



MARYLAND STATE RETIREMENT AGENCY

**BUSINESS PLAN
FISCAL YEAR 2019**

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MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

FISCAL 2019 BUSINESS PLAN

INTRODUCTION

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 approval by the Board of Trustees. The purpose of the Business Plan is to set out the key business initiatives continued from previous fiscal years 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. This plan has been developed consistent with the System’s Strategic Plan.

DOCUMENT OVERVIEW

The Business Plan comprises four key sections:

Section 1 states both the mission and vision of the Retirement System, which provide overarching guidance for the management of the Agency.

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.

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.

SECTION 1

MISSION AND VISION STATEMENTS

MISSION

To administer the survivor, disability, and retirement benefits of the System's participants, and to ensure that sufficient assets are available to fund the benefits when due.

VISION

A state that provides a fully-funded retirement system that is affordable to all participating employers and provides guaranteed adequate disability, survivor, and retirement benefits.

SECTION 2

AGENCY OVERVIEW, GOALS, AND PERFORMANCE MEASURES

AGENCY OVERVIEW AND GOALS

The Agency implements the objectives of the State Retirement and Pension System. The Executive Director's Office is responsible for the executive direction of the System including administrative and investment operational policy, legislative and legal liaison, financial affairs and communications. The Benefits Administration Division is responsible for the payment of benefits, administration of employee contributions, and individual and group membership counseling. The Finance Division is responsible for accounting and financial reporting, budget administration, procurement, and human resources. The Investment Division is responsible for the management, control and investment of the System's Retirement Accumulation and Annuity Savings Funds. The External Affairs Division is responsible for managing all Agency interactions with the media, as well as communications with all system stakeholders. The System's stakeholders include members, retirees, member associations, State elected leaders, and Maryland taxpayers. The Internal Audit Division ensures Agency compliance with State laws, rules and regulations, as well as ensuring employer compliance with Agency reporting policies. The Information Systems Division is responsible for the design and implementation of new automated management information systems and for maintenance and enhancements of existing systems including the Maryland Pension Administration System (MPAS). The Business Operations Office (BOO) is responsible for the design and implementation of the MPAS.

The Agency has established the following four broad goals in support of its Mission:

- Goal 1.** To prudently invest System assets in a well-diversified manner to optimize long-term returns while controlling risk through excellence in the execution of the investment objectives and strategies of the System.
- Goal 2.** To effectively communicate to all retirement plan participants the benefits provided by the System and to educate them about planning and preparing for all aspects of their defined benefit system.
- Goal 3.** To pay all retirement allowances provided by State pension law to the System's retirees and their beneficiaries in an accurate and timely manner.
- Goal 4.** To efficiently collect the required employer and employee contributions necessary to fund the System.

BENEFITS ADMINISTRATION DIVISION

The division administers 12 separate defined benefit pension systems (with over 50 plans within the systems) covering over 246,000 active and deferred vested participants and approximately 156,300 pension annuitants (as of June 30, 2017) whose pension benefit payments exceed \$3.5 billion annually. The division, staffed by 107 permanent and contractual employees, consists of four major units: Data Control, Benefits Processing, Member Services, and Special Projects.

Data Control Unit

This unit provides maintenance and control of nearly 403,000 participants' and former participants' accounts and payee records maintained in a relational database. The unit provides three separate, interrelated functions:

- 1. Employer Reporting Section** – collects, reconciles, and controls individual member pension payroll data submitted by more than 170 separate, independent payroll centers (employers). These centers cover over 7,000 individual employer payroll periods reported through 4.5 million individual transactions for over 192,000 active plan participants. Other responsibilities include determination of plan eligibility of new members (22,000 annual enrollments); updating 58,600 individual designations of beneficiaries; authorizing and calculating service credit adjustments for member purchase of additional pension credit (1,300 annual invoices); member leave of absence service credit adjustments (2,100 annually); membership account manual adjustments (168,000 annually); and military service applications (500 annually). The timeliness and accuracy of the membership data is critical as it is used to determine benefit eligibility, calculate the pension allowance, and for actuarial valuation for determining the State and local participating employer's contribution rates.
- 2. Purchases and Military Service Maintenance Section** – reviews and processes, member requests to purchase service; applications for military credit; transfers of service from/to other retirement systems; redeposits of funds for prior membership periods; and processing of various miscellaneous transactions that update the Agency's database in support of these functions.
- 3. Retired Life Section** – maintains, reconciles, and controls all data updated to the retiree database (approximately 156,300 annuity payment records on June 30, 2017); authorizes, reconciles and controls the processing of the monthly pension annuity payroll and benefit voucher disbursement process; generates the data required for the valuation determination of an employer's continuing withdrawal liability payment for employers that elect to withdraw from the plan; Annually, the section updates over 8,000 pension payee address changes.

Benefits Processing Unit

This unit provides three separate, but interrelated functions in the processing of member requests for pension benefits:

- 1. Retirement Processing Section** – processes all member benefit estimate requests (annually 15,400 applications); determines pension benefit eligibility and processes all member retirement applications (8,100 annually), revises new pension allowances (15,000 revisions annually) due to the employer revision for unused employer-granted sick leave, an application at retirement to purchase additional service credit or a filing for military service credit, and other such adjustments; and generates manual vouchers for payment of retroactive benefits and benefit allowance adjustments due to account revisions.
- 2. Post Membership Payments Section** – processes all lump sum member and retiree death benefits and initiates survivor annuities (approximately 5,200 annually); determines beneficiary eligibility for benefits; calculates and manually issues death benefit payments and vouchers totaling \$23.0 million annually; manually calculates the tax information for all lump-sum death payments issued to the beneficiaries of deceased retirees; and calculates and generates all member contribution refunds and rollovers to qualified accounts (8,700 payments).
- 3. Reconciliations and Revisions Section** – issues replacement checks for direct deposit failures and lost/stale-dated benefit checks (approximately 1,000 payments annually); audits each accidental disability retiree account (approximately 60 annually) to determine and recover all simultaneously paid (overlapping) pension and workers' compensation benefits (annually 90 account recoveries); and authorizes the reduction of pension allowances in accordance with filed domestic relations orders, liens, levy's and other court orders.

Member Services Unit

This unit provides a multi-pronged communication program to inform plan participants of their retirement benefits, and provides for the evaluation and processing of all disability applications. This unit consists of four sections:

- 1. Correspondence and Face-To-Face Counseling Section** – responds to written inquiries (approximately 7,500 letters and approximately 7,500 emails annually) received from members, former members, beneficiaries, retirees, employers, and others. Topics include benefit questions, complex pension issues, and resolution of members' individual problems. Staff (counselors) in this section meet one-on-one with

members and retirees (4,100 annually) conducting sessions at the Agency. Counselors participate in both Agency-initiated group seminars as well as employer and employee organization sponsored seminars and programs (serving 7,800 annually).

2. **Call Center Section** – provides telephone counseling and problem solving to participants and pension annuitants through telephone calls (approximately 106,000 calls responded to annually) with additional calls (approximately 88,000 annually) handled through the interactive voice response system (menu option system). The section serves as the initial point of caller contact for clarification on retirement matters, response to questions, account problems, or non-receipt of pension checks.

3. **Disability Section** – processes member claims for disability retirement (approximately 860 annually) through various administrative and medical review steps. This section interacts with the Agency’s medical boards, legal staff, member physicians and attorneys, and schedules independent medical examinations, as requested by the medical board in their determination regarding the member’s eligibility for disability retirement.

4. **Employer Education and Training Section** – produces membership literature and manages the Pre-Retirement Seminar Program. In addition to its work aimed directly at plan participants, the section also interacts and maintains certification, training, and continuing education programs for employer-based retirement coordinators (640 retirement coordinators).

Special Projects Unit

This unit provides the management and oversight of special legislative and Agency programs. Projects include Early Incentive Retirement Programs offered by participating employers, complete administration of the Deferred Retirement Option Programs (DROP) enacted by the legislature for members of the Law Enforcement Officers and State Police Pension Systems, administration of the expansion of the Correctional Officers Retirement System and associated transfers of prior membership service; and oversight and review of Agency issued surveys.

