

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

February 18, 2020

The Board of Trustees for the Maryland State Retirement and Pension System met in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 9:30 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
David Brinkley
Eric Brotman
Jamaal Craddock
Kenneth Haines
David Hamilton

Linda Herman
Sheila Hill
F. Patrick Hughes (via phone)
Charles Johnson (via phone)
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

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

Victor Adekoye	Angie Jenkins	Andrew Palmer
Anish Bedi	Faina Kashtelyan	Steve Reilly
Robert Burd	Greg Kasten	Ken Reott
Antionette Butcher	Larry Katsafanas	David Rongione
Melody Countess	Michael McCord	Janet Sirkis
Eric Farls	Kyongdo Min	Beau Smith
Anne Gawthrop	Steven Muturi	Toni Voglino
Michael Golden	Kim O’Keeffe	
Dimitri Grechenko	Ashu Pal	

Assistant Attorneys General present included: Rachel Cohen, Alexander Harisiadis, and Jody Shaw

Other attendees included: Michael Barry, Justin Hayes, Stephen Kitsoulis and Monte Tarbox

2020 Legislative
Bill Review

Ms. Anne Gawthrop provided the Board of Trustees an overview of the 2020 pension related legislation introduced to the General Assembly to date. See *Attachment A*.

Ms. Gawthrop reported specifically on the following bills, which required action by the Board:

- House Bill 1101 – State Retirement and Pension System – Financial Reporting.

This proposed legislation would require the Board to publish an additional CAFR, report to the General Assembly its quarterly returns for each year and hire an additional consultant to assess the capital market assumptions made by the Investment Division staff or another System investment consultant.

Ms. Gawthrop reported that staff is recommending that the Board oppose this legislation as the majority of the information required under this legislation is already available. Additionally, as drafted the bill would require the Board to publish a second CAFR and hire an additional consultant to review the work of the Investment Division staff and the Board’s existing consultant, which staff believes are unnecessary expenses to the Trust.

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A motion was made by Mr. Haines and seconded by Mr. Noman to accept staff's recommendation and oppose the legislation.

Ms. Herman asked about the System's Actuary (GRS) and its role in assisting the Board in making economic assumption decisions. Ms. Herman also asked if the bill was requiring a second CAFR and not just requesting additional information for the current CAFR.

Ms. Gawthrop responded that she would speak with the sponsor as to his intent in this regard. She confirmed that GRS does provide the Board with the capital market forecasts of up to 10 consulting firms when the System's actuarial economic assumptions are under review for possible adjustment. Ms. Gawthrop also responded that the bill requires an "on-staff" consultant not just an annual reporting.

Mr. Hughes commented that the bill needs to be monitored by staff.

Ms. Herman commented that the information that is to be disclosed should already be disclosed in our CAFR.

Secretary Brinkley asked if the sponsor could be provided with all of this information and asked to withdraw the bill.

Ms. Gawthrop responded that she would speak with the sponsor.

➤ House Bill 1254 – State Retirement and Pension System – Investment Management Fees

This proposed legislation would cap external investment management fees in a fiscal year to .2% of the market value of the fund on the last day of the fiscal year. This cap would not apply to investment manager agreements entered into on or before June 30, 2020. The bill prohibits the Board from entering into agreements on or after July 1, 2020 with external management services that would pay fees for unrealized investment gains. The bill also includes language that states it is the intent of the General Assembly that the Board shall utilize low-fee, passive investment strategies in the management of system assets, consistent with its fiduciary responsibilities.

Ms. Gawthrop reported that this bill is almost identical to the sponsor's bill from last year except that the fee cap is smaller. Therefore, consistent with last year's recommendation, staff is recommending that the Board oppose this legislation.

A motion was made by Mr. Hughes and seconded by Mr. Brotman to oppose the legislation.

Ms. Herman asked if we could also meet with the sponsor of this bill.

Ms. Gawthrop responded that she was working to get a meeting scheduled.

Mr. Hughes withdrew his motion to oppose the legislation.

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- House Bill 778/Senate Bill 1004 and House Bill 1310/Senate Bill 1004 – Correctional Officers’ Retirement System – Membership

Ms. Gawthrop reported that the bills concerning membership in the Correctional Officers’ Retirement System have been amended to include only Case Managers and to remove food service and maintenance workers. Once staff receives job descriptions for the Case Managers, we will send that information to Tax Counsel to determine if those positions are comparable to positions currently in CORS as qualified correctional officers.

