

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

August 16, 2022

The Board of Trustees for the Maryland State Retirement and Pension System convened, via a WebEx video/audio conference call, beginning at 9:30 a.m.

The Trustees present included:

Peter Franchot, Chairman, Presiding	Michael Howard
Dereck Davis, Vice Chairman	Richard Norman
Thomas Brandt	Douglas Prouty
David Brinkley	Robert Sandlass
Jamaal Craddock	Michael Stafford, Jr.
James Daly	Matthew Wyskiel
Kenneth Haines	

Agency Staff members present included: Martin Noven, Executive Director/Board Secretary

Andrew Palmer	Dave Rongione	Melody Countess
Angie Jenkins	Harris Kaplan	Michael Golden
Anne Gawthrop	Janet Sirkis	Robert Burd
Benjamin Robb	Ken Reott	Robert Diehl
Chandra Puranam	Kim O’Keeffe	Tom Montanye
	Megan Myers	

Assistant Attorneys General present included: Rachel Cohen and Alex Harisiadis

Other attendees included: Justin Hayes and Alex Butler (Comptroller’s Office); Jonathan Martin and Megan Schutz (Treasurer’s Office); Kevin Baload, Gregg Gethard, Tyler Babich, Gar Chung, and Jennifer O’Dell

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| Call Meeting to Order | Comptroller Franchot, Chairman of the Board of Trustees, having established that there was a quorum present, called the meeting to order. |
| Consent Agenda | On a motion made by Mr. Norman and seconded by Mr. Haines, the Board approved the consent agenda, which included: <ul style="list-style-type: none">• July 26, 2022 Open Meeting Board minutes.• July 26, 2022 Audit Committee Meeting Summary• August 2, 2022 Administrative Committee Meeting Summary |
| Reviewing Proposed Amendments to the FY23 Business Plan | <p>The Board was provided with proposed amendments to the FY23 Business Plan.</p> <p>Mr. Palmer reported that at the June Board of Trustees meeting, the Board was presented with the FY23 Business Plan for its review, at which time Trustee Daly voiced his concerns regarding the goals identified for the Investment Division in “Section 2 Agency Overview, Goals, and Performance Measures.” Mr. Palmer reported that the language presented at the June meeting was taken from the Investment Policy Manual.</p> <p>Mr. Palmer reported that staff worked with Trustee Daly to revise that section of the Business Plan and those proposed amendments are being brought to the Board for its review.</p> <p>On a motion made by Mr. Prouty and seconded by Mr. Brandt, the Board approved the amendments to the FY23 Business Plan, as presented.</p> |

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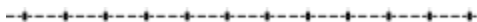
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CIO Report Mr. Palmer reported that for the month of June, 2022 the preliminary fund performance summary shows the fund value at \$64.6 billion, with a negative fund return of 2.95% and a negative policy benchmark of 4.53% for the month. For the fiscal year, the fund returned -2.97% compared to the benchmark return of -3.48% net of all fees. However, long-term the fund continues to exceed the benchmark with positive returns of 8.38% over 3-years; 7.93% over 5-years and 7.79% over 10-years. Mr. Palmer further noted that the tear sheet retain the “preliminary” despite the returns being certified as final by State Street. Staff is working with State Street to understand some aspects of the return calculation and he expects the numbers will be affirmed. He used the preliminary status to reflect the ongoing review.

Mr. Palmer reported that for the month of July, reports preliminarily show a positive return of 2.3% as equity and bond markets rebounded.

Executive Director’s Report Mr. Noven reported that the Press Release presented to the Board as part of the meeting book shows that despite a challenging fiscal year, the System outperformed 86% of its peers due to its diversified asset allocation.

Mr. Noven congratulated Mr. Palmer and the investment division staff, as well as the Board of Trustees.



Mr. Noven reported that the Chief Investment Officer’s evaluation forms have been distributed to the Investment Committee members for their completion.

