

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

October 4, 2016

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:323 a.m.

The Trustees present included:

James Harkins, Chairman, Presiding	Kenneth Haines
Theresa Lochte, Vice Chairman	Sheila Hill
Susanne Brogan	Marc Nicole
James "Chip" DiPaula (via phone)	Richard Norman

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

Melody Countess	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	Ken Reott
Michael Golden	Michelle Lowery	David Rongione
		Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Sharon Street

Other Attendees included: Phillip Anthony, Dana Tagalicod and Brian Murphy (via phone)

Minutes

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Administrative Committee approved the September 6, 2016, open session meeting minutes.

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

Mr. Ken Reott presented background information regarding a participant's (Shekelia Jackson) request for a waiver of the one-year requirement to request a service credit transfer and the Executive Director's recommendation that the Committee uphold his decision in this regard.

Ms. Jackson appeared before the Administrative Committee to request that the Committee overturn the Executive Director's recommendation to deny her request for a waiver of the one-year requirement to request a service credit transfer. Ms. Jackson indicated that she asked her employer if her service credit in the Employees' Pension System would be moved into and combined with her service credit in the Correctional Officers' Retirement System and her employer informed her that it would be. Ms. Jackson indicated that she was not informed by her employer that a form needed to be completed and submitted in order for that transfer to take place.

Ms. Lochte asked Ms. Jackson whether she received the December 27, 2010 letter from the Agency regarding her entitlement to transfer service.

Ms. Jackson indicated that she did not receive that letter as she had moved within the first year of employment with Clifton T. Perkins Hospital.

Ms. Jackson was informed that the Committee would consider her request and inform her of its decision.

Mr. Reott pointed out to the Committee that Ms. Jackson would have received a Personnel Statement of Benefits (PSB) each year and that the PSB would have reflected all relevant information regarding the System's

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

October 4, 2016

record as to her retirement account.

Mr. Nicole asked if the Agency would be able to determine at which time Ms. Jackson's PSB would have begun to reflect her change in employer.

Mr. Reott responded that yes, that information would be available.

After further discussion, on a motion made by Ms. Hill and seconded by Mr. Haines the Administrative Committee, by a vote of 6 to 2, overturned the Executive Director's recommendation and granted Ms. Jackson's request for a waiver. Trustees in favor of the motion included Ms. Hill, Mr. Haines, Ms. Brogan, Mr. DiPaula, Mr. Harkins, and Ms. Lochte. Mr. Norman and Mr. Nicole opposed the motion.

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

Mr. Ken Reott presented background information regarding a participant's (Carole Swift) request for a waiver of the one-year requirement to request a service credit transfer and the Executive Director's recommendation that the Committee uphold his decision in this regard. Mr. Reott reported that in addition to Ms. Swift not meeting the one (1) year deadline to request the transfer and the four (4) year deadline for requesting a waiver of the one (1) year deadline, but Ms. Swift also had a break of employment of more than thirty (30) days, which would explain why no letter was generated by the Agency to explain the Title 37 transfer process.

On a motion made by Mr. Nicole and seconded by Mr. Norman, the Administrative Committee adopted the Executive Director's recommendation to deny the participant's request for a waiver, for recommendation to the Board of Trustees.

Board Requested
Legislation -
Addendum

Mr. Kenderdine presented the following proposals for the Administrative Committee's consideration to present to the Board of Trustees for inclusion in its 2017 legislative proposals to the Joint Committee on Pensions (JCP):

Modification of Municipal Pension Surcharges

The 2011 legislative reforms substantially revised the benefit provisions and employee contribution rates for the MSRPS Municipal Employees' Combined System. When plan changes such as the 2011 reforms affect different PGUs differently, equity relationships can be affected to the systematic benefit of some and to the systematic detriment of others. It is recommended that legislation be introduced to convert or phase in (over a five (5) year period) a more equitable allocation of contribution requirements among the PGUs. In addition, it may be recommended that the normal cost portion of the existing surcharges be modified as well in light of the assumption changes that the Board adopted last year. The actuary has not yet completed its review of this portion of the surcharges.

The reforms caused the pooled employer cost to decrease by about

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

October 4, 2016

2% of pay. Most of that decrease was due to the increase in employee contribution rates for the Alternate Contributory Pension Selection (ACPS) participants. PGUs with participants subject to the Non-Contributory Pension Benefit (NCPB) or the Employees' Contributory Pension Benefit (ECPB) (9 employers) benefitted from the decrease in employer contributions although there was no offsetting increase in contributions from their NCPB and ECPB participants.

Ms. Brogan asked if we need to wait for GRS, the System's actuary, to get a detailed explanation of the PGU surcharge reforms. Ms. Brogan also asked what the fiscal impact would be on the PGUs and if the PGUs would get that information before it's presented to the legislature.

Mr. Kenderdine responded that the Agency does not yet know the fiscal impact and that GRS is currently working on those figures. Mr. Kenderdine further responded that GRS will have that information by the October Board meeting.

