

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

April 4, 2017

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor, Baltimore, Maryland, beginning at 9:33 a.m.

The Trustees present included:

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

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
Ira Greenstein	Kim O'Keeffe	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Minutes

On a motion made by Ms. Lochte and seconded by Mr. DiPaula, the Administrative Committee approved the March 7, 2017 open session meeting minutes.

Agency's Process  
Concerning Benefit  
Offsets and Options  
Regarding Insurance  
Protection

Harvey Raitzyk, Retirement Administrator, presented the Committee with a memorandum which provided background information and policy guidelines and procedures on the recovery of improper payments and correction of errors in benefits payments.

Mr. Raitzyk reported that State Personnel & Pensions Art. (SPP), § 21-113, provides that the Board of Trustees shall correct any error that results in a retiree or beneficiary receiving a benefit that differs from the benefit the retiree is entitled to receive.

Agency staff recommends the following guidelines for recovery of improper payments:

1. The Agency should seek full and timely recovery of an overpayment consistent with the fiduciary duty to administer the System in accordance with its terms and the laws applicable to each State system as a qualified governmental plan under the Internal Revenue Code.
2. If an individual is unable to make full and timely repayment, the Agency should determine a reasonable and appropriate recovery period, taking into account factors including the size of the overpayment, size of the allowance, length of time over which the overpayment occurred, circumstances giving rise to the overpayment, the life expectancy of the person who owes repayment of the overpayment, and any documented financial hardship.
3. Generally, the recovery period should not exceed the time period over which the overpayment occurred.

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4. Where possible, the recovery period should not exceed the life expectancy of the person who owes repayment as per the Social Security Administration's Life Expectancy Table.
5. The recovery amount should not reduce the monthly retirement allowance to be less than the amount required for an individual to retain current medical insurance (*Health, Drug, Vision*) coverage amounts.
6. The Retirement Administrator or designee should consult with legal counsel regarding any overpayment resulting from theft, fraud, or misappropriation.

In addition, Mr. Raitzyk presented to the Committee, staff's recommended procedures for correcting overpayments, as follows:

1. Upon confirmation of any overpayment of an allowance, the Agency shall:
  - a. Correct the monthly allowance in the next available payment cycle, providing at least 10 days notification in advance of that month's payment date, if possible; and
  - b. Send written notification to the individual, including:
    - i. Details regarding the overpayment, including when and how it occurred, the correct and incorrect amounts for each period, and the total amount to be recovered,
    - ii. A request for full repayment, and
    - iii. The opportunity to contact Agency management to discuss the overpayment and request alternative repayment arrangements.
2. Following due notice, if the person does not make full repayment, expresses and reasonably documents a hardship or fails to respond to Agency within 1 month, then
  - a. For repayment amounts of \$5,000 or less:
    - i. Agency staff shall propose to the Executive Director a proposed overpayment recovery monthly amount developed in accordance with the policy guidelines;
    - ii. The Executive Director shall review the recommendation and determine the appropriate recovery arrangements in accordance with the policy guidelines; and
    - iii. The Executive Director shall provide a report to the Board of Trustees advising of the recovery arrangements; or
  - b. For repayment amounts greater than \$5,000:
    - i. Agency staff shall present to the Administrative Committee in closed session a proposed overpayment recovery monthly amount developed in accordance with the policy guidelines;

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- ii. The Administrative Committee shall review the recommendation and determine the appropriate recovery arrangements in accordance with the policy guidelines; and
  - iii. The Executive Director shall provide a report to the Board of Trustees advising of the recovery arrangements.
3. Following determination of the recovery arrangements, the Agency shall send written notification to the individual that will notify the person of:
  - a. The total amount to be recovered, the monthly adjustment, and the period of recovery,
  - b. If the repayment arrangements present a financial hardship, the opportunity to request alternative recovery arrangement by written request to the Executive Director, providing documentation of the financial hardship, and
  - c. In the event the individual disputes that there is an overpayment to be recovered or the amount of the overpayment, the opportunity to request an administrative hearing.
4. In the event of a documented financial hardship, the Executive Director may establish an alternative recovery arrangement with the individual consistent with the policy guidelines and to prevent undue hardship to the individual. The Executive Director shall provide a report to the Board advising of any revision to the recovery arrangements for an individual on account of financial hardship.