On a motion made by Treasurer Davis and seconded by Mr. Norman, the Board voted to meet in a Closed Session, beginning at 9:47 a.m., via a WebEx video/audio conference call, for the purposes of:

- a) reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely General Provisions Art., § 3-306(c)(3)(ii), requiring that the minutes of a closed session be sealed and not be open to public inspection; and
- 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 disclosure about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and psychological information.

CLOSED SESSION

The Trustees present included:

Peter Franchot, Chairman, Presiding
Dereck Davis, Vice Chairman
Thomas Brandt
David Brinkley
Jamaal Craddock
James Daly
Kenneth Haines

Michael Howard
Richard Norman
Douglas Prouty
Robert Sandlass
Michael Stafford, Jr.
Matthew Wyskiel

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Agency Staff members present included: Martin Noven, Executive Director/Board Secretary
 Andrew Palmer Dave Rongione Ken Reott
 Angie Jenkins Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Alex Harisiadis

Other attendees included: Justin Hayes (Comptroller’s Office) and Jonathan Martin (Treasurer’s Office)

On a motion made by Treasurer Davis and seconded by Mr. Haines, the Board returned to open session beginning at 9:48 a.m., via a WebEx video/audio conference call.

OPEN SESSION

The Trustees present included:

Peter Franchot, Chairman, Presiding	Michael Howard
Dereck Davis, Vice Chairman	Richard Norman
Thomas Brandt	Douglas Prouty
David Brinkley	Robert Sandlass
Jamaal Craddock	Michael Stafford, Jr.
James Daly	Matthew Wyskiel
Kenneth Haines	

Agency Staff members present included: Martin Noven, Executive Director/Board Secretary
 Andrew Palmer Dave Rongione Melody Countess
 Angie Jenkins Harris Kaplan Michael Golden
 Anne Gawthrop Janet Sirkis Robert Burd
 Benjamin Robb Ken Reott Robert Diehl
 Chandra Puranam Kim O’Keeffe Tom Montanye
 Megan Myers

Assistant Attorneys General present included: Rachel Cohen and Alex Harisiadis

Other attendees included: Justin Hayes and Alex Butler (Comptroller’s Office); Jonathan Martin and Megan Schutz (Treasurer’s Office); Kevin Baload, Gregg Gethard, Tyler Babich, Gar Chung, and Jennifer O’Dell

During closed session, the Board of Trustees discussed the matters identified in the motion to meet in closed session, and acted on the following matters:
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Closed Session Minutes	The Board reviewed and approved the July 26, 2022 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from July 28 and August 3, 2022.

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Adjournment There being no further business before the Board, on a motion made by Mr. Brandt and seconded by Mr. Haines, the meeting adjourned at 9:49 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Martin Noven", with a long horizontal flourish extending to the right.

Martin Noven
Secretary to the Board

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***AUDIT COMMITTEE MEETING SUMMARY
JULY 26, 2022***

The Committee Members present included:

Richard E. Norman, Chairman
Thomas M. Brandt, Vice-Chairman
Michael Howard

Jamaal R. A. Craddock
Kenneth B. Haines
Robert Sandlass

Agency Staff members attending included:

Martin Noven
Kenneth Reott
Kimberly O’Keeffe
Megan Myers
David Rongione

Andrew Palmer
Robert Burd
Toni Voglino
Patricia Fitzhugh
Robert Diehl

Thomas Montanye
Chris Mannino
Lauren Smith
Richa Sultana

Assistant Attorneys General present included: Rachel Cohen and Emily J Spiering

Other attendees included: Jeffrey Binford (Clearview Group)

FY 2022 Audit Plan
Status

Mr. Rongione mentioned that all internal and outsourced audits included in the FY22 audit plan are complete except for the Participating Employer audits. These audits are lagging due to the delay in the procurement process. A new contract is being finalized and work should commence within the next two weeks.

Data Analytic /
Continuous Audit
Dashboard

Mr. Rongione reviewed the data analytics charts mentioning that the DOB Verification for members is still producing the most exceptions and has been relatively consistent each quarter. He added by saying that for the DOB Verification for members, management has remediated 54 of the 69 exceptions identified during current fiscal year.