The unit also reviews and conducts a general audit of numerous benefit payment vouchers (benefits exceed \$3.5 billion annually) to ensure the vouchers’ accuracy and the accuracy of each manually-processed payment. Also, this unit coordinates communications with the Actuary regarding plan participants subject to the Internal Revenue Code Section 415 benefit limitation; and on an annual basis collects wage files from all participating employers for the review of the retiree’s statutory earnings limitation provisions and calculation and determination of the resulting pension benefit allowance reductions (offsets).

Benefits Administration Division Goals and Performance Measures

Goal 1 To administer and process applications filed by employers and plan participants for enrollment, plan transfer options, purchases of additional service credit, additional credit for military service, and employer payroll reporting requirements.

Data Control Performance Standards and Measures:

- Within 30 days of application receipt, review, process, and update membership enrollment applications.
 - Random sampling conducted and ongoing supervisory review.
- Within 30 days of application receipt, calculate, and invoice at least 90% of the Purchase of Service Credit Applications.
 - Tracking file maintained.
- Within 30 days of application receipt, review, process, and calculate at least 90% of Military Service Request Applications.
 - Random sampling conducted and ongoing supervisory review.

Goal 2 To ensure the timely and accurate collection and posting of payroll data to ensure that the underlying data necessary for retirement calculations are available and correct.

Data Control Performance Standards and Measures:

- At least 98% of the time, reconcile member transaction data updated to the master file to the system-generated tabulation reports within one business day.
 - Tracking file maintained.
- Review all system-generated audit reports (cross-foot contribution audit report, unposted transaction report, and other system generated suspect reports) within 20 business days from date of system generation. Expand utilization of existing system-generated reports to focus on resolution of systemic employer reporting discrepancies while also striving to correct each affected individual record account discrepancy.
 - Random sampling conducted and ongoing supervisory review.
- Reconcile the member enrollment master file to the General Ledger Annuity Savings Fund (ASF) balance by the 25th of the following month.
 - Random sampling conducted and ongoing supervisory review.
- Within 30 days of receipt, update 90% of employer reported data files (payroll validations).
 - Tracking file maintained.

Goal 3

To track, process, validate, and reconcile all scheduled employer data covering employee contributions and other elements required for calculation of fiscal year service credit, benefit calculations, actuarial valuations, and employer contribution billings.

Data Control Performance Standards and Measures:

- Enter employer-reported payroll into the PC tracking system and within three days of receipt forward at least 95% of the payroll data files to the Information Systems Division (ISD) for continued system processing.
 - Random sampling conducted and ongoing supervisory review.
- Reconcile employer reported payroll data to monies deposited and recorded in the general ledger's cash receipt listings within 15 business days of receipt.
 - Random sampling conducted and ongoing supervisory review.

Goal 4

To ensure that all daily automated retirement jobs are run timely, accurately and reconciled promptly.

Data Control Performance Standards and Measures:

- At least 98% of the time data transactions updated to the master file are reconciled within one business day.
 - Random sampling conducted and ongoing supervisory review.
- At least eight banking days prior to the check date, process and fully reconcile the monthly pension payroll.
 - Random sampling conducted and ongoing supervisory review.
- Accurately pay at least 98% of system pension allowances ensuring allowances are computed in accordance with Federal and State pension and tax laws.
 - Tracking file maintained.
 - Pay 100% of manual pension allowance benefits on time and accurately.
 - Random sampling conducted and ongoing supervisory review.
- Verify that all automated programs compute payment values in accordance with Federal and State pension and tax laws.
 - Random sampling conducted and ongoing supervisory review.

Goal 5

To facilitate the identification, documentation, and resolution of automated system issues and requirements through coordination with the Business Operations Office. Generate mass communication documents to retirees and participants.

Data Control Performance Standards and Measures:

- By September 10th, process, verify calculations, and coordinate the issuance of the annual Personal Member Statements of Benefits.
 - Tracking file maintained.
- By January 31st, process, verify tax reporting requirements and calculations, and coordinate the issuance of all 1099-R tax documents to payees.
 - Tracking file maintained.
- Within five business days, review, analyze, and document ‘user’ requests for automated system modifications.
 - Tracking file maintained.
- By August 1st, process, audit, and transfer extracted data files to the System’s actuary for performing the annual actuarial valuation.
 - Tracking file maintained.

Goal 6

To provide effective communication to members and beneficiaries to assist them in securing the correct services and benefits.

Benefits Processing Performance Standards and Measures:

- Once notified of the death of a retiree or a member in active service, mail the appropriate claim forms to the beneficiary or to the administrator of the estate, within five days, 95% of the time.
 - Random sampling and ongoing supervisor review.
- Within three business days of receipt of the claim forms, return 95% of the incomplete or deficient beneficiary claim forms with a letter of explanation.
 - Random sampling and ongoing supervisor review.
- Within 30 days of receipt of Finance Division notice of outdated/outstanding benefit check payments (at least six months old), research the payment and send the payee a letter regarding the replacement or resolution of the outstanding payment.
 - Tracking system maintained with ongoing supervisory review.

Goal 7

To provide for the accurate and timely issuance of benefits to members and beneficiaries.

Benefits Processing Performance Standards and Measures:

- For lump sum payments to beneficiaries, initiate 95% of the payments within 15 business days of the receipt of completed claim forms.
 - Random sampling and ongoing supervisor review.
- For joint life annuity allowance, initiate the payment in the same month for completed claim forms received by the 10th of the month. For completed claim forms received after the 10th of the month, commence payment at the end of the following month.
 - Random sampling and ongoing supervisor review.
- Within three business days of receipt of notification of a Direct Deposit failure or the certification of a check “stop payment”, process at least 98% of the replacement checks.
 - Random sampling and ongoing supervisor review.
- For employment-terminated members, initiate 100% of the month-end refund payments for completed refund applications received by the 10th of the month. For completed refund applications received after the 10th of the month, issue payment at the end of the following month.
 - Tracking spreadsheet maintained with ongoing supervisory review.

Goal 8

To provide clear, accurate, and timely benefit plan information through the counseling of plan participants via personal counseling sessions, the telephone, and correspondence.

Member Services Performance Standards and Measures:

- Limit the number of abandoned incoming telephone calls to 7.5% in fiscal year.
 - Statistical reports generated through the Automatic Call Distribution System (ACD).
- Limit the waiting time for calls to be answered to 2 minutes and 15 seconds in fiscal year.
 - Statistical reports generated through the Automatic Call Distribution System (ACD).
- Achieve a 90% satisfaction rate for plan participants surveyed who contact Member Services.
 - Tracking System used to log surveys mailed and responding results.
- Answer 95% of all correspondence within two weeks of being received or send a letter explaining the causes for any delay beyond the two-week turnaround time.
 - Manual tracking system maintained by supervisor.

- Participate in conventions, benefit seminars, and special request events sponsored by participating employers and organizations.
 - Supervisor tracks attendance.
- Participate in 100 pre-retirement Seminars.
 - Manager oversees program and assigns counselor based upon contracted number of seminars.

Goal 9

To provide the timely processing of all disability claims.

Member Services Performance Standards and Measures:

- Review new claims for a terminal condition within one business day of receipt.
 - Daily supervisory review.
- Review completeness of new claims for eligibility to apply for disability retirement and request missing information within 15 business days of receipt of claim.
 - Routine supervisory review.
- Schedule completed claims immediately for next medical board.
 - Routine supervisory review.
- Prepare weekly medical board agenda of claims.
 - Weekly supervisory review.
- Correspond with claimants, attorneys, and employers within seven business days of medical board's request for information.
 - Weekly supervisory review.
- Schedule all independent medical examinations within seven business days of the medical board meeting.
 - Weekly supervisory review.
- Evaluate all requests for reconsideration of disability claim within five business days of receipt.
 - Routine supervisory review of summary case reports.

Goal 10

To inform plan participants through printed and website documents as well as the training and oversight of participating employers' retirement coordinators.