Ms. Lochte asked who the System's nine (9) non-contributory employers are.

Ms. Cohen responded that the list included from the Employees' Non-Contributory Pension Benefit: Prince George's County Government, Prince George's County Crossing Guards, City of Crisfield, Crisfield Housing Authority and Town of North Beach, and from the Employees' Contributory Pension Benefit: the Town of Emmitsburg, City of Frostburg, Town of Middleton and City of Taneytown.

Ms. Brogan asked would the PGUs who paid too much be able to recoup those contributions.

Mr. Kenderdine responded that this is expected and that GRS is developing the method for doing this.

Mr. Kenderdine reported that GRS will be presenting the preliminary FY2016 valuation to the Board at its October meeting, and therefore could report on this issue as well.

On a motion made by Ms. Brogan and seconded by Mr. Norman, the Committee voted on submitting this legislation in concept, regarding PGU surcharges, to the Board for their consideration.

Procurement Exemption for Global Custody Services

In accordance with section 21-124 of the State Personnel and Pensions Article, the State Treasurer, as the custodian of the assets of the System, is responsible for making all arrangements for the safe custody of investments and banking services. The

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

October 4, 2016

procurement of these services is subject to all State procurement laws and regulations. In recent years, the System has implemented more sophisticated investment strategies on a more global scale. Thus, the System requires its custodian to assist in opening sub-custodian accounts throughout the world, provide foreign exchange and third party securities lending services and customized performance reporting and data feeds for System consultants, claims monitors and software providers. These services are essential to the investment operations of the System and are much broader than traditional custody services.

In light of the unique nature of the global custody services required for the System and the significant ties to investment operations and performance, staff recommends that (1) authority for the procurement of global custody services be transferred to the State Retirement Agency under policies established by the Board of Trustees; and (2) the System's procurement exemption under section 11-203 of the State Finance and Procurement Article be expanded to include services for the global custody of System assets. The responsibility for the procurement of traditional operational banking services would remain within the purview of the State Treasurer.

Mr. Kenderdine reported that after discussing the System's global custody services needs with the Treasurer's Office and counsel, it is the recommendation that the Board consider legislation to move the custodial services contract out of the current statutory provisions and place this procurement responsibility with the Maryland State Retirement and Pension System.

Mr. Kenderdine reported that due to the investment program of the System being so complex with, among other elements, global strategies and foreign exchange, it is necessary for its custodian to assist in opening sub-custodian accounts, provide foreign exchange and third party securities lending services, services that are essential to the investment operations of the System, and which are much broader and complex than traditional custody services.

On a motion made by Mr. Nicole and seconded by Ms. Lochte, the Administrative Committee approved, the Procurement Exemption for Global Custody Services proposal, for recommendation to the Board of Trustees

Member Services
Update

Mr. Raitzyk reported that while the unit was unable to meet its performance goals for August 2016, the numbers had improved from the previous month. For August 2016, the unit's call abandonment rate was 8.85% and the average speed of answer was 1:24.

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

October 4, 2016

Mr. Norman asked if staff considers the revised goal of 7.5% for FY18 a realistic goal.

Mr. Raitzyk responded that the member services unit is now fully staffed, so that goal is achievable.

Ms. Hill asked about the survey suggestion to improve online contact capability.

Mr. Reott responded that staff took that suggestion as meaning a real-time on-line chat option that some sites have and that to date the Agency does not. A member can e-mail the Agency and a Retirement Benefits Specialist from the Member Services Unit will respond.

Ms. Brogan asked if the response for a retirement estimate is taking 10-12 weeks as referenced in the survey suggestions.

Mr. Raitzyk responded that estimates are being processed within 4-6 weeks, but staff expects that timeframe to decrease since the rush of processing July 1 retirement applications is over.

On a motion made by Mr. Norman and seconded by Ms. Lochte, the Administrative Committee voted to meet in a Closed Session beginning at 10:32 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

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

The Trustees present included:

James Harkins, Chairman, Presiding
Theresa Lochte, Vice Chairman
Susanne Brogan
James "Chip" DiPaula (via phone)

Kenneth Haines
Sheila Hill
Marc Nicole
Richard Norman

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

Melody Countess
Michael Golden
Angie Jenkins

Van Lewis
Michelle Lowery
Harvey Raitzyk

Ken Reott
David Rongione
Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Sharon Street

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

October 4, 2016

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

Closed Session Minutes	The Administrative Committee reviewed and approved the September 6, 2016 closed session minutes.
Correction of Errors – Offset of Retirement Benefits	The Administrative Committee discussed and approved measures regarding the correction of errors in the payment of benefits to four participants.

On a motion made by Mr. Nicole and seconded by Ms. Lochte, the Administrative Committee returned to open session at 10:37 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

Adjournment	There being no further business before the Committee, on a motion made by Mr. Haines and duly seconded, the meeting adjourned at 10:38 a.m.
-------------	---

Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board