

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

February 16, 2021

The Board of Trustees for the Maryland State Retirement and Pension System convened, via video/audio conference call beginning at 1:00 p.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Kenneth Haines
Peter Franchot, Vice Chairman	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.

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

Melody Countess	Angie Jenkins	David Rongione
Patricia Fitzhugh	Van Lewis	Janet Sirkis
Mimi Forbes	Kim O’Keeffe	Toni Voglino
Anne Gawthrop	Andrew Palmer	Scott Bolander (live stream)
Michael Golden	Chandra Puranam	
Ira Greenstein	Ken Reott	

Assistant Attorneys General present included: Rachel Cohen, Jody Shaw and Kathleen Wherthey

Other attendees included: Public Advisors Anne L. Shelton and Monte Tarbox; and Justin Hayes and Alex Walinskas (Comptroller’s Office) and Edward Aspey from ISS Governance

Consent Agenda

On a motion made by Mr. Prouty and seconded by Mr. Daly, the Board approved the consent agenda, which included:

- January 19, 2021 Open Meeting Board Minutes
- January 19, 2021 Audit Committee Meeting Summary
- February 2, 2021 Administrative Committee Meeting Summary

Ratification of the
Board of Trustees’
Electronic Vote
Appointing Trustees
to the Audit
Committee

Chairman Nancy Kopp, after consultation with Vice Chairman Franchot, recommended, the addition of two trustees to the Audit Committee of the Board, Trustees James Daly and Trustee Kenneth Haines, both of whom have agreed to serve on the Committee for the balance of this fiscal year.

On January 26, 2021 Chairman Kopp requested the Board’s approval of these assignments through an electronic vote of the Board via email. A majority vote in favor of the recommendation was received.

On a motion made by Mr. Brotman and seconded by Mr. Brandt, the Board ratified its January 26, 2021 electronic vote appointing Trustees Daly and Haines to the Audit Committee.

Appointment of
Trustees to the Ad
Hoc Committee on
Actuarial Economic
Assumptions

The Board was provided with a memorandum from Chairman Kopp, requesting the Board’s approval that the following individuals be appointed to serve on an Ad Hoc Committee on Actuarial Economic Assumptions:

Eric Brotman, Chair
Tom Brandt, Vice Chair
Michael Barry

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David Brinkley (or Designee)
Linda Herman
Doug Prouty
Michael Stafford

On a motion made by Mr. Prouty and duly seconded, the Board approved the appointment of Trustees to an Ad Hoc Committee on Actuarial Economic Assumptions, as presented.

Recommendation of the Administrative Committee regarding Proposed Amendments to COMAR 22.01.13- Member Services Unit – Telephone Recording and Monitoring

The Board was provided with proposed amendments to COMAR 22.01.13 – Member Services Unit – Telephone Recording and Monitoring for its review.

On a motion made by Mr. Haines, Chairman of the Administrative Committee and seconded by the Committee, the Board of Trustees voted to adopt the proposed amendments to COMAR 22.01.13 for submission to the Administrative, Executive and Legislative Review Committee and publish them for comment in the Maryland Register.

Recommendation of the Administrative Committee regarding Proposed Amendments to the Board’s Notice of Extension of Deadlines during the State of Emergency

The Board was provided with a proposed amended and restated “Notice Extending Certain Time Requirements” which updated certain time requirements issued by the Agency in March 2020 as a result of the COVID-19 State of Emergency. If the Board approves the proposed amended and restated “Notice Extending Certain Time Requirements” the new notice would go into effect on March 1, 2021.

On a motion made by Mr. Haines, Chairman of the Administrative Committee and seconded by the Committee, the Board of Trustees voted to adopt the proposed amended and restated Notice Extending Certain Time Requirements.

Recommendation of the Corporate Governance and Securities Litigation Committee regarding the Iran-Sudan Divestment

The Board was provided with a memorandum, a recommended Iran and Sudan restricted list and an Iran and Sudan Divestment Impact Analysis of all companies on the January 1, 2021 MSCI ESG Iran-Sudan Focus List, performed by Meketa. The memorandum provided staff’s recommendation of approval of the Iran and Sudan Restricted List and the removal of ONGC Videsh Vankorneft from the Iran and Sudan Restricted List, as it no longer meets the divestment requirements of State Personnel and Pensions Art., Section 21-123.1 as the company is no longer a wholly owned subsidiary of ONGC Videsh Limited, a company that has involvement in oil activities in Sudan.