Member Services Performance Standards and Measures:

- Provide educational seminars for uncertified retirement coordinators and conduct bi-annual certifications.
 - Schedule fall and spring sessions.
- Conduct annual general information sessions for all retirement coordinators.
 - Tracking file and ongoing supervisory review.
- Conduct orientation meetings with new coordinators to their responsibilities and meet individually with retirement coordinators on an as needed basis to answer questions and correct misconceptions.
 - Ongoing supervisory review.
- Oversee the Pre-retirement seminar program.
 - Education and Training Manager assists in the oversight of the vendor program and reviews participant program evaluation forms.
- Achieve an 85% certification rate of all retirement coordinators in fiscal year to ensure that plan participants are effectively assisted at the employer level in the timely and accurate filing of retirement forms.
 - Tracking system maintained.

Goal 11

To provide services to DROP participants and plan participants subject to the Internal Revenue Code Section 415 benefit limitation.

Special Projects Performance Standards and Measures:

- Within 15 days of receipt of DROP application, send acceptance notice to the employer and the employee.
 - Tracking system maintained.
- Within five business days of application receipt, return incomplete or rejected DROP applications.
 - Tracking system maintained.
- By August 15th, manually calculate, prepare, and issue DROP statements of account balances to current program participants (nearly 200 retirees).
 - Tracking system maintained.

- Within five business days of receipt of member request, prepare the 415 IRC reduced benefit estimate for review and audit by the Administrator or designee, and subsequent review by the System actuary for actual calculation and certification.
 - Manager manually compares estimate notice date to the application filing date.
- Manually prepare all DROP tax and account balance statements within five days of a participant's early termination request or within two months prior to the DROP termination date for all others.
 - Tracking system maintained and statements released.

Goal 12 To survey participants and annuitants regarding services provided.

Special Projects Performance Standards and Measures:

- Solicit survey responses from members, beneficiaries, and retirees covering a wide range of administrative services (Retirement Estimate Survey, New Retiree Survey, and Purchase of Service Survey). The responses are collected, summarized, and analyzed to provide valuable feedback used for strategic planning purposes.
 - Tracking System maintained.
 - Reported to Administrative Committee.

Goal 13 To promote accurate and timely processing of manual payment vouchers including preparation and the review of all manual vouchers.

Special Projects Performance Standards and Measures:

- Pay within 15 days of DROP termination date, all completed applications for lump sum Deferred Retirement Option Program (DROP) balances.
 - Manual payment vouchers produced and reviewed.
- Pay 98% of automated system pension allowances accurately computed in accordance with the Federal and State pension and tax laws. Pay 100% of manually calculated payments accurately computed.
 - Review each payment voucher.
- Within two business days, complete existing reviews and audits of automated payment allowances (\$4,000 monthly payment threshold is reached); all manual voucher payments; all automated system retroactive benefit payment calculations; all automated refunds over \$10,000 and all automated active deceased payments.
 - Voucher tracking log maintained.

Goal 14

To coordinate employer reporting and communicate with retirees about pension earnings limitations, confirmation of wages received and notification of benefit allowance reductions.

Special Projects Performance Standards and Measures:

- Within 45 days of receipt of a participating employer's wage file, process, review, and determine potential employer wages paid in excess of a pensioner's statutory earnings limitation amount.
 - Random sampling conducted and ongoing supervisory review.
 - Tracking file maintained.
- By May 1st, process employer reported wages, review suspect accounts, and communicate with pensioners identified as exceeding earnings limitation.
 - Tracking file maintained.
- By the June board meeting, report to board the identified pension allowance reductions required under the service and disability earnings limitations provisions.
 - Manager oversight and review confirms appropriate actions.

BUSINESS OPERATIONS OFFICE

The Business Operations Office is a vehicle of senior management to coordinate cross-divisional projects involving significant business change, and to guide them to successful completion. The Business Operations Office develops, maintains, and monitors project management standards, policies, and procedures. Services include strategic planning, project management, risk management, organizational change management, business process analysis, education and training, and management reporting.

Effective June 1, 2013, the Business Operations Office reorganized by combining the Project Management Office and the Data Control Division's Production Control Unit into a single unit. This strategic reorganization was done to provide organizational depth; due to the similarity and overlap of responsibilities as they relate to the Agency's change management of our automated processing system Maryland Pension Administration System (MPAS); in recognition of the limited personnel resources with extensive knowledge in both the Agency's business practices and MPAS; and to best align the Agency's limited personnel resources with the Business Operations Office objectives of managing business change that includes on-going modifications to MPAS as part of operations and maintenance activities.

Business Process Engineering (MPAS-3) is currently the major project assigned by the Agency and managed by the Business Operations Office. The MPAS Project consists of multiple steps of which MPAS-1 was the first. The MPAS-1 Project modernized the underlying technologies that support the Agency's pension administration automated business processes, so that the new technology platform can eventually be converted into an online, real-time (*when applicable*) system for use internally by staff, and also extended out to members and annuitants over the Internet. The MPAS-1 Project also addressed the limitations of its predecessor Legacy Pension System (LPS) that made it difficult, risky, and time-consuming to implement major changes required by pension law changes.

Specifically, the MPAS-1 Project achieved two goals:

1. Implemented an agile technology architecture that can adapt more easily to changes in business requirements; and
2. Recreated the existing LPS functions in the new architecture.

After the four-year effort, MPAS became the Agency's system-of-record for pension administration, replacing the LPS in August 2010. Since MPAS's data resides in a modern, relational database, the data in LPS's "flat files" were completely re-architected for MPAS. These data records represent over 35 years of transactions.

Since implementing MPAS as part of the MPAS-1 effort in August 2010, during FY2011 and continuing through FY2013, the Business Operations Office worked with the Benefits Administration Division's business units and Information System Division's programmers to "stabilize" the MPAS-1 code, and to implement significant modifications to the Agency's automated processing systems related to the "Pension Reform" changes enacted by the Legislature that were effective July 1, 2011. Pension reform change activities were completed in FY2012, with residual work activity completed as part of the Agency's Operations and Maintenance activities in FY2013.

Starting in FY2014 (July 1, 2013), the Business Operations Office began executing the MPAS-2 Improving Data Integrity project scope focusing on refining the requirements which resulted in the MPAS-2 project being broken into three (3) phases. In Phase 1 of the MPAS-2 project; the linking of records, development of the data flagging and cleansing screen views, modifications to existing screen views to incorporate additional data elements related to the project, flagging and/or cleansing of the data values that support the most critical data elements affecting an individuals' retirement (service and salary), and incorporation of some of the Phase 1 cleansing scripts into the payroll edit and processing programs were accomplished by the close of fiscal year 2015, successfully linked the historical member data to establish work history for 300,953 member accounts (~ 99.5% of the total active, inactive and vested workforce), flagged and/or cleansed of the historical payroll data that support the most critical data elements affecting an individual's retirement (service and salary), ~ 1.3 million data values were corrected; and ~ 8,300 data values were flagged.

In FY2016, the Business Operations Office worked iteratively with programmer resources progressing through subsequent MPAS-2 Phase 2 activities which included the actual flagging of the service data by auditing the service calculations in each fiscal year from year of enrollment to FY 2016. This is accomplished by development of automated "service calculation" database scripts, incorporating all rules and regulations established since inception of the Legacy Pension System dating back to FY 1974. The automated scripts used the actual and the adjusted (cleansed in Phase 1) payroll data to recalculate the expected service, then compare the recalculated service to the actual service awarded, and flag any service calculations that differed. Additionally, the MPAS-2 Phase-2 activities included development of additional screen views to support the generation of service audit reports and the ability to "turn off" flagged service data values when the service audit differences are determined appropriated by the business users. The MPAS-2 Phase 2 Improving Data Integrity project was completed shortly after the close of fiscal year 2016. The automated service audit scripts were processed for 292,220 Successfully Linked Records (linked in Phase 1) which brought to light that ~ 52,000 member records (~ 18%) have service variances.

In FY 2017, the Business Operations Office worked iteratively with programmer resources progressing through subsequent MPAS-2 Phase 3 activities which included analysis of the 52,205 accounts to determine which differences in the service data values can be corrected using automated service adjustment scripts. As part of that analysis, it was identified that ~ 21,500 member accounts can be excluded from the execution of automated service adjustment scripts for various reasons. For the remaining member accounts, separate automated scripts were developed to identify the records that are precisely impacted by a specific scenario. The finalization of the automated script logic for each scenario followed the iterative approach of review of the query results and refining of the requirements as necessary. Upon finalization of the automated script logic to identify the impacted records for each scenario, the service adjustments were made and the member was notified of the service changes through correspondence letters. A new call center number was established to address the phone calls originating from these correspondence letters. Business Operations Office with the assistance of Member Services Unit handled these phone calls. The MPAS-2 Phase 3 Improving Data Integrity project was completed shortly after the close of fiscal year 2017.