On a motion made by Mr. Norman and seconded by Mr. Haines, the Board voted to approve staff’s recommendations to ask the System’s tax counsel to determine if it believes these employees would qualify as correctional officers.

- House Bill 401 – Public Information Act – Remote Access, Fee Complaints, Fee Waivers, and Inspection of Judicial Records (Open Government, Better Government Act).

This proposed legislation would require the official custodian to waive any fees, under the Public Information Act, that are not standard charges for document production. In other words, the custodian would be required to waive fees for the staff time required to produce any documents requested under the Public Information Act by any representative of the news media

On a motion made by Mr. Norman and seconded by Mr. Prouty the Board voted to approve staff’s recommendation to oppose this legislation.

Recommendation
of the Ad Hoc
Committee on
Governance and
Strategic
Planning

Secretary Brinkley presented the Board with a memorandum and the Ad Hoc Committee on Governance and Strategic Planning’s proposal for implementing governance reform recommendations. Secretary Brinkley reported that assigning the recommendations to Board committees is necessary in order to establish how each recommendation should be carried out and what other considerations may be required. For some recommendations, legislative action would be required.

On a motion made by Ms. Hill and seconded by Mr. Brotman, the Board of Trustees approved the Committee’s recommendations to delegate the recommendations to the respective Committee, as presented.

At 9:54 a.m., on a motion made by Mr. Prouty and seconded by Mr. Norman, the Board voted to recess the meeting and reconvene immediately after the conclusion of the Investment Committee meeting.

**BOARD OF TRUSTEES FOR THE
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February 18, 2020

The Board of Trustees for the Maryland State Retirement and Pension System reconvened in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 12:50 p.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Eric Brotman
Jamaal Craddock
Kenneth Haines
David Hamilton

Linda Herman
Charles Johnson (via phone)
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

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

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw

Consent Agenda On a motion made by Mr. Norman and seconded by Mr. Craddock, the Board approved the consent agenda, which included:

- January 21, 2020 Open Meeting Board Minutes
- January 21, 2020 Corporate Governance Committee Meeting Summary
- January 21, 2020 Audit Committee Meeting Summary
- February 4, 2020 Administrative Committee Meeting Summary

Recommendation of the Administrative and Investment Committees regarding Adjusting the Salary Ranges for Investment Division Personnel On a motion made by Mr. Brotman and seconded by Mr. Haines, the Board approved the Committees' recommendation to adjust the salary range structure for employees in the Investment Division by 2.3%, as presented. The adjustment factors will not apply to employees in investment administration, who are eligible for cost of living increases available to other State employees. Trustee Herman opposed the motion.

Executive Director's Report Mr. Kenderdine reported on the MPAS+ project, and that the roll-out of the member portal has been a success, thus far. The roll-out is in its second week and staff is reporting that members are using it not only to look at their account information, but also to conduct transactions.

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Mr. Kenderdine reported that the Agency's Budget Hearings were on February 11 and 14, and that there were no recommended cuts. The only recommended action requires the Agency to produce an annual report that would reflect the savings to the System resulting from the internal management of assets by the Investment Division.

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Mr. Kenderdine informed the Board that staff from Agency's Information Technology unit will be setting up a date in which Trustees will be able to log on, using a link or dial-in instructions, to test the video conferencing feature for the Board's upcoming teleconference meetings.

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On a motion made by Mr. Craddock and seconded by Mr. Norman, the Board voted to meet in a Closed Session, beginning at 12:55 p.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

- a) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure, namely General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection;
- b) reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and personal information; and
- c) considering proposed salary adjustments for certain employees of the Investment Division, pursuant to 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:

Nancy Kopp, Chairman, Presiding
Eric Brotman
Jamaal Craddock
Kenneth Haines
David Hamilton

Linda Herman
Charles Johnson (via phone)
Richard Norman
Douglas Prouty
Michael Stafford, Jr.

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

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw (items (a) and (b) only)

On a motion made by Mr. Craddock and seconded by Mr. Norman, the Board returned to open session at 1:02 p.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Board of Trustees discussed and acted on the following matters:

Closed Session Minutes	The Board reviewed and approved the January 21, 2020 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from January 22 and January 30, as well as February 5 and February 13, 2020.