<u>Iran and Sudan Restricted List</u>		
<u>February 16, 2021</u>		
<u>ISSUER NAME</u>	<u>Country</u>	<u>Sudan or Iran</u>
Bharat Heavy Electricals Limited	India	Sudan
China National Petroleum Corporation (PetroChina Co)	China	Both
China Petrochemical Corporation	China	Both

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CNOOC Curtis Funding NO.1 PTY LTD	Australia	Iran
CNPC (HK) Overseas Capital Ltd.	British Virgin Islands	Both
CNPC General Capital Limited	British Virgin Islands	Both
El Sewedy Electric Co. SAE	Egypt	Sudan
Energy House Holding Company	Kuwait	Sudan
Gaz Capital S.A.	Luxembourg	Iran
Gazprom Capital OOO	Russia	Iran
Gazprom PAO	Russia	Iran
Harbin Power Equipment Co., Ltd	China	Sudan
Kuwait Finance House K.S.C.	Kuwait	Sudan
Managem S.A.	Morocco	Sudan
Oil and Natural Gas Corporation Limited	India	Sudan
Oil India International PTE. LTD.	Singapore	Sudan
Oil India Ltd.	India	Sudan
ONGC Videsh Limited	India	Sudan
Orca Gold Inc.	Canada	Sudan
Petroliam Nasional Berhad (Petronas)	Malaysia	Sudan
Petronas Capital Limited	Malaysia	Sudan
Schneider Electric S.A.	France	Sudan
Siemens Aktiengesellschaft	Germany	Sudan
Siemens Financieringsmaatschappij N.V.	Netherlands	Sudan
Sinopec Group Overseas Development (2012) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2013) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2014) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2016) Limited	British Virgin Islands	Both
Sinopec Group Overseas Development (2017) Limited	British Virgin Islands	Both
Total		29

Mr. Prouty thanked Ms. Voglino for the well-prepped documents regarding this matter.

On a motion made by Mr. Prouty and seconded by Mr. Brotman, the Board approved the Corporate Governance and Securities Litigation Committee's recommendation to approve the Iran and Sudan Restricted List as presented.

Recommendation of
the Corporate
Governance and
Securities Litigation
Committee
regarding Proxy
Voting Guidelines

The Board with provided with a memorandum regarding the following proposed red-lined changes to the System's Proxy Voting Guidelines:

Topic 1: Board Composition – Voting on Directors – Board Accountability – Poison Pills

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Vote for proposals to redeem existing poison pills. Shareholders should have the right to approve any new poison pills. Any new poison pill resolutions should be evaluated on a case-by-case basis

Additionally:

...votes should be withheld from U.S. directors who:

Have adopted a poison pill without shareholder approval. Vote case-by-case on nominees if the board adopts an initial poison pill with a term of one year or less, if modifications have been made to an existing pill, or if the pill has a slow-hand or dead-hand feature.

Topic 2: Board Composition – Voting on Directors – Other Board-Related Proposals – Board Refreshment (Age/Term Limits)

Generally, oppose age/term limits, taking into consideration:

- The rationale provided for adoption of the term/tenure limit;
- The robustness of the company's board evaluation process;
- Whether the limit is of sufficient length to allow for a broad range of director tenures;
- Whether the limit would disadvantage independent directors compared to non-independent directors; and
- Whether the board will impose the limit evenly, and not have the ability to waive it in a discriminatory manner.

And if the item is a shareholder proposal, consider:

- The scope of the shareholder proposal; and
- Evidence of problematic issues at the company combined with, or exacerbated by, a lack of board refreshment.

Topic 3: Shareholder Rights and Defenses – Advance Notice Requirement for Shareholder Proposals/Nominations

Vote case-by-case on advance notice proposals, considering:

- Submission requirements relative to notice period and meeting date;
- Submission requirements relative to anniversary of previous year's meeting and beginning of the notice period; and
- Disclosure best practices.

Topic 4: Shareholder Rights and Defenses – Shareholder Litigation Rights

Shareholders should have the right to bring suit against the company regardless of whether the shareholder/plaintiff is only partially successful. Vote against bylaws and provisions that mandate fee-shifting whenever the shareholder/plaintiff is not completely successful on the merits.