FY 2022 Internal
Audit Performance
Report

Mr. Rongione reviewed the Internal Audit Division’s (IAD) Performance Report for FY22 noting that IAD has met all its performance goals. He mentioned that a performance measure could not be generated for item #6 which compares the actual number of hours spent on audits against the budgeted hours. This is because the audit management software that IAD utilizes to record daily time is currently not able to generate a time report. Mr. Rongione said IAD is working with the audit management software’s helpdesk to resolve the issue. He advised that a revised performance report will be sent to the Audit Committee members once the issue has been resolved.

FY 2022 Time
Report

Mr. Rongione mentioned that the time report that compares year-to-year data and calculates the percentage of administrative hours could not be generated due to the same issue as noted above.

Open Issues Log

Mr. Rongione mentioned that the open issues log currently has 58 open issues. During the current fiscal year 52 new findings were added and 16 findings were closed. Majority of these findings are related to the Cybersecurity audit that was performed in FY22.

Mr. Brandt inquired about the open issues related to FY19. Mr. Rongione advised that IAD follows up with management each quarter and performs

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follow-up testing once management informs IAD that the issues have been remediated. The FY19 issues have not yet been remediated by management.

Mr. Palmer added that the open issues related to the Investment Division are repeat findings. Mr. Binford and Mr. Palmer mentioned that the Investment Division is currently working on a remediation plan which will assist in clearing the remaining repeat items.

Mr. Brandt emphasized that any items older than two years should not remain in the open issues log. He further pointed out one open issue from FY09 related to eligibility service. Mr. Sandlass inquired whether this item can be resolved internally or whether this item requires a legislative change. Mr. Reott concurred stating that the issue will be solved by a COMAR regulation update that is on the administration's list of legislative updates. He added by saying that the update must go through the Administrative, Executive, and Legislative Review (AELR) process and the publication and comment period.

Annual Risk
Assessment

Mr. Rongione presented the committee with a memo detailing the risk assessment process and results. He mentioned that the business processes listed with the risk assessment memo were ranked on risk likelihood and impact making up the audit universe. The results of the likelihood and impact ratings then determined which audits have the most risk and should be included in the audit plan.

Mr. Brandt inquired about ABBYY and Cybersecurity audit since they were at the top of the heat map. Mr. Rongione explained that an outside contractor (RSM) performed a Cybersecurity audit last fiscal year which proved to be very beneficial for the Agency. He continued the topic by explaining that ABBYY is a new scanning software application that scans various forms received by the Agency. Mr. Rongione mentioned that the new and revised business processes are deemed high risk which is why ABBYY was included as part of the FY23 audit plan.

Mr. Brandt further inquired about how the colors were assigned to the audits that were part of the risk assessment heat map. Mr. Rongione stated that the colors are assigned based on overall risk assessment scores. The process of obtaining risk assessment score is a team approach. The scores are obtained by sending out questionnaires to the Audit Committee and management. The business processes with the highest risk rankings are included in the audit plan.

FY 2023 Audit Plan

Mr. Rongione mentioned that the FY23 audit plan includes five Retirement Administration Audits which are revised business processes during the MPAS Plus project. He added by saying this section also includes the continuous audits which are expected to be expanded this year.

He continued by saying the IT Audits will be a continuation of the same audits performed during the previous fiscal year. He added that the IT auditor resigned in June 2022, and there is currently an active recruitment. The accomplishment of these audits depends on staffing.

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***AUDIT COMMITTEE MEETING SUMMARY
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Mr. Rongione then reviewed the list of co-sourced audits. He mentioned that the contractor will need to perform an Investment risk assessment first and then two investment audits will be selected based on the results of the risk assessment. The contractor will also be performing the Cybersecurity audit. Lastly there is the participating employer audits which is a mix of internal and external resources.

