating to all Investment Division personnel and operating expenses, which shall be paid from the trust fund of the System.

In addition, the budget includes the costs associated with a proposed nine new PINS. Eight of these PINS were requested during last year's budget process which led to the Governor's FY19 allowance and intended to address the resource deficiencies in its current state. In addition, another PIN is proposed to establish an Investment Operations Officer position.

Mr. Palmer explained that, although the position of Investment Operations Officer was not included in last year's budget request, this position is requested to manage the additional operational responsibilities associated with internal management. Internal management will require the development of personnel specifications, infrastructure and systems to manage the trade order work flow. The Investment Operations Officer will be the point person for this build-out, and will be responsible for the on-going staff training and system maintenance and enhancement.

Mr. Kenderdine clarified that the Investment Operations Officer is not to be confused with or compared to the Agency's Chief Operating Officer, but is a position that would be specific to Investments. The position was recommended in the report as a result of the recent review conducted by Cutter/Funston.

Ms. Brogan questioned whether the position of the Investment Operations Officer was needed at this time. Ms. Brogan commented that it was her recollection that the CIO represented in testimony to the legislature that the other eight positions would enhance the resource gaps and shift administrative duties to associate staff and the movement to internal management would be on a 3-5 year timeline. Ms. Brogan asked how staff's position went from that conversation to this request.

Mr. Palmer responded that he would be simultaneously filling those resource gaps and while building the platform and infrastructure necessary for internal management, as it would be at least six to twelve months before the Investment

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Division is capable of overseeing assets internally.

Mr. Kenderdine reminded the Committee that this agenda item will also be presented to the Investment Committee and the full Board for approval.

Mr. Palmer commented that he would present additional information to the Committee that would more fully justify the need for the Investment Operations Officer and also provide the skill set and responsibilities of that position.

Ms. Brogan commented that she felt it was premature to be making a recommendation regarding salaries when the Objective Criteria Committee (“OCC”) created by the new law has not yet been established or fulfilled its responsibilities.

After further discussion, the Committee asked that a special meeting be held one week to ten days in advance of the July Board meeting to discuss this matter further, and on a motion made by Ms. Lochte and seconded by Mr. Norman, the Administrative Committee deferred this matter.

FY18 Business
Plan Initiatives

Mr. Kenderdine, with Harvey Raitzyk, Chandra Puranam, Andrew Palmer and Michael Golden, presented the Agency’s FY19 Business Plan Initiatives. See Attachment A.

Mr. Kenderdine reported on the FY18 plan initiatives that have been completed.

Mr. Kenderdine indicated that staff has been satisfied with the MPAS-3 consultant, LRWL, and their team. Staff is very optimistic about the success this last phase of the MPAS project. Mr. Kenderdine reported that the Member Access Portal portion of the MPAS project is expected to “go-live” in September, 2019.

Ms. Brogan asked if staff has thought about the timeframe of the Member Access Portal and the amendments to the System’s regulations that will be needed.

Ms. Cohen responded that regarding the notary requirement on forms, a legislative change will be needed and it is on the list of legislation to be recommended to the Board this fall.

Ms. Brogan asked if there was a timeline in place that leads up to the “go-live” phase.

Mr. Kenderdine responded that staff is scheduled to meet with the consultant to fully develop the timeline for the portal’s development and that information will be brought to the Committee next month. The plan will address the regulations changes needed.

Mr. Golden reported on the redesign of the MSRA public website, stating that there is a five-step process to determine how best to serve our members. Staff is scheduled to meet with the vendor June 12 to discuss the results of the survey that was to be completed by the Board and senior staff.

Mr. Kenderdine reported that the General Assembly’s passage of SB899 requires the Board to hire a compensation consultant for the Investment Division. The

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procurement of this consultant is being considered a “Key Service Provider” procurement and will be conducted accordingly. The first step under the Board policy, is for a procurement work plan to be approved by the Board. Therefore, an email will be sent out to the Trustees, before the end of the week, providing information and timing of the procurement to be conducted. The work plan will be voted on electronically and the vote will be ratified by the Board at its meeting on June 19, 2018.

Ms. Brogan asked that the last sentence of the first paragraph in the initiative related to the Investment Staff Compensation Criteria, which states “The Investment Division will also begin to install the infrastructure and systems necessary to begin to manage a portion of the System’s assets internally.” be removed.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee approved the FY19 Business Plan Initiatives for recommendation to the Board of Trustees, as amended.