In FY2014, the Agency instituted an Agency Information Technology Steering Committee comprised of the Executive Director, Retirement Administrator, Chief Information Systems Officer, Chief Operations Officer, Chief Business Operations Officer and Deputy Chief Business Operations Officer. This centralized Agency Information Technology Steering Committee will establish Agency priorities for outstanding projects and on-going operations and maintenance activities.

In addition to the MPAS-3 Business Process Engineering project, the Business Operation Office will focus on other MPAS and/or Agency projects, and any outstanding Data Processing Requests determined as a priority by the Information Technology Steering Committee.

Business Operations Office Goals and Performance Measures

Goal 1 Formalize the execution of project cost management.

Business Operations Office Performance Standards and Measures:

- Provide consistency to the management of costs for projects.
 - Establish a Cost Management Plan.
 - Include the Cost Management Plan as part of the Project Management Plan (PMP).
 - Execute the Cost Management Plan.

Goal 2 Formalize the execution of project schedule management.

Business Operations Office Performance Standards and Measures:

- Provide consistency to the management of the project schedule.
 - Establish a Plan for Project Scheduling.
 - Include the Project Scheduling Plan as part of the Project Management Plan (PMP).
 - Execute the Project Scheduling Plan.

Goal 3 Improve the execution of project risk management.

Business Operations Office Performance Standards and Measures:

- Provide consistency to the management of risks for projects.
 - Review and revise the Risk Management Plan.
 - Execute the improved, revised Risk Management Plan.

Goal 4 Improve the execution of project quality assurance and process improvement.

Business Operations Office Performance Standards and Measures:

- Provide consistency to the management of quality assurance and process improvement for projects.
 - Review and revise the Quality Assurance / Process Improvement Management Plan.
 - Execute the improved, revised Quality Assurance / Process Improvement Management Plan.

In summary, the current Business Operations Office activities are:

- **(MPAS-3 Business Process Re-engineering)** The Agency's MPAS Project Phase 3 (MPAS-3) entails in-part, re-engineering 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 FY2018, the Agency completed the procurement process and awarded the contract to secure consulting services necessary to set the stage for the Agency's transition to redesigned processes and technology. Each Agency business process will be evaluated and reengineered seeking optimal and fully integrated solutions that will incorporate a more robust workflow, integrated imaging and voice systems, increased functionality, improved communications, and greater member/retiree and employer access to their data. This project will document process revisions that will be implemented to improve Administration and Finance related operations and will identify the types of technology needed to support those process revisions.

- Business Operations Office will work with the Benefits Administration and Finance Staff members in defining the requirements, and reviewing all project requirement deliverables to ensure that comprehensive and efficient solutions are developed. By defining and evaluating the requirements for each functional business area, the focus will shift to evaluating each business functional area, and developing comprehensive solutions that best serve the needs of all stakeholders (Agency, employers, members, and annuitants).
- The contract for Business Process Engineering Consulting and Project Management Services began on January 4, 2018. Additionally, the Agency completed the procurement process to secure consulting services to provide technical and business analyst support for MPAS-3 for the project's duration. The contracts were awarded.
- The Phase 1 activities of the MPAS-3 are progressing expeditiously. The Phase 1 involves project design which includes comprehensive and deep planning to address each project element: Processes, Technology and Organization, and to define the entire project approach at a level of detail for the permits, procurement and implementation activities for the next phase. The outcome of this phase is a complete and detailed road map of the remainder of the Project. The phase 1 of the project is targeted for completion shortly after the close of the fiscal year 2018 (~7/2018).
- Within the MPAS-3 Project, a separate activity has begun to expedite the creation of a Member Self-service Portal, currently named as Participant Portal (P2). It is estimated that it would take around 1-1 ½ years with a target Go-Live date of September 2, 2019. The 1st version of P2 will include but not be limited to:
 - Members: view account information; change beneficiaries; upload documents; send and receive messages; create retirement benefit estimates
 - Inactive members and annuitants: change address information
 - Retirees: view account information; change beneficiaries; upload documents; send and receive messages; print income verification letters; and reprint Form 1099-Rs
 - 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
- Additionally, other Business Operations Office activities are to support any Agency projects, initiatives or tasks that are established as priorities by the Agency's Information Technology Steering Committee.

EXTERNAL AFFAIRS DIVISION

The External Affairs Division manages all agency communications with the retirement and pension system's stakeholders. These include the system's responsibilities with the Maryland General Assembly and the news media as well as communications with the system's members, retirees, member associations and Maryland taxpayers. External Affairs is responsible for providing timely and accurate information to all stakeholders as to the goals and policies of the Board of Trustees, the functions and procedures of the State Retirement Agency, and the rights and benefits of the systems that comprise the State Retirement and Pension System.

Overall, the External Affairs Division is responsible for:

- Directing and managing the agency's communications functions through the adoption of effective and efficient processes, standards and styles;
- Preparing system legislative proposals approved by the Board of Trustees for presentation to the Joint Committee on Pensions;
- Representing the system before the Maryland General Assembly, providing accurate and detailed information in support of or opposition to pension legislation;
- Assisting agency staff in the development and implementation of regulations as well as the revision of existing regulations;
- Advising the Executive Director's Office with analysis and development of legislative proposals and other major policies affecting the agency and its programs;
- Providing information and advocacy of issues to members of the Legislature;
- Supporting the executive, legislative and judicial branches of State government by providing accurate and timely responses to constituent inquiries and complaints related to rights and benefits;
- Performing writing and graphic design functions to produce agency forms, newsletters, brochures, handbooks, presentations, illustrations and other communications vehicles for both internal and external audiences;
- Developing and maintaining a rapport with reporters covering agency issues;
- Improving website access, presentation, and reliability for accurate and relevant information;
- Establishing and maintaining an SRA presence on social networking sites, such as Facebook, Twitter, Vimeo and YouTube;
- Working with Member Services in writing, designing, printing and distributing informed, useful, and appropriate materials (i.e. *Retiree News & Notes*, *The Mentor* and the agency website);
- Serving as information resource to the State Retirement Agency, and other agencies, in providing clear and accurate information to staff on pension law (State and federal) impacting on the system, as well as Board of Trustee regulations;

- Determining eligibility for special retirement benefits involving elected and appointed officials and unclassified employees; and
- Coordinating special projects as assigned by the Executive Director.

External Affairs Division Goals

- Provide timely legislative policy analysis, services, strategies and information to the agency and Board of Trustees.
- Inform SRA employees of the latest news and information concerning the agency.
- Serve as liaison for the agency and Board of Trustees to the Judiciary, Legislature, Governor's Office, Congress and constituent groups.
- Proactively inform the news media of the agency's policies, personnel, investment program and results.
- Provide 24/7 media access to assist in the coverage of agency activities and programs, consistent with prudent disclosure.
- Produce effective communications materials for 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.
- Adhere to schedule for approving and finalizing publication of any new or amended regulation adopted by the Board of Trustees.
- Respond to correspondence within the mandatory time frames established by the Governor and Lt. Governor's correspondence groups; for other correspondence, respond within five workdays. All responses are to provide pertinent, accurate and detailed information, indicating referrals or appeal rights as needed.
- Respond to requests from SRA staff within 24 hours for information on laws, regulations, benefits, etc.

FINANCE DIVISION

The mission of the Finance Division is to safeguard and ensure fiscal responsibility and accountability of the assets entrusted to the Maryland State Retirement and Pension Trust Fund and to also provide comprehensive finance and administrative support of the Systems' operations and overall mission and fiduciary responsibility to administer the benefits of the System's participants. The range of the comprehensive support services are provided by the following four division units – Financial Accounting Operations, Budget and Contracts, and Office services.

Finance Division Goals and Performance Measures

Goal 1 To accurately collect, control and deposit all System revenues in a timely manner.