Vote against bylaws and provisions that limit the venue in which a shareholder may file suit or mandate arbitration and vote case-by-case on bylaws and provisions addressing exclusive forum taking into consideration:

- Rationale for adopting the provision;
- Disclosure of past harm from duplicate shareholder lawsuits;

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- The breadth of application of the charter or bylaw provision, including types of lawsuits to which it would apply and the definition of key terms; and
- Governance features such as shareholders ability to repeal the provisions at a later date.

Topic 5: Shareholder Rights and Defenses – Virtual Shareholder Meetings

Vote case-by-case for management and shareholder proposals allowing for convening of shareholder meetings by electronic means, considering:

- Preclusion of in-person meetings;
- Scope and rationale of the proposal; and
- Concerns identified with the company's prior meeting practices.

Topic 6: Social and Environmental Issues – Mandatory Arbitration and Workplace Claims

Vote case-by-case for requests for a report on a company's use of mandatory arbitration on employment-related claims, taking into consideration:

- The company's current policies and practices related to the use of mandatory arbitration agreement on workplace claims;
- Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to the use of mandatory arbitration agreements on workplace claims; and
- The company's disclosure of its policies and practices related to the use of mandatory arbitration agreements compared to its peers.

Topic 7: Social and Environmental Issues – Sexual Harassment

Vote case-by-case on requests for a report on company actions taken to strengthen policies and oversight to prevent workplace sexual harassment, or a report on risks posed by a company's failure to prevent workplace sexual harassment, taking into account:

- The company's current policies, practices, oversight mechanisms related to preventing workplace sexual harassment;
- Whether the company has been the subject of recent controversy, litigation, or regulatory actions related to workplace sexual harassment issues; and
- The company's disclosure regarding workplace sexual harassment policies or initiatives compared to its industry peers.

Topic 8: Closed End Funds and Unilateral Opt-In to Control Share Acquisition Statutes

For closed-end management investment companies (CEFs), vote against or withhold from nominating/governance committee members (or other directors on a case-by-case basis) at CEFs that have not provided a compelling rationale for opting-in to a Control Share Acquisition statute, nor submitted a by-law amendment to a shareholder vote.

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On a motion made by Mr. Prouty and seconded by Mr. Brotman, the Board voted to approve the recommendation of the Corporate Governance and Securities Litigation Committee regarding changes to the Proxy Voting Guidelines, as presented.

Recommendation of
the Investment
Committee
regarding
Investment Division
Salary Scale
Adjustments

The Board was provided with a report from CBIZ Talent & Compensation Solutions, regarding its annual recommendation to adjust the salary range scale for certain Investment Division employees. CBIZ's recommendation is to use the WorldatWork data with adjustments based on the average between the three employee categories (Professional, Management, and Leadership) for the region and industry data sets, which is 1.9%. The adjustment factors will not apply to the Investment Administration positions.

Treasurer Kopp commented that this matter was subject to a lengthy discussion by the Investment Committee at its meeting earlier in the day.

On a motion made by Mr. Brotman, Chairman of the Investment Committee and seconded by the Committee, the Board approved the Committees' recommendation to adjust the salary range structure for the three employee categories (Professional, Management, and Leadership) in the Investment Division by 1.9%, as presented.

2021 Legislation

Ms. Anne Gawthrop provided the Board of Trustees with an update of the 2021 pension related legislation introduced to the General Assembly. Ms. Gawthrop reported that no action was needed by the Board, at this time, as there were no new bills introduced. Ms. Gawthrop reported that there were ten bills introduced in total this year and reported on the following:

- House Bill 479 - State Retirement and Pension System - Investment Management Fees

Ms. Gawthrop reported that the Board opposed this legislation and that a bill was sitting in Appropriations.

- House Bill 533 - State Government – Prevention of Genocide and Crimes Against Humanity and the Commission on Genocide Prevention

Ms. Gawthrop reported that staff has a great meeting with the sponsor of this bill who was very receptive to the Board's concerns regarding fiduciary responsibility.

- House Bill 922/Senate 642 - State Retirement and Pension System – COVID-19-Related Death Benefits – Clarification

Ms. Gawthrop reported that the COVID death benefit bill was scheduled to be heard by both the House and Senate.

Mr. Haines asked how an employer determines if the employee contracted the virus at work.

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Ms. Gawthrop responded that there is no contact-tracing language in the bill. The bill requires that the decedent's family provide proof that the member contracted COVID within fourteen days after being at work and subsequently died.