The Committee reviewed the Board of Trustees election schedule.

The term of office for the successful candidate in the Retired Employees’ System and Retired Teachers’ System Representatives election will be from August 1, 2019 through July 31, 2023.

Trustee Election
Schedule –
Retired
Employees’
System and
Retired Teachers’
System
Representatives

September 4, 2018 through December 4, 2018	An eligible voter may obtain a nomination form from the Executive Director.
January 31, 2019	Completed nomination forms must be submitted to the Executive Director by an eligible voter by 4:30 p.m.
February 15, 2019 ¹	Executive Director certifies that an eligible voter satisfies the conditions set forth in 22.03.01.06 of the Board of Trustees’ Regulations
May 14, 2019 ²	Mailing of election materials to eligible voters, including candidate biographies and personal identification numbers for internet and IVR (telephone) access.
May 20, 2019	IVR (telephone) and website (internet) open for voting.
June 20, 2019	Last date for voting. Deadline is 4:30 p.m.
July 16, 2019 ³	Executive Director announces election results at the July Board of Trustees meeting.

¹ If the Executive Director determines that only one eligible voter may be placed on the ballot as a candidate, in accordance with COMAR 22.03.01.06B, the eligible voter shall be considered nominated to serve as Trustee. The Executive Director shall discontinue the election process and report the results to the Board of Trustees, which shall certify and publish the results of the election and direct the Executive Director to notify the candidate.

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² Date subject to change based on final arrangements reached with the vendor.

³ Subject to the Board of Trustees' approval of the 2019 meeting dates

On a motion made by Ms. Hill and seconded by Mr. Nicole, the Administrative Committee approved the Retired Employees' System and Retired Teachers' System Representatives Board of Trustees election schedule for recommendation to the Board.

Town of
Manchester –
Participation in the
Employer Pick-Up
Program

Mr. Kenderdine reported that the Town of Manchester submitted to the Board for its approval, a request to participate in the Employer Pick-Up Program effective July 1, 2018. A copy of the signed resolution by the Town of Manchester was provided to the Committee in the agenda packet.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee approved the Town of Manchester's request to participate in the Employer Pick-Up Program, effective July 1, 2018, for recommendation to the Board of Trustees.

Town of Sykesville
– Participation in
the Employer Pick-
Up Program

Mr. Kenderdine reported that the Town of Sykesville submitted to the Board for its approval, a request to participate in the Employer Pick-Up Program effective July 1, 2018. A copy of the signed resolution by the Town of Manchester was provided to the Committee in the agenda packet.

On a motion made by Mr. Nicole and seconded by Ms. Brogan, the Administrative Committee approved the Town of Sykesville's request to participate in the Employer Pick-Up Program, effective July 1, 2018, for recommendation to the Board of Trustees.

Transfer of
Members from the
Employees'
Pension System to
the Law
Enforcement
Officers' Pension
System – Town of
Manchester, Town
of Mt. Airy and
Town of Sykesville

Mr. Kenderdine reported that the Town of Manchester, Town of Mt. Airy and the Town of Sykesville submitted a resolution to withdraw eligible law enforcement personnel from the Employees' Pension System and transfer them to the Law Enforcement Officers' Pension System.

Mr. Kenderdine reported that since State Personnel and Pensions Art., § 31-302 allows law enforcement personnel to withdraw and transfer from one State system to another State system without approval by the Board of Trustees, this matter is before the Committee as an informational item.

Finance Reports –
Quarter Ending
March 31, 2018

Ms. Melody Countess and Mr. Van Lewis presented the Administrative Expenses Report for the quarter ending March 31, 2018. Mr. Lewis reported that the Agency has spent, to date, 61.0% of the FY2018 Appropriation amount, with a current projected end-of-fiscal year surplus of \$2,198,663. However, that projected surplus will be reduced by the following amounts:

- \$1.3 million custodial bank surplus transferred to MPAS-3
- \$186K back of the Budget Bill reduction for healthcare cost savings (two additional payroll health deduction holidays)
- \$402K transfer of anticipated end-of-year surplus, at 12/31/17, to MPAS-3

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In addition to the above appropriation reductions, it is anticipated that the end-of-year healthcare reversion will approximate \$356K, as a consequence of unexpended healthcare costs. The forecasted effect of the appropriation reductions, and the healthcare reversion will result in an end-of-year operating deficit of approximately \$46K.