**BOARD OF TRUSTEES FOR THE
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Recommendation
regarding
Compensation of
Certain Employees of
the Investment
Division

The Board reviewed and approved the recommendations regarding compensation of certain employees of the Investment Divisions, as presented.

Adjournment

There being no further business before the Board, on a motion made by Mr. Hughes and seconded by Mr. Norman, the meeting adjourned at 1:03 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

- **GREEN** HIGHLIGHTED BILLS INDICATE NEW BILLS SINCE 2/4/20
- **YELLOW** HIGHLIGHTED BILLS INDICATE BILLS ON WHICH STAFF IS RECOMMENDING AN ACTION BY THE BOARD

Legislative Update 2020 Session February 18, 2020

BOARD REQUESTED LEGISLATION

House Bill 251/Senate Bill 236 (Jackson/Elfreth)

Teachers' Retirement and Pension Systems - Obsolete Reemployment Provisions

This Board requested legislation repeals obsolete provisions addressing the federal No Child Left Behind Act of 2001 within the reemployment provisions for teachers and principals who are retirees of the Teachers' Retirement and Pension Systems.

- House Bill 251 passed the House
- Hearing scheduled in Budget and Tax – 2/6/20

Presented to the Board on 1/21/20

House Bill 634/Senate Bill 462 (Jackson/Elfreth)

State Retirement and Pension System - Death Benefits for Children - Age

This Board requested legislation corrects certain instances in the State Personnel and Pensions Article that continue to provide that death benefits payable to children of deceased members and retirees will end when the child reaches age 18. This bill changes those provisions to age 26 to conform with legislation over the past several sessions to move the age to 26 in all systems.

- Voted favorable by Appropriations
- Hearing scheduled in Budget and Tax – 2/6/20

Presented to the Administrative Committee on 2/4/20

House Bill 753/Senate Bill 463 (Jackson/Elfreth)

State Retirement Agency – Monitoring and Recording of Automated Outgoing Telephone Calls – Authorization

This Board requested legislation permits the State Retirement Agency to record outbound calls from the Member Services Division that are placed through the Agency's Automated Call Distribution System for training and quality control.

- House Bill 753 passed the House
- Hearing scheduled in Budget and Tax – 2/6/20

Presented to the Administrative Committee on 2/4/20

House Bill 942/Senate Bill 809 (Jackson/Elfreth)

State Retirement and Pension System - Reemployment Earnings Offset – Clarification

This Board requested legislation clarifies provisions of law that require the Board to limit the amount by which the Board may reduce a retiree's allowance when the retiree is subject to the reemployment earnings limitation to the amount that is required to be deducted for the retiree's monthly State-approved medical insurance premiums.

- Hearing scheduled in Appropriations – 2/25/20
- Hearing scheduled in Budget and Tax – 2/20/20

House Bill 948/Senate Bill 764 (Jackson/Elfreth)

State Retirement and Pension System - Pension Benefits – Calculation

This Board requested legislation would codify the Agency's existing practice that if a member's annuity exceeds the member's statutorily calculated normal service retirement allowance, the member's normal service retirement allowance shall equal the member's annuity.

- Hearing scheduled in Appropriations – 2/25/20
- Hearing scheduled in Budget and Tax – 2/20/20

INVESTMENT RELATED BILLS

House Bill 1101 (Grammar)

State Retirement and Pension System – Financial Reporting

This proposed legislation would require the Board to publish an additional CAFR that includes: (1) a comparison of the System's 1-, 3-, 5- and 10-year compounded annualized returns to the various hypothetical asset allocations; (2) the median performance of public plans with assets exceeding \$25 million, as reported by TUCS; (3) an analysis of the impact on system revenues in a dollar amount, the System's investment performance has caused; (4) a comparison of the returns and volatility of the System's investments to appropriate benchmarks; (5) a description of how the Board determined the System's internal benchmarks during the fiscal year; and (6) an explanation of the System's investment performance relative to the fund's internal benchmarks during the fiscal year. Additionally, the bill would require to report to the General Assembly its quarterly returns for each year. Finally, the bill would require the Board to hire an additional consultant to assess the capital market assumptions made by the Investment Division staff or another System investment consultant.

- Hearing scheduled in Appropriations – 3/10/20

Staff recommends opposing this legislation. The majority of the information required for the Board to prepare under this legislation is already available. Additionally, as the bill is drafted, it would require the Board to publish a second CAFR and hire an additional consultant to review the work of the Investment Division staff and the Board's existing consultants. Staff believes these are unnecessary expenses to the trust.