In addition, Mr. Kenderdine reported that the legislature is considering taking the reinvested savings contribution of \$75M from the Governor's budget and using it to replenish the State's Rainy-Day Fund. COVID relief legislation is moving through the legislature and funds to pay for it are coming from the Rainy-Day fund. Mr. Kenderdine reported that the reinvested savings funds would be taking from the FY2022 and FY2023 budgets. **Correction:** After this meeting of the Board, Mr. Kenderdine learned that his understanding of the fiscal years affected was mistaken. The legislature's actions would result in the System not receiving reinvested savings in the current FY2021 budget and then the FY2022 budget now before the legislature, as well.

Mr. Kenderdine reported the actuary is running the numbers now that will show the impact of this action on future State contributions and funded status progress.

Mr. Stafford asked if staff should author a letter on behalf of the Trustees to the legislature warning them of the negative impact.

Treasurer Kopp responded yes, the Board should communicate its concern once we know what the impact would be. She asked if there was anything else in the bill that would impact pension in any other way other than the rainy-day fund.

Mr. Kenderdine responded no, there is no other language in the budget bill.

CIO Report

Mr. Palmer provided the Board with two fund tearsheets, one with a final fund market value of \$62.4 Billion as of December 31, 2020 and the other with preliminary fund market value of \$62.6 Billion as of January 31, 2021.

Mr. Palmer reported that the plan performance was strong with a fund return of 14.3% for the calendar year, ahead of the benchmark by 200 basis points. This translated into strong performance relative to peers. The Investorforce Universe of 61 plans greater than \$1 billion showed that on a net of fees basis the system was in the 10th percentile for one year and 16th and 34th percentile for 3 and 5 years respectively. The comparable numbers for the 29 plans in the TUCS gross of fees universe were 21st, 46th and 60th percentile, all significant improvements from past years.

Mr. Palmer reported that from a staffing perspective there are eight open positions, most of them junior positions. Only two of these were from turnover, the Managing Director of Accounting and Operations position and another accounting position. Mr. Palmer reported that he is hopeful they have identified a candidate for the first position. In addition, staff has been evaluating personnel resources in light of changes in the types of work and work processes that the division has undergone in the past few years and will be coming to the Board for personnel requests in light of that review.

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Lastly, Mr. Palmer provided an update on the division's strategic plan. An asset allocation review is scheduled for September, pushed out one meeting because of the need to address the General Consultant RFP in May. Asset allocation changes have been adding to performance over the past five years. Improved investment performance of external managers is the second leg of the strategic plan and recent results demonstrates progress there. Lowering costs is the third leg. While no additional asset classes were brought in over the last quarter, staff did begin managing futures positions which is expected to lower costs by \$1-2 million per year. Additional asset classes are expected to be brought in over the ensuing months.

Mr. Stafford asked which asset classes were scheduled for insourcing.

Mr. Palmer responded, investment grade corporate bonds, mortgage backed securities and small cap U.S. stocks are all in process.

Executive Director's
Report

Mr. Kenderdine reported that an Ad Hoc Committee meeting for the executive search is scheduled for Monday, February 22, 2021 beginning at 1:00 p.m. Mr. Kenderdine commented that staff was working with the search firm to draft job specifications for the Committee's review.

Mr. Kenderdine reminded the Trustees that the 2020 Comprehensive Annual Financial Report (CAFR) was available on the Agency's website, but that if anyone was interested in receiving a hard copy to please let him know.

Mr. Kenderdine reported that signatures for candidates had been received for the two Trustee positions that are up for election this year. The positions are for the active Teachers' System representative currently held by Trustee Prouty and the other position is for the active Employees' System representative currently held by Trustee Craddock. Mr. Kenderdine reported that for the active Teachers' System representative there was one sole candidate, which is Mr. Prouty. Mr. Kenderdine reported that for the active Employees' system, there are two candidates, Mr. Craddock and Ms. Pebbles, therefore, there would be an election conducted in May 2021 for that Trustee position.

Mr. Kenderdine reported that the Agency is just past the one-year anniversary of going live with mySRPS and has an enrollment rate of 26% of all active members and retired who have signed up for access to the portal. Typical enrollment rates are 10-15%.

Mr. Kenderdine reported that the Agency's budget hearing, which will be a joint committee hearing by the Senate Budget and Taxation and House Appropriation Committees is scheduled for Tuesday, March 2, 2021 at 1:30 a.m. and is being done virtually.