Ms. Brogan asked why there is a deficit in the salary budget line.

Mr. Lewis responded the deficit is due to the Agency not meeting its budgeted turnover.

Mr. Van Lewis presented the MBE Performance Report for the quarter ending March 31, 2018. Mr. Lewis reported that MBE Performance dropped to 1.45%, which is well below the Administrative MBE performance goal of 29.0%. The drop in MBE performance is due to two major multi-million dollar contracts being awarded, neither of which has an MBE component. The contracts, which totaled \$6M, were for actuarial services (GRS) and business re-engineering services (LRWL).

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 April 2018. The unit's call abandonment rate was 9.62% and the average speed of answer was 165 seconds for the month of April.

The issues impacting April's service were one call center employee on FMLA and two others that have been out due to illness. In addition, there has been an increase in call volume due to the State's changes of retiree pharmacy benefits. Also, in response to complaints regarding the inability for callers to easily transfer to a specialist, the Agency changed the structure of the IVR making the choice more prominent. As a result, more callers are pressing "0" for a specialist, increasing the call volume.

On a motion made by Ms. Hill and seconded by Mr. Nicole, the Administrative Committee voted to meet in a Closed Session beginning at 11:33 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; and
- b) discussing the Administrative Appeal of George Sparling, pursuant to General Provisions Art., § 3-103(a)(1)(iii), a quasi-judicial function.

CLOSED SESSION

The Trustees present included:

James Harkins, Chairman, Presiding
Theresa Lochte, Vice Chairman
Susanne Brogan

Sheila Hill
Marc Nicole
Richard Norman

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Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Melody Countess Angie Jenkins Harvey Raitzyk
Anne Gawthrop Kim O’Keeffe Ken Reott
Michael Golden

Assistant Attorneys General present included: Rachel Cohen

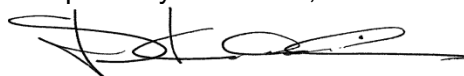
On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee returned to open session at 11:40 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

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 April 3, 2018 closed session minutes.
Administrative Appeal of George Sparling	The Administrative Committee reviewed and adopted the Executive Director’s recommendation for summary decision, for recommendation to the Board of Trustees.
Adjournment	There being no further business before the Committee, on a motion made by Mr. Nicole and seconded by Mr. Norman, the meeting adjourned at 11:41 a.m.


Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board

MEMORANDUM

TO: Members of the Administrative Committee

FROM: R. Dean Kenderdine, Executive Director 

DATE: June 5, 2018

RE: Fiscal 2019 Business Plan

The Maryland State Retirement and Pension System's Business Plan for fiscal year 2019 was developed with the input of all senior staff and is presented by the Executive Director for recommendation by the Administrative Committee to the Board of Trustees. The purpose of the Business Plan is to set out the key business initiatives continued from previous fiscal year(s) and any new initiatives to be undertaken in fiscal year 2019 that support the mission and goals of the Agency and the specific performance measures established by the Agency. The Business Plan has been developed in accordance with the Business Planning Policy adopted by the Board of Trustees, which requires that the Business Plan be reviewed and updated annually.

DOCUMENT OVERVIEW

The Business Plan comprises:

Section 1 states both the mission and vision of the Retirement System, which provide overarching guidance for the management of the Agency. (Not included in this document as it is unchanged.)

Section 2 provides a brief overview of the Agency as a whole and of each of the key divisions within the Agency, and describes the various goals and performance measures established within the Agency to help ensure fulfillment of the Agency's Mission. (Not included in this document as it will be revised based on end-of-fiscal year 2018 data.)

Section 3 sets out the Agency's business plan initiatives. Each initiative is accompanied by a brief description of the initiative, the expected outcome, projected timeline, and linkage to the objectives of the Agency. (Attached.)