Mr. DiPaula asked how many overpayment cases the Agency typically has.

Mr. Raitzyk responded that the number of cases vary, but typically it is less than ten cases per year.

Mr. Harkins asked if there has been a time that staff realized an error and corrected it without it being brought to the Board of Trustees.

Mr. Raitzyk responded that there have been times that staff corrected an overpayment, when the amount of the adjustment was relatively small, by deducting the overpayment amount from the retirees' monthly payment following the error; however, as staff has recommended, going forward, all corrections would be reported to the Board of Trustees.

Mr. DiPaula asked how staff came up with the threshold of \$5,000 that would determine if the Executive Director or the Administrative Committee would approve a proposed repayment schedule in overpayment cases. Mr. DiPaula stated that he would be comfortable with a higher threshold such as \$10,000.

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Mr. Kenderdine responded that staff met to discuss this issue and while numbers higher and lower were discussed, staff felt a \$5,000 threshold was a reasonable amount.

Ms. Lochte commented that while she agreed with the policy, she concurred that the threshold amount should be increased to \$10,000.

Therefore, on a motion made by Ms. Lochte and seconded by Mr. DiPaula, the Administrative Committee approved staff's recommended policy and procedures, with an increased threshold of \$10,000, for recommendation to the Board.

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Mr. Kenderdine presented the Committee with a memorandum that outlined the types of self-insurance coverages the System currently has in place.

Mr. Kenderdine reported that he has discussed with the State Treasurer's office the issue of insurance coverage for erroneous overpayments, and the fact that the statute requires the State to provide insurance for the System's fiduciaries. The State may provide self-insurance under terms satisfactory to the State Treasurer. The Treasurer's office has asked for more information regarding who is a fiduciary for whom insurance coverage is to be provided.

Ms. Brogan advised that the Treasurer's office does not insure for employee mistakes; therefore, there would not be coverage for mistakes by a non-fiduciary.

Abandoned Accounts

Mr. Ken Reott presented the Committee with background information concerning the Agency's administration of "abandoned" status accounts. Mr. Reott reported that at the December 2016 Board of Trustees meeting, former Retirement Administrator Margaret Bury, reported that the Benefits Administration Division had a backlog of over 26,000 non-vested/abandoned accounts with a combined monetary value of over \$38,000,000.

Mr. Reott reported to the Committee, the Agency's current process and its planned enhancements to that process, as follows:

1. automatically generating a final letter to all "inactive" members at the end of their membership period;
2. send a reminder communication to employers requesting that upon separation from employment they counsel their former employees on their options with regards to their membership record in the System;
3. transfer the assets of abandoned status membership records from the Annuity Savings Fund to the Retirement Accumulation Fund, in accordance with the enacted legislation; and
4. include a listing of former members with abandoned status records with the Comptroller's advertisement of unclaimed property accounts in the newspaper.

Mr. Reott reported that due to tight deadlines, the Agency was not able to accomplish the coordination of piggy-backing on the Comptroller's annual

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newspaper advertisement of unclaimed property for this year, but staff expects to be able to accomplish that in future years.

Mr. Reott also provided the Committee with two alternatives/options to the current process, as follows:

Option One

The Agency would hire a vendor who specializes in finding lost or missing plan participants to provide services. This option would require staff to issue a Request for Proposals (RFP). Based upon initial research, staff estimates that the cost for locating and mailing information would be approximately \$4.50 per participant or \$117,000.00 for our current population of 26,000 former members.

Option Two

The Agency, when member contributions and interest are \$1,000 or less, would automatically refund those funds to the member, even if the member has not submitted a refund application. This option is similar to the process utilized by the Montgomery County Employees' Retirement System. This option would not only require amendments to the Code, but for the Agency to locate the former member to ensure that the payment is negotiated, which is the primary reason that payments have not been made.

Ms. Brogan asked how many times the vendor would look for a member.

Mr. Reott responded that the cost would be a one-time fee. The Agency would send a file containing information on all 26,000 participants. The vendor would send a letter to each participants informing them of their accounts. The vendor could also set-up a call center to receive response calls from participants.