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Mr. Kenderdine reported that it was the birthday of Mike Golden, Director of External Affairs.

On a motion made by Mr. Brotman and seconded by Mr. Prouty, the Board voted to meet in a Closed Session, beginning at 1:40 p.m., via video/audio conference call, for the purposes of:

- a) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and 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., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;
- b) reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter 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; and
- c) considering the award of financial incentives and the approval of proposed salary adjustments for the Chief Investment Officer and certain employees of the Investment Division, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Kenneth Haines
Peter Franchot, Vice Chairman	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.

Staff members attending included:

R. Dean Kenderdine, Executive Director/Board Secretary (for items (a)-(c))
Rachel S. Cohen, legal counsel (for items (a)-(c))

The following Agency staff were present for items (a)&(b) only:

Melody Countess	Ira Greenstein	Chandra Puranam
Patricia Fitzhugh	Angie Jenkins	Ken Reott
Mimi Forbes	Van Lewis	David Rongione
Anne Gawthrop	Kim O'Keeffe	Janet Sirkis
Michael Golden	Andrew Palmer	Toni Voglino

Assistant Attorneys General present for items (a)&(b) only included: Jody Shaw and Kathleen Wherthey

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Other attendees present for items (a)&(b) included: Public Advisors Anne L. Shelton and Monte Tarbox; and Justin Hayes and Alex Walinskas (Comptroller's Office)

On a motion made by Mr. Brotman and seconded by Mr. Prouty, the Board returned to open session at 1:51 p.m., via video/audio conference call.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Kenneth Haines
Peter Franchot, Vice Chairman	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
James Daly	Michael Stafford, Jr.

Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Rachel Cohen, legal counsel and Scott Bolander (live stream)

During closed session, the Board of Trustees discussed and acted on the following matters:	
Closed Session Minutes	The Board reviewed and approved the January 19, 2021 closed session minutes.
Medical Board Reports	The Board ratified its electronic vote to adopt the medical board report of December 23, 2020. In addition, the Board reviewed and adopted the medical board reports from January 20, January 28 and February 3, 2021.
Recommendation of the Investment Committee regarding the FY20 Incentive Compensation for Certain Employees of the Investment Division	The Board reviewed and approved the recommendations of the Investment Committee regarding the fiscal year 2020 incentive compensation for certain employees of the Investment Division, as presented.
Recommendation of the Investment Committee regarding Compensation for Certain Employees of the Investment Division	The Board reviewed and approved the recommendations of the Investment Committee regarding the compensation for certain employees of the Investment Division, as presented.
Recommendation of the Investment Committee regarding FY20 Incentive Compensation for the Chief Investment Officer	The Board reviewed and approved the recommendations of the Investment Committee regarding the fiscal year 2020 incentive compensation of the Chief Investment Officer, as presented.

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Recommendation of the Investment Committee regarding Compensation for the Chief Investment Officer	The Board reviewed and approved the recommendations of the Investment Committee regarding the compensation of the Chief Investment Officer, as presented.
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Adjournment There being no further business before the Board, on a motion made by Mr. Brotman and seconded by Secretary Brinkley, the meeting adjourned at 1:52 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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***AUDIT COMMITTEE MEETING SUMMARY
JANUARY 19, 2021***

The Committee Members present included:

David B. Hamilton, Chairman

Richard E. Norman, Vice-Chairman

Thomas M. Brandt

Kenneth B. Haines

James P. Daley, Jr

Agency Staff members attending included:

R. Dean Kenderdine, Executive Director

Kenneth Reott, Retirement Administrator

David Rongione, Chief Internal Auditor

Rachel Cohen, Principal Counsel

Andrew Palmer, Chief Investment Officer

Robert Burd, Deputy Chief Investment Officer

Toni Voglino, Senior Compliance Officer

Ira Greenstein, Chief Information Systems Officer

Robert Diehl, Deputy Chief Information Systems Officer

Melody Countess, Chief Operating Officer

Patricia Fitzhugh, Deputy Chief Operating Officer

Lauren Smith, Internal Audit Contract Manager

Gregory Busch, IT Audit Manager

Other attendees included:

Jeff Binford, Engagement Partner and Michael Bengston, Engagement Manager of BD&Co.