House Bill 1254 (Barve)

State Retirement and Pension System - Investment Management Fees

This proposed legislation would cap external investment management fees in a fiscal year to .2% of the market value of the fund on the last day of the fiscal year. This cap would not apply to investment manager agreements entered into on or before June 30, 2020. The bill prohibits the Board from entering into agreements on or after July 1, 2020 with external management services that would pay fees for

unrealized investment gains. House Bill 1254 also includes language that states it is the intent of the General Assembly that the Board shall utilize low-fee, passive investment strategies in the management of system assets, consistent with its fiduciary responsibilities.

- Hearing scheduled in Appropriations – 3/10/20

This bill is almost identical to the sponsor’s bill from last year except the fee cap is smaller in House Bill 1254. Therefore, consistent with last year’s recommendation, staff recommends opposing this legislation. As drafted, provisions that address implementing a specified investment management fee cap and how it would be applied would not be administratively feasible for all investment management agreements to which the System is a party. Additionally, staff believes the bill should provide greater clarity with regard to the sponsor’s intent when barring the Board from entering into agreements that would pay fees for unrealized investment gains. Finally, limiting the asset classes available to the Board for investing purposes, ultimately, could create fiduciary issues inasmuch as the fund could be exposed to greater risk than necessary.

BENEFIT LEGISLATION

House Bill 115 (Davis)

Teachers' Pension System - Option Election

This proposed legislation allows retirees of the Teachers' Pension System who were employed by Prince George’s County School Board, retired on or after July 1, 2017, and elected Option 1 to elect to change this election by December 31, 2020.

- Voted unfavorable by Appropriations

Staff recommended and the Board approved opposing this legislation. As drafted this legislation would jeopardize the System’s tax qualified status. Additionally, allowing a retiree to change his or her Option 1 election years after the retiree’s retirement date, will set a precedent for any other retiree from any other employer, who selected any optional allowance, to ask for the same opportunity. This opportunity to change elections would come at a significant cost to the plan as it is likely anyone making such a change would opt to receive an election that would provide a greater benefit.

Presented to the Board on 1/21/20

House Bill 588/Senate Bill 587 (Jackson/Griffith)

State Police Retirement System and Law Enforcement Officers' Pension System - Member Contributions

This legislation provides that once active members of the SPRS and LEOPS accrue the years of service necessary to receive the maximum benefit available in those plans, the members will cease making member contributions. Currently, the maximum benefit a member of the SPRS can earn is 71.4% of the member’s AFC after 28 years of service, while a LEOPS member may earn 65% of the member’s AFC after 32.5 years of service.

- Hearing scheduled in Appropriations – 2/11/20
- Hearing scheduled in Budget and Tax – 2/20/20

Staff recommended to the Administrative Committee to take no position on this legislation as it is a plan design and benefit determination matter.

Presented to the Administrative Committee on 2/4/20

House Bill 659 (Jackson)

Law Enforcement Officers' Pension System - Benefits

This legislation would increase the benefit multiplier from 2% to 2.5% for service earned on or after July 1, 2020 by members in the LEOPS.

- Hearing scheduled in Appropriations – 2/18/20

Staff recommended to the Administrative Committee to take no position on this legislation as it is a plan design and benefit determination matter.

Presented to the Administrative Committee on 2/4/20

House Bill 683/Senate Bill 960 (Hettleman)

Optional Retirement Program – Membership

This legislation prohibits certain members of the EPS who satisfy certain requirements from participating in the ORP on or after July 1, 2020. The Agency is currently aware of one individual who would be impacted by this legislation.

- Hearing scheduled in Appropriations – 2/18/20
- Hearing scheduled in Budget and Tax – 2/20/20

Staff recommended to the Administrative Committee to take no position on this legislation as it addresses benefit eligibility. As drafted, it does not present any legal issue with IRS rulings regarding plan elections.

Presented to the Administrative Committee on 2/4/20

Senate Bill 489 (Peters)

Teachers' Retirement and Pension Systems - Reemployment – Clarification

This legislation clarifies that a reemployed teacher is not subject to the reemployment earnings offset if the retiree's compensation is fully funded by a grant from a non-State source that specifically requires the use of the grant funds to pay the full amount of the compensation for the position. The bill also provides additional guidance as to what the employer must provide the State Retirement Agency to demonstrate that the retiree's compensation is funded entirely by non-State funds.