Mr. DiPaula recommended that staff come back to the Committee with an "all-out campaign" outlining the process of the search to get the participants their money.

Ms. Brogan asked if employers obtained email addresses from employees during their exit interviews, since most people do not change their email addresses frequently.

Mr. Reott responded that MPAS does not capture email addresses; however, the Agency's Application for Membership forms have been revised to include a field to provide an email address.

Ms. Lochte commented that the Agency's letters to the participants informing them of their abandoned account, not only has formatting issues that should be addressed, but that the letters need to be simplified and direct as to the fact that the Agency is holding funds belonging to the participant.

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Member Services  
Update

Mr. Raitzyk reported that the Member Services unit was slightly above the 6.0% goal for the call abandonment rate, but was able to meet its performance goal for the average call wait time for February 2017. The unit's call abandonment rate was 6.69% and the average speed of answer was 1:02.

Agency's IT Master  
Plan for FY2018

Mr. Ira Greenstein presented a summary of the Agency's IT Master Plan which was submitted to the Department of Information Technology (DoIT).

Mr. Greenstein reported the following:

- Agency technology strategy remains unchanged.
- Agency's future focus is on MPAS-3
- Recent and near-term-pending accomplishments include:
  - Completion of data cleansing initiative (MPAS-2)
  - Replacement of the MPAS rules engine
  - Implementation of an improved employer payroll reporting application.
  - Implementation of new annuity and option factors
  - Voice technology added to Agency's disaster recovery site
- Project budget through FY21 estimated \$13.4M plus increased annual operating cost \$2.0M and the Department of Information Technology project oversight fees (TBD).
- Timing depends on funding and availability of staff, analyst and programmer resources.
- Many current MPAS batch processes will become real-time updates, and members will be able to review and use Agency service and salary data to produce benefits estimates. Pending FY18 budget approval, estimated completion dates for portals are:
  - Staff portal (internal) - 10/31/2018.
  - Member Internet portal - 12/31/2019.
  - Employer Internet portal - 8/31/2021.
- Business process consultant starting in early FY18:
  - Recommendations due 6 months after contract starts.
  - Process changes will begin immediately.
  - Agency will acquire and implement supporting technology in stages.
  - Will require business staff re-training and re-balancing, and will bring technology operations more into 7x24 mode.
  - Completion anticipated end of calendar year 2021.

Ms. Brogan asked when members will be able to go online to access their accounts.

Mr. Greenstein responded that the member internet portal is expected to be completed and available to members on December 31, 2019 (FY20).

Ms. Brogan asked if it were not for the funding issues would the member internet portal take this long to complete.

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Mr. Greenstein responded that the length of time to complete the member portal is because of funding issues.

2017 Legislative Bill  
Review

Ms. Gawthrop provided the Committee an updated overview of the 2017 pension related legislation. See Attachment A.

Ms. Gawthrop reported that there were several bills that has crossed over, but had not yet been voted on by the Budget and Taxation Committee (B&T).

Ms. Gawthrop also reported that for HB 1580/SB 914 – State Retirement Agency – Investment Division, there have been extensive discussions with the Senate and B&T. The budget committees have included narrative in the 2017 Joint Chairmen’s report, requesting that the Agency submit a report, by October 1, 2017, to the JCP detailing the potential effect of being granted the staffing and salary authority it seeks.

On a motion made by Ms. Lochte and seconded by Mr. DiPaula, the Administrative Committee voted to meet in a Closed Session beginning at 10:42 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

1. Receiving the performance evaluation results of the Executive Director, pursuant General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction.

**CLOSED SESSION**

The Trustees present included:

James Harkins, Chairman, Presiding  
Theresa Lochte, Vice Chairman  
Susanne Brogan  
James “Chip” DiPaula

Kenneth Haines (via phone)  
Sheila Hill (via phone)  
Marc Nicole (via phone)  
Richard Norman (via phone)

On a motion made by Mr. DiPaula and seconded by Ms. Lochte, the Administrative Committee returned to open session at 11:00 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

Adjournment

There being no further business before the Committee, on a motion made by Mr. DiPaula and seconded by Ms. Lochte, the meeting adjourned at 11:01 a.m.

Respectfully submitted,



R. Dean Kenderdine,  
Secretary to the Board