Project Number	Initiatives	Division	Completion Date	Status
<i>Completed Business Initiatives</i>				
18BA/BO/IS01	MPAS-3 Business Process Re-engineering Subproject 1 – Project Design and Planning	Benefits Administration Division, Business Operations Office, and Information Systems	Jun -18	COMPLETE
14BO02	Analysis and Re-Engineering of Processing and Administration of Domestic Relation Orders within MPAS	Business Operations Office	Dec-17	COMPLETE
18IA01	External Peer Review	Internal Audit	Jun-18	COMPLETE
18ID01	Internal Management Consulting Services	Investment Division	Dec-17	COMPLETE
<i>New & On-going Business Initiatives</i>				
14BA04	Review and Revision of Code of Maryland Regulations	Benefits Administration Division	Ongoing	<p>Most recently completed regulation actions include:</p> <ul style="list-style-type: none"> • Delegation of final decision making authority for disability appeals. • Update of option and annuity factors. • Clarification that membership in the Employees’ System is not required for certain contractual employees. <p>UPDATE: SRA continues to be engaged in the State “Regulatory Review & 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 as updates are completed.</p>

Project Number	Initiatives	Division	Completion Date	Status
16BA01	Enhancement of Personal Statement of Benefits	Benefits Administration Division	Cancelled	The objectives of this previous business plan initiative will be addressed as part of the MPAS-3 project initiatives.
17BA01	Development of an Automated Full Cost Purchase of Service Calculator	Benefits Administration Division	Cancelled	The objectives of this previous business plan initiative may be addressed as part of the MPAS-3 project initiatives.
19BA/BO/IS01	MPAS-3 Business Process Re-engineering Subproject 2 – Foundation Preparation/Procurement Subproject 3 – Member Self-service Portal Subproject 4 – Improvement (Business Process Re-engineering)	Benefits Administration Division, Business Operations Office, and Information Systems	Jul-19 Sep-19 Dec-21	In Fiscal Year 2019 the Agency will determine and procure any additional technologies necessary to support the project and achieve integrated imaging and voice systems, increase functionality, improved communications and greater member/retiree and employer access to their data. Also, we expect to begin the actual re-engineering of current business processes using an agile development methodology.
17EA/IS01	MSRA Public Website (SRA.MARYLAND.GOV) Redesign	External Affairs & Information Systems Divisions	Dec-18	UPDATE: Contract was awarded to Digital Deployment, Inc. in February 2018.
19ID01	Investment Staff Compensation Criteria	Investment Division	Dec-18	Drafting RFP.

**BENEFITS ADMINISTRATION DIVISION/BUSINESS OPERATIONS
OFFICE/INFORMATION SYSTEMS DIVISION
JOINT BUSINESS PLAN INITIATIVE – MPAS-3**

Project 19BA/BO/IS01: MPAS-3 BUSINESS PROCESS REENGINEERING

Project Description: The Agency’s MPAS Project Phase 3 (MPAS-3) entails, in part, reengineering of Agency business processes, and implementing supporting technology, focused primarily within the Administration and Finance divisions, and including the Agency’s relationships with participants, employers, and strategic partners. In FY2017, the Agency initiated the procurement process to secure the services necessary to set the stage for the Agency’s transition to redesigned processes and technology.

In FY 2018 the Agency hired LRWL Inc. to provide Business Process Reengineering and Transition Management Consulting Services, and Enterprise Services State and Local, Inc. and Advanced Digital Services, Inc. to provide Systems Development and Business Analyst Support Services providing the resources necessary to implement a comprehensive business reengineering project.

By around the close of Fiscal Year 2018, the Agency anticipates completing the design and planning phase of this project (Subproject 1), prioritizing what gets done and when.

In Fiscal Year 2019, we will be in the Foundation Preparation/Procurement Phase (Subproject 2) for determination and procurement of any additional technologies (e.g. Registration and Authentication services, Workflow, Customer Relations Management, etc.) necessary to support the project and achieve integrated imaging and voice systems, increased functionality, improved communications and greater member/retiree and employer access to their data. Later in the fiscal year, we anticipate entering the Improvement Phase (Subproject 4) where we start to implement the actual business process re-engineering as separate tasks using an agile development methodology. The Improvement Phase will continue throughout the duration of the project.