- Hearing scheduled in Budget and Tax – 2/06/20

Staff recommended to the Administrative Committee and the Administrative Committee voted to support this legislation as it will ease the administrative burden for staff in administering this particular exemption from the reemployment earning limitation provisions.

Presented to the Administrative Committee on 2/4/20

CORRECTIONAL OFFICER LEGISLATION

House Bill 446 (McKay)

Correctional Officers' Retirement System - Membership – Chaplains

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed as prison chaplains in State correctional facilities, to become members of the CORS on July 1, 2019. All new employees in these positions would be members of the CORS.

- Hearing scheduled in Appropriations – 2/4/20

Staff recommended to the Administrative Committee and the Administrative Committee voted to oppose this legislation based on advice received last year from the System’s tax counsel who expressed concern that prison chaplains would not meet the definition of qualified public safety officers under proposed IRS regulations addressing normal service retirement age. Individuals who meet this definition are eligible for a 20-year retirement, regardless of age. Currently correctional officers in the CORS meet the definition of qualified public safety officers. Presented to the Administrative Committee on 2/4/20

**House Bill 778/Senate Bill 622 (Jackson/Rosapepe)
Correctional Officers’ Retirement System - Membership**

This legislation would require employees of the Department of Juvenile Services who are employed as: (1) a residential group life manager; (2) a youth center cook or cook lead; (3) a food service worker or supervisor; or (4) a maintenance assistant, chief, mechanic, mechanic senior, or supervisor, in State juvenile facilities, to become members of the CORS on July 1, 2020. All new employees in these positions would be members of CORS.

- Hearing scheduled in Appropriations – 2/18/20
- Hearing scheduled in Budget and Tax – 2/20/20

Staff will ask the System’s tax counsel to determine if it believes these employees would qualify as correctional officers under proposed IRS regulations addressing normal retirement age for public safety officers, including correctional officers. If tax counsel determines these individuals do not qualify, we recommend opposing this legislation inasmuch as they would not qualify for a 20 year retirement. However, if tax counsel determines they do qualify as correctional officers, we recommend taking no position as this would be an issue of plan design and benefit determination. Presented to the Administrative Committee on 2/4/20

**House Bill 1310/Senate Bill 1004 (Beitzal/Edwards)
Correctional Officers’ Retirement System - Membership**

This legislation would require employees of the Department of Juvenile Services who are employed as a case management specialist I, II, or III or a case management specialist supervisor, in State juvenile facilities, to become members of the CORS on July 1, 2020. All new employees in these positions would be members of CORS.

- Hearing scheduled in Appropriations – 3/12/20
- No hearing scheduled in Budget and Tax

Staff will ask the System’s tax counsel to determine if it believes these employees would qualify as correctional officers under proposed IRS regulations addressing normal retirement age for public safety officers, including correctional officers. If tax counsel determines these individuals do not qualify, we recommend opposing this legislation inasmuch as they would not qualify for a 20-year retirement. However, if tax counsel determines they do qualify as correctional officers, we recommend taking no position as this would be an issue of plan design and benefit determination.

MILITARY SERVICE LEGISLATION

House Bill 633 (Cox)

State Retirement and Pension System - Military Service - Purchase of Credit

This legislation would allow members of the System who have claimed five years of pre-employment military service credit to purchase up to five additional years of military service. The cost of this service would be an amount equal to the annuity reserve and pension reserve required to fund the additional allowance. The purchase may only be made in the year of retirement of the member.

- Hearing scheduled in Appropriations – 2/18/20

Staff has reached out to the sponsor and explained that this legislation is unnecessary and recommends working with the sponsor to explain that members of the System may already purchase up to 10 years of additional military service credit under the purchase provisions for each of the several systems.

Presented to the Administrative Committee on 2/4/20

House Bill 1027/Senate Bill 487 (Young/Serafini)

Military Service Credit – Eligibility

This legislation would allow any member of the CORS, LEOPS, or SPRS who is currently receiving a military retirement to claim up to five years of military service in the plan in which they are a member. Currently, members are prohibited from making a claim for military service if they are receiving a benefit from any other pension system for that same service.

- Hearing scheduled in Appropriations - 2/27/20
- Hearing scheduled in Budget and Tax – 2/20/20

Staff recommended to the Administrative Committee to take no position on this legislation as it is a plan design and benefit determination matter.