Mr. Brandt inquired whether the Agency can outsource any of these audits if the Agency cannot hire internally. Mr. Rongione advised the vendor will perform the SWIFT Assessment audit if needed as it must be completed on an annual basis however, the other IT audits may be held up until IAD is able to hire an IT auditor. He added by saying the Cybersecurity audit is already being outsourced. Mr. Norman suggested using auditors from DoIT. Mr. Diehl advised that DoIT does not have IT auditors to perform audits for various State agencies.

Mr. Brandt said the completion of the IT audits included in the audit plan should not be solely dependent on the ability to fill the position. Mr. Rongione advised that if it's necessary for resources to be shifted, it's possible to scratch audit(s) related to Retirement Administration in order to have the IT audits completed by the contracted vendor.

Mr. Norman inquired about the market for outsourcing IT audits. Mr. Rongione stated that CPA firms pay more than the State for IT auditor position making it harder for the Agency to recruit. He continued by saying the OLA candidates turned down the offer due to raises they recently received in July 2022. Mr. Binford chimed in stating that a compensation study was conducted for MDOT which stated that the State pays 23% less than private firms for various positions.

Completed Audits

Mr. Rongione reviewed the IT General Controls Audit was a Green report, meaning a satisfactory or acceptable level of control or compliance. No issues were identified during the audit.

Mr. Rongione reviewed the IT Security Testing Audit report stating that it was a Yellow report, meaning improvement is needed. The audit identified four issues which are detailed in the report. Management has agreed with the issues and responded with an acceptable remediation plan.

Mr. Rongione continued by reviewing the audit report for the Cash Receipts Audit mentioning that it was a Green report, meaning a satisfactory or acceptable level of control or compliance. The audit identified six issues which are detailed in the report. Management has agreed with the issues and responded with an acceptable remediation plan.

Mr. Brandt inquired about the Cash Receipts Audit stating that most payments are probably made electronically. Ms. Sultana shared a work paper that showed a list of randomly selected 25 checks, and there were several checks that were over \$1 million related to the administrative fees.

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Mr. Sandlass inquired whether the Agency is lacking any mechanism to receive the payments electronically. Mr. Reott said that there is no mechanism to debit accounts for individuals purchasing services. Most come in the form of mailed in checks or payments hand delivered through Member Services. Ms. Fitzhugh added that the Agency does not lack any mechanism, and it is the local employer's choice to make payments via checks. She believes the process might change with the expansion of the newly implemented Employer Portal.

Mr. Rongione reviewed the Investment Operations - Accounting Audit stating that it was a Yellow report, meaning improvement is needed. The audit identified four issues which are detailed in the report. Management has agreed with the issues and responded with an acceptable remediation plan.

Other Business

The next Audit Committee meeting is on November 10, 2022. Mr. Norman mentioned that the committee expects to have some of the open issues remediated by then.

Mr. Brandt commented on whether it will be beneficial for IAD to hire staff right out of college who have great knowledge of information technology. Mr. Rongione answered by saying since it is a relatively small team, he prefers having employees with audit experience so they can work independently and require less supervision.

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**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
AUGUST 2, 2022**

The Committee Members present included:

Kenneth Haines, Chairman, Presiding	David Brinkley
Richard Norman, Vice Chairman	Jamaal Craddock
Linda Allen	Dereck Davis
Thomas Brandt	Robert Sandlass

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary

Robert Diehl	Megan Myers	David Rongione
Patricia Fitzhugh	Kim O'Keeffe	Karen Simpson
Anne Gawthrop	Andrew Palmer	Janet Sirkis
Michael Golden	Chandra Puranam	Toni Voglino
Angie Jenkins	Ken Reott	
Harris Kaplan	Ben Robb	

Assistant Attorneys General present included: Rachel Cohen and Emily Spiering

Other attendees included: Jonathan Martin (Treasurer's Office); Phillip Anthony and Michael Rubenstein

Member
Services
Update

Mr. Reott provided a Member Services update, reporting that for the month of June, while the unit continues to fall short of their performance goals, the average call abandonment rate decreased from 16.43% in FY21 to 15.36% in FY22. The average call wait time, however, increased slightly to 384 in FY22 compared to 369 seconds in FY21. He indicated that the unit received 129,980 calls year-to-date, a decrease of about 6,000 calls from last year, which he credits to the *mySRPS* portal. Mr. Reott also reported that the number of correspondences received in FY22 was 25,986, an increase over FY21 which offered 24,000 pieces of correspondence.