Presentation of the Partnership and Fund Management Selection Audit Results by BD&Co

Mr. Bengston of BD&Co gave an overview of the audit report by giving an executive summary of the report, discussing the background information, as well as the scope of the audit. Mr. Bengston advised that the control environment is effective as processes and procedures are in compliance with MSRA guidelines and applicable laws and regulations.

Mr. Brandt inquired how the audit was selected and if there were similar audits performed. Mr. Bengston advised that some of the activities of this audit were covered in other audits, but the process of partnership and fund management selection has not been covered. Mr. Rongione explained that previously, investment audits were performed based on asset class. This approach was changed roughly four years ago. A risk assessment was performed to identify the business processes in the Investment Division, and to rank the risks associated with these processes based on likelihood and impact. The result was a listing of audits based on risk.

Mr. Brandt inquired further about the Partnership and Fund Management Selection audit report, specifically the forms submitted by external managers. Mr. Bengston of BD&Co elaborated on the forms and agreed that the format can be improved; however, BD&Co ensured the proper information was included on the forms.

Mr. Daley inquired whether the policies and procedures from this audit were compared to that of other public funds. Mr. Bengston explained that they were and are in line with industry best practices.

Internal Quality Assurance Results

Mr. Rongione explained that Internal Auditing Standards require that a quality assurance and improvement program are implemented. The memo beginning on page 27 of the agenda packet documents the results of the Internal Audit Division Quality Assurance and Improvement program for calendar year 2020. There are two components of the quality assurance program: Review of selected audits after their completion; and Annual review of internal audit

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***AUDIT COMMITTEE MEETING SUMMARY
JANUARY 19, 2021***

operations for compliance with general standards.

Based on the review, there were no recommendations for improvement, and Internal Audit operated within standards.

Status of the FY
2021 Audit Plan

Mr. Rongione reviewed the status of the FY2021 audit plan noting that the Network Security audit is wrapping up, and there is an exit meeting scheduled for January 29th. The next General Controls audit, which covers the period of FY20 Q4 and FY21 Q1 has kicked off. For the continuous audits, Mr. Rongione mentioned that progress is being made, and that it will be discuss in further detail with Agenda item 7. For the internal PGU Audits, Mr. Rongione mentioned that the planning phase is complete for all 8, and fieldwork is complete for 3 of the PGU's. For the outsourced audits, Mr. Rongione mentioned that the audit of investment operations has kicked off. The Cybersecurity audit RFP is with procurement, and we are waiting for it to be issued. For the participating employer audits: 46% are in-progress and 54% have not started.

Mr. Brandt inquired as to how the audit plan is developed and if it is approved by the Audit Committee. Mr. Rongione explained that Internal Audit performs an annual risk assessment, with input from management and the committee members. Risks are evaluated on likelihood and impact. Based on the results of the risk assessment, an annual audit plan is developed, and is presented during the July Audit Committee for approval.

Mr. Brandt inquired if internal audits are conducted in connection with the financial statement audit. Mr. Rongione explained that the financial statement audit is conducted independently from internal audits; however, internal audit reports and work papers are shared with the financial statement auditor.

Status of the Open
Issues Log

Mr. Rongione presented the listing of open issues noting that Internal Audit was able to close out three issues since the November meeting. Internal audit plans to devote more time and resources before the next audit committee meeting, to address the issues.

Mr. Brandt inquired if any of the open issues should concern the committee. Mr. Rongione expressed concern for the last issue, related to the timely review of SOC 2 Type 2 reports. This issue was identified by the Legislative Auditors during their last review. Internal Audit has retested this issue with similar findings. Mr. Brandt inquired about a solution. Mr. Rongione advised that Internal Audit assisted in developing a tracking log and a review template spreadsheet, for Agency employees to utilize. Mr. Hamilton requested an update on the status of the finding be presented at the next meeting.

Status of the Data
Analytics Project

Mr. Rongione explained that the FY 21 approved audit plan includes developing a data analytics / continuous auditing program. This project includes writing scripts in an auditing software called ACL. The scripts will analyze information in the database and provide the auditors with a sample that meets the scripts definition. Once the scripts are written, Internal Audits can continuously audit

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***AUDIT COMMITTEE MEETING SUMMARY
JANUARY 19, 2021***

certain transactions on a monthly basis. Internal Audit has written eight scripts and performed the audits from July through November 2020. Findings from these audits are included in summary reports that are issued to management. Internal Audit will also prepare a dashboard report for the committee members, summarizing the program and findings.