Presented to the Administrative Committee on 2/4/20

House Bill 1073 (Johnson)

Law Enforcement Officers' Pension System – Military Service Credit

This legislation would allow any member of the LEOPS who is currently receiving a military retirement to claim up to five years of military service in the plan in which they are a member. Currently, members are prohibited from making a claim for military service if they are receiving a benefit from any other pension system for that same service.

- Hearing scheduled in Appropriations - 2/27/20

Staff recommends taking no position on this legislation as it is a plan design and benefit determination matter.

MISCELLANEOUS BILLS

House Bill 401 (Barron)

Public Information Act - Remote Access, Fee Complaints, Fee Waivers, and Inspection of Judicial Records (Open Government, Better Government Act)

This proposed legislation addresses, in part, fees charged by custodians under the Public Information Act when requests for documents are made. Specifically, it would require the official custodian to waive any fees that are not standard charges for document production. In other words, the custodian would be required to waive fees for the staff time required to produce any documents requested under the Public Information Act by any representative of the news media.

- Hearing scheduled in Judiciary - 2/12/20

Staff recommended to the Administrative Committee and the Administrative Committee voted to oppose this legislation due to the fact that it requires the Agency to waive fees for staff time required to produce documents requested under the Public Information Act by any representative of the news media. Many of the requests staff receives are from the news media and are huge in scope and require extensive staff time. The vast majority of media requests seek investment records and reports, each of which require careful review and redaction before distribution. Because we are able to negotiate the fees with the requester, we are able to work with the person or organization to make the request for documents more manageable. Without the ability to charge a fee for staff time, the Agency could be faced with numerous requests that would be overwhelming for the existing staff.

Presented to the Administrative Committee on 2/4/20

Senate Bill 397 (Hough)

Administrative Procedure Act - Dispositions and Summary Suspensions - Time Periods

This proposed legislation requires a State agency or the Office of Administrative Hearings (OAH) to dispose of a contested case within 90 days after the date of any evidentiary hearing held on the case. If the agency or the OAH does not dispose of a case within 90 days, the named party to the contested case may provide written notice to the agency or the OAH the decision is due. If an agency or the OAH does not dispose of the case within 30 days after receiving this notice, the decision of the contested case shall be deemed to be in favor of the named party.

- Hearing scheduled in Education, Health, and Environmental Affairs Committee – 2/5/20

Staff recommended to the Administrative Committee and the Administrative Committee voted to oppose this legislation because it provides that if OAH does not timely issue a decision, the decision shall be deemed in favor of the claimant. For the Agency, this could result in a claimant being improperly awarded lifetime disability benefits even where the medical board has properly concluded the individual is not eligible, simply because an administrative law judge did not timely issue a decision.

Presented to the Administrative Committee on 2/4/20

BUDGET

House Bill 152/Senate Bill 192 (The Administration)

Budget Reconciliation and Financing Act of 2020

Provisions of the 2020 BRFA include cutting the “sweeper” funds for fiscal 2021. Sweeper funds are scheduled to resume in fiscal 2022. Additionally, the BRFA provides the Governor with authority to take \$50 million of sweeper funds that were available for fiscal 2020 by June 30, 2020.

- No hearing has been scheduled in Appropriations
- No hearing has been scheduled in Budget and Tax

Inasmuch as the actuary does not factor in sweeper funds when preparing the annual actuarial valuation coupled with the fact that the System has not received sweeper funds since fiscal 2017, staff is recommending not taking a position on these provisions of the BRFA, at this time.

However, this recommendation may change depending on how this bill is amended as it moves through the budget committees.

Presented to the Board on 1/21/20

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

**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
January 21, 2020**

2020 Corporate
Governance
Committee
Meeting Dates

On a motion made by Mr. Prouty and seconded by Mr. Johnson, the Committee ratified the 2020 Corporate Governance Committee meeting dates of:

Tuesday, February 18, 2020
Tuesday, June 16, 2020
Tuesday, August 18, 2020
Tuesday, December 15, 2020

Ms. Voglino commented that these dates may change depending on the outcome of the discussion at the Board of Trustees meeting on January 21, 2020 regarding the 2020 meeting dates.

Corporate
Governance
Engagement
Activity

The Committee considered the engagement activity of signing-on to the Principles for Responsible Investment (PRI) letter to the SEC indicating opposition to the proposed rule changes related to shareholder proposals and proxy advisor's analysis and recommendations.