Mr. Reott indicated that the report shows four vacant Retirement Benefits Specialist position, however, since the creation of the report, two new specialists have been hired with a start date of August 10 and the recruitment process for the other positions has begun.

Mr. Reott reported that the number one issue that the team faces is staffing. He reported that for FY23 the unit's focus is to recruit and retain staff and mentoring existing staff for better productivity.

Mr. Reott reported that staff has requested assistance from the Department of Budget and Management (DBM) to review salaries within the entire unit to determine if any changes are advisable to assist with retention efforts.

Mr. Brandt commented that he did not hear what date staff expects to meet the goals.

Mr. Reott responded that staff is doing their best to keep as many specialists on the phones as possible. Management does not allow for more than two specialists to have planned days off at the same time and has blackout dates, in which no one can request leave such as when COLAs are awarded, when PSBs are posted, and when 1099-Rs are mailed.

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AUGUST 2, 2022***

Mr. Brandt commented that management is not anticipating the staffing needs of the unit.

Mr. Reott responded that management is constrained by DBM and the number of PINs that are approved for the unit and is further constrained by a vacancy rate required by DBM in the budget that further limits the number of approved positions that can be filled.

Mr. Brandt asked what management can do to get around those constraints.

Mr. Norman responded that the budget has always been an issue in the State, which is a reason why the Investment Division moved off budget.

Ms. Allen asked if there was anything the Board of Trustees could do to help get more staff.

Mr. Norman responded yes, during the budget session which is coming up.

Mr. Craddock commented about the trickle-down effect when hiring new staff at higher salaries, which can cause moral and retention issues for current staff because they are being paid a lower salary.

Mr. Reott further responded that for that reasons he has asked the human resources unit of DBM to evaluate the salaries of staff.

Mr. Haines commented that at some point in the future the Committee should discuss why an agency that generates its own income is limited to what it can spend based on legislative restrictions. He asked why the Agency cannot negotiate with legislature instead of having its budget dictated.

Ms. Gawthrop responded that funding from the Agency comes from administrative fees paid by participating employers. The Investment Division budget is paid directly from the trust fund.

Secretary Brinkley commented that DBM requests that agencies put their request for additional position in priority order, during the budget hearing.

Deputy Treasurer Martin commented that it is a challenging work environment all over the State and the issues mentioned today are not unique to the State Retirement Agency.

Mr. Sandlass commented that it would be helpful to see a comparison among peers to see how they are structured and where the Agency stands in comparison.

Performance
Evaluation of
the Executive
Director

Mr. Haines reported that staff brought to his attention, as Chairman of the Committee, the need to discuss the evaluation of the Executive Director and asked Rachel Cohen, Principal Counsel, to address the Committee.

Ms. Cohen reported that according to Board Policy the Administrative Committee shall facilitate an annual evaluation of the performance of the Executive Director. At the

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AUGUST 2, 2022***

beginning of the calendar year, all trustees shall be provided copies of the performance criteria and objectives and the evaluation form pertaining to the evaluation of the Executive Director's performance in the prior year. The timing of the Executive Director's evaluation is offset from that of the Chief Investment Officer, which is conducted on a fiscal year basis.

Ms. Cohen reported that Mr. Noven's start date was July 1, 2021, and that he reached one year of service on July 1, 2022.

After presenting options to the Chairman of the Administrative Committee, it was his decision that the Committee continue with the policy timeframe for a calendar year evaluation described above, but cover the full 18-month period from July 1, 2021 - December 31, 2022 for the Executive Director's first performance evaluation. All future evaluations will be conducted on a calendar year basis as provided in the Board Policy.

Mr. Haines reiterated that the only change made today is that the evaluation period would cover the initial 18-months of Mr. Noven's performance.