**BENEFITS ADMINISTRATION DIVISION/BUSINESS OPERATIONS
OFFICE/INFORMATION SYSTEMS DIVISION
JOINT BUSINESS PLAN INITIATIVE – MPAS-3**

Within the MPAS-3 Project, as a separate activity we have already begun an additional activity to expedite the creation of a Member Self-Service portal. We estimate this effort to be completed with a launch date of September 1, 2019. The Member Self-Service portal, in this first stage of development will likely include:

- All participants: view account information; change beneficiaries; upload documents; send and receive messages; print income verification letters; and reprint Form 1099-R's
- Members: create retirement benefit estimates using the member's Agency database records
- Inactive members and annuitants: change address information
- Annuitants: view payment history; change payment instructions; and tax withholdings
- Agency staff: send/receive messages; create daily reconciliation reports; and resetting of passwords not accomplished through automated reset activities

The earlier MPAS project phases were managed by the Agency's Business Operations Office and did not require continuous and extensive participation by the Administrative Division. In the MPAS-1 project we replicated the legacy pension system functionality in a flexible modern architecture, and in the MPAS-2 project we improved the data integrity of service and salary data, including the implementation of an Average Final Compensation (AFC) tool that provides for salary adjustments and fully automates the calculation. Calculation of the AFC using the member's accumulated service data values are essential components for providing retirement benefit estimates.

However, in the MPAS-3 Project the participation of all individuals currently engaged in each business function is an essential part of our plan to successfully deliver an efficient, user friendly, reengineered business process taking a customer centric view.

**BENEFITS ADMINISTRATION DIVISION/BUSINESS OPERATIONS
OFFICE/INFORMATION SYSTEMS DIVISION
JOINT BUSINESS PLAN INITIATIVE – MPAS-3**

Expected Outcome: Subproject 2: Procurement of technologies necessary to support the full business process re-engineering project.

Subproject 3: First release of the Member Self-Service Portal.

Subproject 4: Fully re-engineered pension administration business process.

Timing: For the second year of a multi-year project, initial planning will have been completed by the close of fiscal year 2018. In fiscal year 2019, the Agency will complete the Foundation Preparation/Procurement Phase where we acquire additional technologies. We will also begin the Improvement Phase where we will create separate tasks to deliver individual re-engineering components of the overall project. This final phase is anticipated to be completed December 2021.

Link to Goals: This project links directly to the Agency's goals:

- To pay all retirement allowances provided by State pension law to the System's retirees and their beneficiaries in an accurate and timely manner.
- To effectively communicate with all retirement plan participants to inform them about the benefits provided by the System, and to educate them about planning and preparing for all aspects of their future retirement.
- To implement an automated, comprehensive and integrated pension administration and electronic document management system.

Budget Implications: This major initiative will require the resources of multiple vendors and additional personnel. Contracts were executed and funds were provided in the FY2018 to begin this initiative, and in FY2019 to continue the project.

INVESTMENT DIVISION – BUSINESS PLAN INITIATIVE

Project 19ID01: INVESTMENT STAFF COMPENSATION CRITERIA

Project Description: Procure the services of a compensation consultant for the Board of Trustees through an RFP process, to assist the Objective Criteria Committee (OCC) as established by Chapter 728, Laws of Maryland 2018. The purpose of the OCC is to make recommendations to the Board of Trustees regarding the development of objective criteria for setting compensation and awarding financial incentives for Investment Division staff. The compensation consultant will also assist the CIO in developing a staffing structure and performance evaluation system that is objective and transparent, and will provide a clear path for career advancement and Division sustainability. The Investment Division will also begin to install the infrastructure and systems necessary to begin to manage a portion of the System's assets internally.

Expected Outcome: The expected outcome is the adoption of objective criteria for setting compensation and awarding financial incentives for certain Investment staff. This will allow the Investment Division to be competitive in retaining and attracting qualified investment professionals, as a portion of the System's assets are transitioned to internal management. The ultimate expected outcome is improved investment performance and reduced management fees.

Timing: The compensation consultant RFP will likely be issued in the summer of 2018 with an expected contract award date of September 1, 2018. The OCC, with the assistance of the compensation consultant, is required to make recommendations to the Board of Trustees by December 31, 2018.

Link to Goals: This project will help advance the System's goal of investing the System's assets in a more efficient way, which will lead to higher investment returns at a lower cost.

Budget Implications: This project should not have a budgetary impact, as all expenses of the Investment Division are now off-budget as a result of legislative action in the 2018 session. While the cost of the compensation consultant is not known at this time, an estimate of the cost might be \$200,000.