Ms. Voglino directed the Committee's attention to the memorandum describing the proposed Securities and Exchange Commission (SEC) rules and detailed how the proposed rules could impact the System. Ms. Voglino detailed that the proposed changes to SEC's Rule 14a-8 would increase ownership requirements to submit a proxy proposal from the current ownership threshold of \$2,000 or 1% ownership for at least one year from the date the proposal is submitted to \$2,000 in ownership for a three year holding period, \$15,000 ownership for a two year holding period, and \$25,000 ownership for a one year holding period. In addition, the proposed rule would increase the thresholds of support that a proposal must receive in order to submit a proposal again. The proposed increases are from 3% to 5% for matters voted on once, 6% to 15% for matters voted on twice, and 10% to 25% for matters voted on three times. Ms. Voglino further detailed that the increase in ownership or support thresholds, as outlined in the proposed rule, diminishes shareholder rights. As such, the System should oppose the SEC's proposed rule changes to 14a-8. The Board has formally opposed any decrease in shareholder rights within the System's proxy policies in the Investment Policy Manual. In addition, in the past, the System has supported letters to the SEC opposing any increase in ownership thresholds required to submit a proxy proposal.

Ms. Voglino detailed that the SEC's proposed rule would also require proxy advisors to share their proxy analysis, research, and recommendations to the public companies — the subject of the recommendation — for review and comment prior to the proxy advisor providing it to their clients. Ms. Voglino indicated that this is troublesome because the public company could influence the proxy advisor's analysis or recommendation, which is supposed to be independent. As such, Ms. Voglino recommended the System should not support the SEC's proposed changes to Rule 14a-8.

On a motion by Ms. Kopp and seconded by Mr. Johnson, the Committee unanimously approved the motion to allow the System to sign on to letters opposing the SEC's proposed Rule 14a-8. This included not just the PRI letter, but

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**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
January 21, 2020**

other letters as well due to concerns that the proposed rule would diminish shareholder rights by increasing the thresholds necessary to submit shareholder proposals and would also weaken the independence of the proxy research, analysis, and recommendations the System receives from proxy advisors by requiring those advisors to share their research, analysis, and recommendations with the public companies, the subjects of the recommendations, prior to sharing it with their clients.

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

***AUDIT COMMITTEE MEETING SUMMARY
January 21, 2020***

Internal Trading
Process

Mr. Rongione mentioned that during the audit committee meeting held on November 12, 2019, Mr. Stafford had requested more information on the segregation of duties in place related to the process of internal trading. He noted that investment division has prepared a memo detailing the controls currently in place which is included in the agenda packet.

Internal Quality
Assurance Results

Mr. Rongione mentioned that implementation of a quality assurance and improvement program are required by Internal Auditing Standards. Internal Audit Division (IAD) has completed the Quality Assurance and Improvement Program for the calendar year 2019. Two components were included in the quality assurance program:

1. Review of selected audits after their completion; and
2. Annual review of internal audit operations for compliance with general standards.

Based on the review, IAD operated within standards and there were no recommendations for improvements.

Mr. Hamilton asked about the withdrawn PGU's included in the CAFR report. He asked whether the number presented in the report was a total number of withdrawn PGU's or only for that specific year. Mr. Rongione answered by saying that it is the total number and Mr. Reott agreed. Mr. Hamilton also asked whether any of the withdrawn PGU's owe any balance and how the balance owed is determined. Mr. Rongione mentioned that the actuary calculates any future liability. Mr. Reott added by saying an amortization schedule is maintained for all liabilities. Mr. Hamilton wanted to know what might be the balance of the total owed amount. Mr. Reott mentioned that he does not have that information readily available as this area is maintained by finance team. He said he can gather more information on this matter and present it during the next Audit Committee meeting.

Mr. Hamilton inquired about whether there are any reluctant payer and if there is any payment plan in place. Mr. Rongione said he is not aware of any reluctant payers. Ms. Cohen said the agency has an obligation agreement along with an amortization schedule for any balance owed by the PGU's.