Evaluations

Mr. Rongione mentioned the Audit Committee Charter requires that a self-evaluation occur every two years. The last evaluation occurred in April 2018. Mr. Rongione explained that the self-evaluation was sent in January 2020; however, it was deferred for an additional year. Mr. Rongione said he would be sending out the evaluation in the near future so that the results of the evaluation can be presented at the next Audit Committee meeting.

He also mentioned that an IAD performance survey would be sent. He requested the Committee members to complete this survey. The results of the survey will also be presented at the next Audit Committee meeting.

Mr. Hamilton acknowledged the importance of these evaluations and requested committee members complete the evaluations once they are received.

Other Business

Mr. Rongione explained that Internal Audit is subject to an external quality assurance review every three years. An RFP was issued, and two proposals were received. Internal Audit is currently evaluating the technical proposals.

Mr. Rongione explained that the Cybersecurity Audit RFP was submitted to Procurement in October 2020 and that it has not been issued. Mr. Rongione is hopeful that this will be issued in the coming weeks, as this audit is on the FY 21 audit plan. Mr. Norman inquired about the timing, and if a contract will be in place before the fiscal year end. Mr. Rongione explained that Procurement advised him that they have been working on other priorities. Mr. Kenderdine added that one of those priorities included an RFP for the Executive Director Search firm. He further explained that staff are working hard and trying to get it done as fast as possible.

Mr. Rongione explained that Internal Audit will be reviewing the Investment Division incentive compensation calculations. He explained that salary and basis point detail will be validated, and calculations assessed.

Mr. Rongione explained that Internal Audit will need to perform a SWIFT assessment. SWIFT is a global financial messaging service for financial transactions. In order for the Investment Division to automate the internal trading function through the Bloomberg order management system, they need a BIC (bank identification code) which is issued by SWIFT. SWIFT has their own IT framework that the assessment needs to be conducted, and the attestation made by 12/31/2021

**BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 2, 2021***

The Committee Members present included:

Kenneth Haines, Chairman, Presiding	Jamaal Craddock
Richard Norman, Vice Chairman	Marc Nicole
Thomas Brandt	Nancy K. Kopp

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

Melody Countess	Angie Jenkins	Ken Reott
Patricia Fitzhugh	Van Lewis	David Rongione
Anne Gawthrop	Kim O’Keeffe	Janet Sirkis
Michael Golden	Andy Palmer	Toni Voglino
Ira Greenstein	Chandra Puranam	Scott Bolander (live stream)

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Trustee Sheila Hill

2021 Legislation

THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA IN OPEN SESSION.

Ms. Anne Gawthrop provided the Committee an updated overview of the 2021 pension related legislation introduced to the General Assembly since the January Board of Trustees meeting. Ms. Gawthrop reported that eight bills had been introduced since the January Board meeting, bringing the total number of bills introduced to eleven.

Proposed
Amendments to
COMAR 22.01.13 –
Member Services
Unit – Telephone
Recording and
Monitoring

THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA IN OPEN SESSION.

Mr. Reott presented proposed amendments to COMAR 22.01.13 – Member Services Unit – Telephone Recording and Monitoring. Mr. Reott reported that since the regulation was originally adopted, a feature called the “virtual hold callback” has been added to the Automated Call Distribution System (“ACDS”). The virtual hold callback provides the customer with the ability to control their experience when they call the Agency and a Retirement Benefits Specialist is not immediately available to take their call. It allows the customer to request that the ACDS automatically call them back when a Specialist is available.

Mr. Reott reported that the change in the regulation clarifies that the Agency may record or monitor both incoming telephone calls made to the ACDS as well as outgoing telephone calls solely made by the virtual hold callback feature. The regulation also provides that such outgoing calls will inform the person called that it is the Retirement Agency making the call, and acknowledges that in accordance with law, any recordings will be stored securely and may not be retained for longer than 10 years.

On a motion made by Mr. Norman and seconded by Mr. Brandt, the Administrative Committee voted to recommend that the Board of Trustees vote to submit the proposed amendments to COMAR 22.01.13 to the Administrative, Executive, and Legislative Review Committee, and publish them for comment

**BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 2, 2021***

in the Maryland Register.