Fiscal Operations & Reporting Performance Standards and Measures:

- Receipts will be deposited on the same day of receipt.
 - Random sampling conducted and ongoing supervisory review.

Goal 2 To accurately bill and collect annual required employer contributions from all Participating Governmental Units.

Fiscal Operations & Reporting Performance Standards and Measures:

- Annual employer contribution billings are to be issued on or before December 1st and contributions collected on or before December 31st.
- Tracking conducted and maintained by PGU billing staff and supervisor.

Goal 3 To properly and accurately process all authorized disbursements to participants, employees and vendors, in accordance with applicable laws, rules and regulations, when such amounts become due and payable.

Fiscal Operations & Reporting Performance Standards and Measures:

- Upon proper approval, applicable disbursements to participants, employees and vendors will be processed for payment within 24 hours of receipt of an approved disbursement request.
 - Random sampling conducted and ongoing supervisory review.
- Ensure approval of payment of all invoices within five business days.
 - Supervisor reviews and approves for payment; General Accounting monitors approval dates.

Goal 4

To ensure, through accurate, consistent and diligent administration of the Agency's various bank account balances, that sufficient liquidity is regularly maintained to cover current and reasonably projected expenditures while maximizing the funds available for daily investment.

General Accounting Performance Standards and Measures:

- Cash reconciliations and projections shall be prepared and reconciled within 15 business days following the end of the month.
 - Random sampling conducted and ongoing supervisory review.

Goal 5

To properly, consistently and accurately generate, document and record authorized financial transactions in accordance with Generally Accepted Accounting Principles to facilitate:

- Timely and accurate completion and distribution of monthly system and fund general ledgers.
- Timely and accurate preparation of the Agency's annual financial statements and Comprehensive Annual Financial Report.
- Proper accountability for all financial transactions by, between and among the Agency's various funds and systems.
- Material compliance with all relevant financial reporting rules established by the Government Finance Officer Association as requirements for receipt of the annual *Certificate of Achievement for Excellence in Financial Reporting*.

Fiscal Operations & Reporting Performance Standards and Measures:

- General Ledgers and Fund Ledgers will be closed within 15 business days following the end of the month.
 - Month end close tracking file maintained.

Fiscal Operations & Reporting Performance Standards and Measures:

- The Agency's annual financial statements will be published by December 15th following the previous fiscal year-end.
 - Year-end close tracking file maintained.

Fiscal Operations & Reporting Performance Standards and Measures:

- An application for the annual Certificate of Achievement for Excellence in Financial Reporting shall be completed and submitted on or before December 31st following the close of the previous fiscal year-end.
 - Year-end close tracking file maintained.

Goal 6 To cost effectively procure (in compliance with applicable laws, rules and regulations) those goods and services authorized and necessary for the efficient conduct of Agency operations.

Budget and Contracts Performance Standards and Measures:

- All requests for procurements shall be processed for funding within 1 business day of receipt by COO or Deputy COO for approval.
 - Random sampling conducted and ongoing supervisory review.

Goal 7 To ensure, through diligent budget preparation, administration and analysis, that adequate funding is timely requested and, to the extent practical, obtained for all authorized Agency operations.

Budget and Contracts Performance Standards and Measures:

- The annual funding request for the upcoming fiscal year's Agency operating budget will be submitted to the Department of Budget and Management (DBM) for approval on or before the required deadline as stipulated by DBM.
 - Agency budget submission schedule assigned by DBM.

Goal 8 To provide efficient and comprehensive mail services including mail distribution, check recordation, centralized copying, and office space maintenance support.

Office Services Performance Standards and Measures:

- Ensure sufficient stock for distribution of SRA forms for employers and participants.
 - Monthly inventory audit performed.
- Deliver to the Document Imaging Section by 10:30 a.m. all incoming mail received by 8:00 a.m.
 - Document Imaging Supervisor monitors on a daily basis.
- Forward to the appropriate party all mail received by 3:00 p.m. Processing includes any special handling requirements for certified mail, bulk mailing and overnight mail delivery.
 - Supervisor monitors on a daily basis.
- Track and monitor the mailing of the monthly benefit checks and advices to ensure 100% delivery to the Post Office. Keep senior management informed as to mail delivery status, while also taking immediate actions to resolve any concerns or potential problems.
 - Tracking system maintained by supervisor and director.

- Forward 100% of checks received by 10.00 a.m. to the Finance Division for deposit by no later than 3:00 p.m.
 - Supervisor monitors on a daily basis.
- Process all outgoing checks that are printed in the Check Processing Room by 3:00 p.m. and mail via U.S. Postal Service by 4:00 p.m.
 - Supervisor monitors on a daily basis.

Goal 9

Operate and maintain an efficient document storage and electronic imaging system.

Office Services Performance Standards and Measures:

- Monitor and track Agency's records stored at the offsite storage facility, as well as effectively monitor storage cost.
 - Supervisor reviews on a monthly basis for proper billing and inventory.
- Image, index, and distribute all incoming and outgoing documents within one business day from the day received. All documents are imaged and indexed to member accounts for folder inquiry.
 - Supervisor monitors on a daily basis.
- Accurately index at least 98% of the imaged documents.
 - Periodic review and audit to ensure accuracy of indexed documents.

INFORMATION SYSTEMS DIVISION

The Information Systems Division develops, operates, and maintains the systems and technologies used throughout the Agency. This encompasses enterprise-wide applications and applications unique to a specific division, and operating on platforms at the Agency's secure Baltimore Data Center and the Agency's Annapolis disaster recovery processing site, along with State-wide applications shared within the State. The Agency's technology environment also encompasses numerous tools that operate "behind the scenes" to reduce the business risk of running the Agency, including Internet firewalls, leak protection safeguards over sensitive data, sophisticated tools to monitor activities within the networks to protect against unauthorized use, and various tools to protect against network-borne viruses or "malware" that can attack the Agency's infrastructure.

The Agency utilizes many technology platforms including desktop workstations (including laptops and tablet devices), an extensive Windows server-based network infrastructure, a storage area network for specialized access to Agency data, information archiving and backup hardware and software, Agency IP-based voice technology (central server with call center functionality, voice messaging, wireless devices, and desk telephones integrated with Agency workstations), and the shared mainframe at the Annapolis Data Center. Information Systems also manages the Agency's mobile communications (Apple iPhones, MiFi "hot spots", and Bluetooth) devices. Last, Information Systems manages the interactive voice response platform and provides it with extracted data from pension administration databases, for access by members.

The Agency's technical computing environment has grown increasingly complex over the past decade, matching the demands of the organization. Information Systems maintains the Agency's high-speed local area network (LAN) and several small internal wireless LANs connecting to its local computer center. The Windows server farm and critical network communications components are housed in the Agency's Baltimore Data Center (SunTrust Building). The Agency uses networkMaryland™ to provide wide-area network (WAN) connectivity to the Annapolis Data Center, other Maryland State facilities, and the Internet. The Internet connection is used to reach Agency business partners, pension system customers (employers), as well as pension system members (active and retired employees). The Agency retains a few point-to-point connections to other outside services (mostly financial management/investment services). Last, the Agency expects a high level of reliability and service from its technology platforms; Information Systems develops and maintains Disaster Recovery services (data, hardware, software, and connectivity) with the Agency's off-site backup Data Center co-located with the State's Annapolis Data Center.

The Agency takes specific additional steps to bolster procedures and protections associated with handling and transferring sensitive and confidential information, both within and outside the Agency. These include safeguards

to protect information in its exchange with business partners. The Information Systems Division continues to bring available technology to the Agency to further enhance this function, including controls over downloading files to removable storage devices (e.g., disks and USB plug-in drives) and commercial tools to protect data interchange. Together, these actions enhance what is already one of the better-protected networked computing environments within the State, further assuring the Board of Trustees and membership of the Agency's commitment to safeguard information resources.