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AUDIT COMMITTEE MEETING SUMMARY
January 21, 2020

Audit Plan Status	Mr. Rongione reviewed the status of the FY2020 audit plan noting that the Retiree Withholding Tax audit is complete. IAD is currently wrapping up the fieldwork phase of the CRM – Data Conversion/Integration audit which is expected to be finalized in the next month. He mentioned that IAD has started the planning phase of the MDS – Data Conversion/Integration audit. He also reviewed the status of the Participating Employer Audits noting that 75% of the audits are in-progress and 25% have not yet started.
Open Issue Log	Mr. Rongione presented the status of the open issue log. He mentioned that IAD closed two open issues since the last Audit Committee Meeting and added five new issues related to the most recent completed audits.
Evaluations	<p>Mr. Rongione mentioned the Audit Committee Charter requires that a self-evaluation occur every two years. The last evaluation occurred in April 2018. Mr. Rongione said he will be sending out evaluation in the near future so that the results of the evaluation can be presented at the next Audit Committee meeting.</p> <p>He also mentioned that an IAD performance survey will be sent. He requested the Committee members to complete this survey. The results of the survey will also be presented at the next Audit Committee meeting.</p> <p>Mr. Hamilton was interested in knowing whether the Joint Committee on Pensions (JCP) is interested in receiving the granular details such as copies of the Audit Committee Charter. Mr. Rongione and Mr. Kenderdine informed him that JCP does not receive these details.</p>
Completed Audits	Mr. Rongione noted that IAD has completed the Retiree Withholding Tax audit. The audit report is “Green”, meaning that there was an acceptable state of control and compliance and no significant issues were identified. He mentioned the audit scope included the processing of tax forms, tax calculation and reporting of taxes related to calendar year 2018. He noted that the audit identified five issues which are detailed in the report and Management has agreed to the issues and responded with an acceptable remediation plan.
Other Business	Mr. Rongione mentioned that the contract with the Financial Statements audit has expired. IAD is waiting on the Office of Comptrollers for their evaluations of the RFP’s. He also noted that the next Audit Committee meeting will be on April 21, 2020 after the Board of Trustees meeting.

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

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 4, 2020***

Adjusting the
Salary Ranges
for Investment
Division
Personnel

THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION.

Mr. Palmer introduced Joe Rice from CBIZ Consulting, who was on the phone, to discuss recommendations for an annual adjustment to the salary ranges for certain Investment Division positions.

On a motion made by Ms. Hill and seconded by Treasurer Kopp, the Committee approved the recommendation of CBIZ Consulting to use the WorldatWork data and adjust the salaries of the three Investment employee categories by 2.3%, as presented, for recommendation to the Board of Trustees.

2020 Legislative
Review

THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION.

Ms. Anne Gawthrop provided the Committee an updated overview of the 2020 pension related legislation introduced to the General Assembly.

Member
Services Update

Mr. Reott reported that the Member Services unit was unable to meet its performance goals for both the call abandonment rate and for the average call wait time for December 2019. The unit's call abandonment rate was 25.87% and the average speed of answer was 665 seconds.

Mr. Reott reported that staff is addressing the unit's performance issues taking the following steps:

1. Increasing the number of specialists able to receive phone calls. Mr. Reott reported that since Mondays are the heaviest call days, the unit has adopted an "all hands-on deck" approach for Mondays, with all unit staff taking calls.
2. Reducing the number of callers. Mr. Reott reported that after listening to recorded calls with the highest topic volume, for example refund status, staff began to identify common issues being presented or questions being asked. Mr. Reott reported that with that information, staff will be able to review forms to make sure they are clear and organized, review FAQs on the forms to ensure we are answering the most common questions asked, and creating a call script for specialists to follow to ensure they are not only handling the issue or question being presented, but also anticipating other issues or questions.
3. Improving the performance of the specialists. Mr. Reott reported that senior specialists should be able to handle more calls per day than a new specialist. In addition, staff will be looking at the unit's "occupancy rate", which is the amount of time it takes a specialist to receive a call, for the necessary research and work to resolve the member's issue and wrap up the call. Industry standard for an employee's occupancy rate to be between 60-80%. The unit's current occupancy rate is about 58%.

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***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 4, 2020***

Mr. Reott added that approximately 400,000 letters regarding the roll-out of the new member portal *mySRPS*, will be going out over the next six months. This will, no doubt, increase call volume. The Agency has contracted with a vendor call center to handle *mySRPS* registration questions by our members.

Mr. Nicole complimented Mr. Reott and his staff for looking at new options to improve customer service. Mr. Nicole asked if the vendor call center could share the call script, they will be using, with our staff so that the customer is getting the same information regarding registration.

Mr. Reott responded that it was the Agency who created the call script that the vendor call center will use to answer any calls regarding registration and *mySRPS*.