Proposed
Amendments to the
Board's Notice of
Extension of
Deadlines during
the State of
Emergency

**THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA
IN OPEN SESSION.**

Mr. Reott presented proposed amendments to the Agency's Notice Extending Certain Time Requirements, in recognition of continuance of the COVID-19 State of Emergency. Mr. Reott reported that the Agency's Notice Extending Certain Time Requirements has been in effect since March 30, 2020 and the environment in which the Agency's customers and staff is operating has greatly changed since that time. Staff feels it is advisable to amend some of the extensions of time requirements with the original notice, as many of those extensions were open-ended and do not expire until thirty (30) days after the COVID-19 State of Emergency ends. Therefore, instead of the current open-ended extensions, staff is proposing a series of rolling extensions, that will afford participants additional time to take certain actions during the State of Emergency, but also allow business operations to continue without significant interruption. The amendments were provided by memorandum to the Administrative Committee.

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee voted to recommend that the Board of Trustees vote to approve the Amended and Restated Notice Extending Certain Time Requirements, as presented.

Summary of the
Agency's IT Master
Plan for FY2021

Mr. Ira Greenstein presented the Administrative Committee with the Agency's IT Master Plan for FY2021. Mr. Greenstein reported that the Agency's technology strategy remains unchanged from prior years.

Mr. Greenstein reported on several major accomplishments over the past year, which included:

- Implementation of the "mySRPS" secure member portal
- Integration of intelligent scanning and document management with customer relationship management software
- Implementation of an improved secure employer portal.

Mr. Greenstein also reported that IT security (fraud, authentication, network, back-up security) remains an ongoing challenge for the Agency, as it does elsewhere.

Treasurer Kopp asked how the Board can be assured that the Agency's IT security policies and practices are as strong as possible.

Mr. Greenstein responded that the Agency's security policies and practices are generally considered secure, although this does not make anyone complacent or arrogant about that. In addition, the Agency is audited by Agency internal auditors, the System's financial auditors every year, and every four years by the Office of Legislative Auditors. He added that while there is not a specific benchmark for security compliance, the Agency's security protections seem to

**BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 2, 2021***

compare well with other agencies. We have a self-functioning IT unit, not part of the State Department of Information Technology “enterprise.”

Mr. Greenstein further responded that he would be happy to address the Board with a more in-depth discussion of the Agency’s IT security in closed session.

Treasurer Kopp agreed that would be beneficial.

Mr. Kenderdine commented that it may be helpful to the Board, if Mr. Greenstein could, during closed session at a future Board meeting, go through the various audits that the IT department receives with an indication of their findings, action items and how the Agency has responded to each.

Member Services
Update

Mr. Reott 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 December 2020, however, both metrics improved over December 2019. Mr. Reott reported that the unit’s call abandonment rate average for FY21 is 16.86% and the unit’s average speed of answer was 369 seconds for FY21. He further reported that for December the average call talk time was five minutes and 24 seconds and that there was an increase of 43% in answering correspondence.

Mr. Reott reported that there are currently five vacancies in the members services unit, however they have had a successful recruitment to hire three people, who will begin mid-February.

Treasurer Kopp commented that the Agency has consistently fallen short on its performance goals for some time and asked if they remain appropriate.

Mr. Reott responded that the Agency has met the performance goals in the past, but that the goals themselves have been adjusted over time. Mr. Reott commented that he believes that the goals remain appropriate and are achievable, if the division can maintain 10 trained specialists on the phones.

Mr. Kenderdine further responded that consistent staffing remains the challenge even with the dedication of staff to fill vacancies and the latitude granted by the Department of Budget and Management in filling vacancies.

Mr. Haines commented that if we go another year with the performance rate, we may need to adjust the goal.

Treasurer Kopp asked if the Agency has seen any changes in the pattern in retirements.

Mr. Kenderdine responded that the total number of retirements in all plans were down for calendar year 2020 as well as the second half of the year, when compared to 2019. He added that there was an increase in Teacher retirements during the last three months of 2020, but they were still down on an annual basis and July through December basis.

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Treasurer Kopp commented that it would be beneficial to have the actuaries determine the impact on the System if there were to be an abrupt change in normal pattern of retirements.

Mr. Kenderdine responded that staff has shared this information with the actuary and agrees that the scenario posed by Treasurer Kopp should be part of a future stress test. Mr. Kenderdine further suggested that the Ad Hoc Committee on Economic Assumptions that will be appointed in the coming weeks could include these demographic assumptions in its work, as well.