The Chief Information Systems Officer (CISO) is responsible for the performance of division personnel and the Agency's technology assets. The CISO's responsibilities include information systems policy, standards and practices; staffing and organizational structure; budgets and strategic planning; daily operations; and continuous adaptation and development of information systems technologies, data, and processes, leveraging them to enhance the Agency's overall service delivery to its various constituents (internal and external). The CISO also acts as the Agency's representative to the Maryland Department of Information Technology, and as technical interface with the Agency's Participating Governmental Units (PGUs), other State Agencies, as well as the Board of Trustees (BOT). To maintain currency in technology and best-practices, in general and within the public retirement community, the CISO actively participates in both regional Chief Information Officer organizations and with the Public Retirement Information Systems Management (PRISM) association (of which he is currently the President-Elect). In all these roles, the CISO is joined by the Deputy CISO, whose responsibilities include directly managing daily I.S. operations for the Agency, and providing Division leadership and Agency functional integration in the absence of the CISO.

The Division consists of four major units – Pension Systems Operations, Network Operations, Systems Development, and Information Security / Quality – that are tasked with broad and diverse responsibilities. As Fiscal Year 2019 begins, staffing for the division is comprised of 21 State permanent employees, two State contractual (non-benefits) data entry personnel, and supplemental data entry personnel as needed through the “Maryland Works” program. For 2017, Information Systems recruited a Summer Intern for the Systems Development unit, to work on web and other programming projects, along with experiencing operating aspects of the Division.

In addition, Information Systems has awarded two multi-year contracts, both of which were initiated June 2018. A unique approach was taken as a strategy to mitigate the risk of knowledge loss with a dependency on a single service provider. By awarding multiple vendors to a single services Request for Proposal (RFP), knowledge transfer across our portfolio of systems is accomplished. Contractor staffing levels are expected to rise temporarily in the short term to support continued maintenance and operational support of the Maryland Pension

Administration System (MPAS) and other existing applications, as well as the additional resources needed for the development, maintenance and support of the MPAS-3 re-engineering initiative and its accompanying Participant Portal.

Last, the number of data technology devices under management and associated data stores continues to grow at a rapid pace, and the Division continues to adapt to new technologies and handle that growth.

Each of the Information Systems Divisions' four operating units is described below.

Pension Systems Operations Unit

This unit is responsible for operation and support of those systems that are used by the Agency's Pension Administration function. The Pension Systems Operations unit works closely with many operating units of the Benefits Administration Division and Business Operations Office. The unit receives and prepares data, submits and controls computer processing, and receives and distributes reports.

MPAS became Pension Administration's "system of record" in Fiscal Year 2011. MPAS operates on a server-based platform located within the Agency's Baltimore Data Center, with a backup set of equipment and synchronized databases located at the Agency's Annapolis site. Pension Systems Operations handles job submission and monitoring, troubleshooting of any operational issues with the job streams or the processing environment (hardware, operating systems, software utilities for assembling job runs and handling data, etc.), and a full-function print and distribution operation. Consequently, Pension Systems Operations has working hours of approximately 6:30 AM to 5:00 PM weekdays, which can vary based on workload, also providing first-line monitoring of overnight processing and some processing over weekends and holidays.

In addition, Pension Systems Operations methodically controls software code changes at both the Baltimore Data Center and the Annapolis recovery site. Last, the role of Pension Systems Operations includes answering Help Desk calls, providing "tier 1" support to Agency staff when possible, logging and referring other calls to the Network Operations Help Desk technical staff.

Network Operations Unit

Responsibilities of this unit include daily operation and support of the Agency's computing infrastructure, and Network Operations maintains an Information Systems Help Desk that serves as a "single point of contact" for Agency staff, the Board of Trustees, business partners, and vendors for technology-related services. Network Operations fulfills four roles within the Information Systems Division: desktop support, data and voice network

operations and support, network management, and Internet external remote connectivity. Support activities are complex due to the multitude of hardware platforms and operating systems used throughout the Agency. The Network Operations Unit works closely with the Annapolis Data Center and networkMaryland™ to assure reliable connectivity, coordinated operations schedules, compliance with standards, effective security (over both applications and data), etc. The unit supports all local computing platforms housed at the Agency's site in Baltimore, the Agency's remote business office at 45 Calvert Street in Annapolis, backup and recovery processing at the Agency's Annapolis site, and remote computing by staff and trustees using Internet-based connections, in addition to the growing wireless and mobile computing needs on laptops, tablets, smart phones, and other devices. Voice technology managed by Network Operations includes the Agency's IP-based telephone switch, automated call distribution, call recording, voice messaging, and interactive voice response components in addition to the conferencing and audio equipment used in the Board Room and other Agency conference rooms. A significant upgrade to Agency server and service monitoring infrastructure is in progress to support the increased resource needs anticipated by the Business Process Re-engineering program. The Agency's Baltimore Data Center incorporates power control, battery back-up, supplemental air conditioning, fire suppression, and additional physical security monitoring equipment and alerts. Network Operations staff on-call coverage is operational 24 hours a day, 7 days a week.

Network Operations is involved in many moves/adds/changes to the Agency's desktop/server computing systems as well as daily maintenance and troubleshooting. The unit also supports enterprise-wide anti-virus/spam filtering and similar protections, the Agency's Internet firewall hardware, information security related devices, and office software products (Microsoft Office Suites, Adobe, etc.). The Help Desk is directly engaged in roll-outs of new applications and upgrades to existing applications.

Systems Development Unit

This unit is responsible for both development and support of business applications and information systems processes. In its support role, the unit monitors the performance of existing applications (including MPAS and the Agency's significant indexed document image repository), troubleshoots system interruptions, makes feature/function changes as requested by end-users and the State (executive and legislative branches), in addition to programming testing, and implementing over 200 software modifications each year into the MPAS application. Typically, the unit works with Agency "business" units and the Business Operations Office to identify opportunities to apply technologies to business challenges. The goal of this unit is to improve the Agency's operational performance, create new/improved services, reduce operating costs, and comply with legislative, executive, or regulatory mandates. The unit forms "projects" which proceed through a development life-cycle (analyze, research, estimate, plan, design, build/buy, develop, test, implement) and supports the applications once

deployed. To achieve its mission, the unit uses standard systems architectures, uniform processes, standard database structures, application design standards, and development tools.

Another important role of Systems Development is to build and maintain web services for the Agency encompassing the Agency's public Internet site (soon to be re-designed) and secured Internet sites and utilities for use by employers, pension administration-related vendors, and members (active and retired). Systems Development also developed the Agency's internal-use Intranet site, the "SRA Café," which supports the Agency's diverse business and workflow needs. These currently include numerous useful links to external resources, a Procurement tracking system, a Human Resources component (manuals, performance evaluation tracking, employment and termination, etc.), an online Member Services manual, a workflow application to support member request tracking and response, fleet management, and office supplies ordering, in addition to Intranet use for managing Information Systems' own projects. Also, over the past several years, Systems Development devoted considerable energy to improving and stabilizing the Folder Inquiry application (document imaging and indexing), which now operates more reliably and handles increasing workloads.

Last, Systems Development continues to improve and add functionality to the automated (previously-manual) Deferred Retirement Option Plan (DROP) program and the Employer Payroll Data Reporting (EPDR) program used by close to 150 PGUs to timely submit payroll data on active members, and prospectively payroll schedules, to the Agency on an ongoing basis.

Systems Development maintains the inventory of existing Agency application systems, both those developed specifically for the Agency and various commercial software packages. This unit also monitors and maintains the Agency's database management technology, used to support most Agency systems (including MPAS). Systems Development has unified the Agency's systems maintenance and development standards, conforming to industry and State of Maryland guidelines and methodologies.

Information Security and Quality Unit

The Information Security and Quality Unit provides an independent security and quality assurance function for the Information Systems Division and the Agency. While only 2.5 FTEs, this unit's role continues to expand along with the tools to maintain Agency protection from increasing external threats. Its scope includes daily and ongoing risk-related review of Information Systems functions and all computer systems and computing platforms used by the Agency. It provides for independent operation and oversight of access control procedures, security products (including Internet firewall rules, security event management and analysis, change monitoring, and data leak protection rules at both the server and workstation levels), "third-party" review of changes made to the

Agency's application systems to verify that all modifications are authorized, tools for secure file transfer between the Agency and its employers and business partners, and standards for information security management. It establishes and conducts security initiatives and risk assessments to help assure that Agency computer applications, data, and technology infrastructure are properly protected. The Security and Quality Unit addresses industry and Maryland Statewide compliance standards and mandates. It develops and maintains the Agency's technology Disaster Recovery program, as well as coordinates and responds to audits (internal/external) and other assessments of MSRA's platforms, applications, networks, etc. Bringing risk management disciplines to MSRA Information Systems and the Agency, Security and Quality interfaces regularly with the Agency's Internal Audit group, external independent financial and specialized technology auditors and consultants, and State legislative auditors and takes the lead on devising and implementing resolutions to an evolving set of risk assessment and compliance standards within which the Agency must operate.

The Information Security and Quality Unit oversees periodic independent (contractor) external penetration testing of both the Baltimore and Annapolis environments, application security testing of Agency Internet-facing applications, and assessment of the Agency's information security program and staff compliance, in addition to regularly scheduled audits. To date, independent tests have re-affirmed the general efficacy of the Agency's technology-related security, while identifying areas where resources, configurations, policies, and programs might be improved.

Last, Information Systems works with the State Department of Information Technology to develop and conduct information security related educational sessions for all Agency staff, sometimes sharing its knowledge with other public pension systems at national conferences, participates in State security-related programs, and the Division drafts security-related terms and conditions for incorporation into Agency contracts to enforce on third parties equivalent or better protections than the Agency demands of itself. Information Systems also devotes considerable attention to the Agency's use of, and exposure to, the Internet and manages Agency bandwidth to maintain security while supporting a broad range of business functions conducted with external parties.

Information Systems Division Goals and Performance Measures

Goal 1 To provide the Agency with data, voice, and video technology that meets the needs, and exceeds the expectation of Agency management, the Board of Trustees, and other constituencies served.

Goal 2 To plan and execute initiatives that improve the Agency’s business operations, supporting the Agency’s Strategic and Business Plans, each major division’s goals and objectives, the annual Maryland State IT Master Plan (along with a subordinate Agency IT Master Plan and Major IT Development Projects), and the annual Agency budget.

The Information Systems Division has consistently achieved the first goal, delivering high resource availability to the Agency and the public, with very limited unplanned service disruptions. I.S. staff aim to be attentive to technology performance, to identify and resolve problems before adverse situations arise, and to remain ahead of the curve when identifying technology components that are nearing the end of their respective useful lives or termination of product vendor support, all within available resources. When any given service has been disrupted, whether planned maintenance or unplanned, which occasions have been relatively brief and controlled, Information Systems has communicated with Agency staff throughout the outage.

Information Systems continues to strive to take a leading role in bringing creative and proven technology applications to the Agency, enabling improvements to Agency service effectiveness and efficiency, security, and reliability, and thereby achieving the second goal commensurate with resources available. As the Agency and its constituents, internal and external, continue to expand their own use of technology in their personal and professional lives, and as the Agency’s technology resources continue to expand in volume and sophistication, the Information Systems Division intends to support the Agency’s goals through judicious application of modern technology and techniques and delivery of beneficial, predictable, consistent, secure, and efficient service.

INTERNAL AUDIT DIVISION

The mission of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the Agency's operations. It assists the Agency in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

The primary objective of the Division's auditing services is to provide independent assurance to the Audit Committee that:

- System assets are safeguarded from loss, fraud, waste, and abuse;
- Compliance is maintained with prescribed laws, rules, regulations, Board of Trustee, State of Maryland, and Agency policies, and where appropriate, industry best practices; and
- Operational effectiveness and efficiency is enhanced.

Internal Audit Division Goals and Performance Measures

Goal 1 Provide a wide range of quality independent internal auditing services for the Audit Committee, and consulting services for Agency management.

Performance Standards and Measures:

- Internal audits are performed to address the most significant risks, based on the resources available.
 - A comprehensive Agency-wide risk assessment is performed annually to identify and prioritize auditable activities.
 - An annual audit plan is developed, based on Internal Audit's assessment of risk and available resources, and is approved by the Audit Committee.
 - The annual audit plan provides for additional unscheduled audits, special reviews, and consulting services as requested by the Audit Committee and Agency management.
 - Outside resources are used to audit areas where specialized expertise is required.
- Internal audits are performed efficiently and effectively.
 - Audits are properly planned, in order to identify relevant criteria and significant controls for testing.
 - Audits include automated data extraction and analysis procedures, where possible.

- Staff meetings are used to gain input from all Internal Audit personnel on an audit's potential risks, controls, testing approaches, etc.

Goal 2

Perform independent compliance assessments of local government employers' enrollment and reporting practices.

Performance Standards and Measures:

- All local government employers that actively participate in the System are audited within a three-year cycle.
 - Internal Audit identifies relevant audit steps, based on an understanding of statute, regulations, and Agency requirements.
 - Internal Audit identifies the employers that are to be audited during the year.
 - A contractual external CPA firm performs audits of employers, based on agreed-upon procedures.
 - Internal Audit provides direction and support to the CPA firm, by providing files, investigating unusual items, resolving issues, and reviewing their findings.
 - Internal Audit communicates audit findings to Agency management, which follows up on the findings and recommendations.
 - Internal Audit reviews the CPA firm's working papers on a sample basis, to determine if audit steps were performed as intended, findings were supported, and working papers were properly reviewed.
- The CPA firm presents the results of their employer audits to the Audit Committee on an annual basis.

Goal 3

Maintain a quality assurance program to ensure that audits are performed in compliance with Generally Accepted Government Auditing Standards.

Performance Standards and Measures:

- An internal quality assurance function is maintained within the Internal Audit Division.
 - Checklists have been developed to identify the relevant standards that should be met.
 - For a selection of audits, a member of the Internal Audit Division who was not directly involved in the audit uses established checklists to determine if audit procedures and documentation meet standards. They report their results, as well as any recommendations for improvement, to the Chief Internal Auditor.

- A review for Internal Audit personnel's compliance with general standards is performed annually.
- External quality assurance reviews are obtained, as required by standards.
 - The Internal Audit Division receives an external peer every three years, to determine if audits were performed in compliance with Generally Accepted Government Auditing Standards.
 - The results of the external peer review are provided to the Audit Committee upon completion.

Goal 4

To maintain a dynamic, team-oriented environment that encourages personal and professional growth, and challenges internal audit staff to reach their full potential.

Performance Standards and Measures:

- Each Internal Audit member is required to obtain 40 hours of continuing professional education (CPE) credits in relevant areas each year.
 - The annual audit plan includes 40 hours per year for professional training for each member of Internal Audit.
 - Internal Audit's budget request includes funding to support the CPE that is required.
 - Each employee tracks their CPE credits and maintains documentation.
 - The CPE credits for all Internal Audit personnel are reviewed annually for compliance.
- Internal Audit personnel are encouraged to obtain relevant professional certifications.
 - Budget requests are made to provide funding for study materials and test fees.

INVESTMENT DIVISION

The Investment Division has investment management responsibilities for \$49.1 billion of assets (as of June 30, 2017) held in trust for the members and beneficiaries of the Maryland State Retirement and Pension System.

The Investment Division, with support from the System's investment consultants, recommends investment policy, provides oversight of managers in all asset classes, and implements Board initiatives.

Investment Division Goals and Performance Measures

Goal 1 Prudently invest System assets in a well-diversified manner to optimize long-term returns, while controlling risk through careful execution of the investment objectives and strategies of the System, over a long-term horizon.

Asset Allocation Performance Standards and Measures:

- On a month-to-month basis, maintain allocations within the Board of Trustees' strategic asset allocation ranges.
- Present to the Board at least quarterly an overview of total plan performance and individual manager performance.
- Deliverables tracking maintained by staff.

Goal 2 Control risks through portfolio construction and monitoring of managers.

Risk Control Performance Standards and Measures:

- Monitor for manager guideline violations, initiate discussions with manager, assess the impact and develop a plan for resolution that will bring the manager into compliance with the guidelines.
 - Staff currently utilizes State Street Bank's compliance monitoring software.
- Assure that full due diligence on each manager is performed as outlined in the System's Investment Policy Manual.
 - Staff and consultants conduct due diligence activities in accordance with the System's Investment Policy Manual.
- Utilize Risk system in public manager monitoring and allocation decisions.
 - System maintained and updated regularly by staff.
- Risk of the total fund, as measured by standard deviation, is reported on a quarterly basis versus the policy benchmark, as well as a peer universe.

Goal 3 Implementation of Board initiatives.

Board Initiative Performance Standards and Measures:

- Maintain up-to-date list of investment-related deliverables required to implement Board policies, procedures and initiatives.
 - Deliverables tracking maintained by staff.

Goal 4 Build credibility within the industry and gain understanding of best practices.

Best Practice Performance Standards and Measures:

- Provide staff with opportunities to attend and/or speak at leading industry conferences.
 - Staff proactively identifies leading conferences in its annual budget submission.
 - Executive Director's permission is required for out-of-state travel (insures that staff is attending 'best of breed' conferences and programs).
- Actively participate in CII, ILPA, UN-PRI, CERES, CFA Institute and other organizations serving institutional investors.
 - Staff includes conferences and programs conducted by CII, ILPA, UNPRI, CERES, CFA Institute and other organizations serving institutional investors in its annual budget submission.

Goal 5 Exceed the performance of the policy benchmark through manager selection and portfolio positioning.

Performance Standards and Measures for Alpha Generation:

- On a monthly basis, net performance versus the policy benchmark is provided by the custodian bank
- Present to the Board a quarterly performance analysis for the total fund and individual manager performance, which includes attribution showing sources of outperformance or underperformance.

SECTION 3

FY2019 AND ONGOING AGENCY INITIATIVES

BENEFITS ADMINISTRATION DIVISION - BUSINESS PLAN INITIATIVE

Project 14BA04: REVIEW AND REVISION OF CODE OF MARYLAND REGULATIONS

Project Description: This is an ongoing initiative that will involve a comprehensive review of certain regulations affecting the operations of the Benefits Administration Division. As staff identify concerns with existing, or the need for new regulations, Administration will work with other Agency divisions to ensure that the internal operations and processes are consistent with the regulation and provide complete and accurate information to the public.

Expected Outcome: Updated regulations will be presented to the Administrative Committee and Board of Trustees throughout the fiscal year, and then after Benefits Administration, Executive, and Legislative review, published in the Code of Maryland Regulations

Timing: Ongoing.

Link to Goals: This initiative will directly support the Agency's goal to effectively communicate to all retirement plan participants the benefits provided by the System and to educate them about planning and preparing for all aspects of their defined benefit system.

Budget Implications: This initiative will be completed with existing resources and should result in no additional costs to the Agency.

BENEFITS ADMINISTRATION DIVISION - BUSINESS PLAN INITIATIVE

Project: 16BA01 ENHANCEMENT OF PERSONAL STATEMENT OF BENEFITS (Incorporated within the MPAS-3 Project)

Project Description: At the close of each fiscal year, the Agency issues each active member a Personal Statement of Benefits (PSB). The statement summarizes cumulative member account information and provides estimated benefit projections of the Basic Maximum Allowance payable at early and normal service retirement dates. As part of the MPAS-3 project the statement will be modified to provide estimates of the benefit allowance for the optional allowance selections that the member may select at retirement.

Expected Outcome: This initiative should result in reducing the number of individual requests filed by individual members throughout the fiscal year.

Timing: This initiative has been deferred to be included as part of the MPAS-3 activities.

Link to Goals: This initiative will directly support the Agency's goal to effectively communicate to all retirement plan participants the benefits provided by the System and to educate them about planning and preparing for all aspects of their defined benefit system.

Budget Implications: This initiative will be completed with expanded Agency and/or MPAS-3 project resources.

BENEFITS ADMINISTRATION DIVISION - BUSINESS PLAN INITIATIVE

Project 17BA01: DEVELOPMENT OF AN AUTOMATED FULL COST PURCHASE OF SERVICE CALCULATOR (Incorporated within the MPAS-3 Project)

Project Description: In conjunction with the System's actuary an automated full cost purchase of service calculator model was developed for use by staff when responding to members' purchase of service requests. Under the current law and calculation methodology used by the Agency, members are able to request full cost purchases of service only during the twelve (12) months preceding retirement. The creation of an automated full cost purchase of service calculator will create greater efficiency in responding to member requests and will allow members to make these requests at any time during their membership rather than only during the twelve (12) months preceding retirement.

Expected Outcome: Development and implementation of an automated full cost purchase of service calculator that will allow members to make these requests at any time during membership requires both significant programming effort, and changes to retirement law. The actuary provided the Agency for a single system/plan their proposed calculation methodology achieved by entering data into an EXCEL spreadsheet. Initial plans were for the actuary to develop additional models for each system/plan administered by the Agency at an additional cost for each system/plan.

However, in recognition that implementation could not be achieved until legislative changes allowing for a full cost purchase at any time during membership are enacted, and that this functionality would best serve the membership as part of the Member Self Service portal, the Agency determined that it would be more advantageous to develop the model in a software package other than the EXCEL software utilized by the Actuary. As part of the MPAS-3 Project, members will be able to obtain retirement estimates, and perform certain functionality via the Agency's secure Internet connection. A member obtaining a full cost purchase estimate is an activity that should be supported as part of the Agency's planned future activities. Therefore, developing the full cost purchase of service calculator across all applicable

BENEFITS ADMINISTRATION DIVISION - BUSINESS PLAN INITIATIVE

systems/plans in a software platform that is compatible with member access through a secure internet connection using the actuary's prescribed methodology is most advantageous to the Agency, and the member.

Timing: The Agency has established as a top priority providing member access via a secure Internet connection that will include functionality for members to generate retirement benefit estimates, with a target implementation date of September 2019. In recognition that achieving this additional objective of changing the calculation methodology for full cost purchases, and providing members the ability to generate such full cost purchase estimates will require significant Agency resources, this initiative is no longer a top priority. Therefore, the evaluation of whether to proceed with this effort is being deferred to a later phase of the MPAS-3 Project.

Link to Goals: This project links directly to two the Agency's goals: 1) to effectively communicate to all retirement plan participants the benefits provided by the System and to educate them about planning and preparing for all aspects of their defined benefit system; and 2) to efficiently collect the required employer and employee contributions necessary to fund the System.

Budget Implications: This initiative will be evaluated, and completed with MPAS-3 resources if the Agency determines it will proceed with this effort.

**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.

EXTERNAL AFFAIRS DIVISION/INFORMATION SYSTEMS DIVISION JOINT BUSINESS PLAN INITIATIVE

Project 17EA/IS01: MSRA PUBLIC WEBSITE (SRA.MARYLAND.GOV) REDESIGN

Project Description: The current iteration of the agency’s website was launched in 2010, and while it is functional, there are several aspects of its current public web site that the Agency wishes to improve in order to enhance its content, access, and navigation:

Engagement – compared to other public pension system sites, SRA’s current site is sometimes seen as less engaging to the viewer, that is, the site has limited graphics, no audio or video, and mostly static content.

Searchability – while the existing site contains considerable content in certain areas, finding what you want on the current site is sometimes viewed as difficult by the end user.

Navigation – there is a sense that the site needs better organization and usability, with fewer clicks and more obvious content location.

Understandability – there is a question if the current text communicates in language users understand (e.g., the home page’s use of the term “participant

Complement Agency operations – the Agency seeks to optimize the functionality of the web site to better provide answers to those questions and issues most often raised by members, employers, Board of Trustees (the “Board”) members, legislators, media, and other constituencies in their respective contacts with the Agency.

Balance between Agency missions – to ensure that both the Pension Administration and Investments functions are represented in the site’s content.

Expected Outcome: A more robust website that is intuitive to navigate for all stakeholders, especially active members and retirees, with easy-to-find, updated information.

Timing: To be completed by December, 2018.

Link to Goals: This ties in directly to the agency’s goal to effectively communicate to all retirement plan participants the benefits provided by the System and to educate them about planning and preparing for all aspects of their defined benefit system.

Budget Implications: \$120,000

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.

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 \$300,000.

SUMMARY OF BUSINESS PLAN INITIATIVES

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	Deferred	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	Deferred	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. Additionally the Agency has already begun work on developing the Member Self-service Portal (P2) with target Go-Live date of September 1, 2019. 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.