

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

August 18, 2020

The Board of Trustees for the Maryland State Retirement and Pension System convened, via video-conference call with the host site at the SunTrust Building, 120 East Baltimore Street, 16th Floor, Board Room, Baltimore, Maryland, beginning at 9:31 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	David Hamilton
Peter Franchot, Vice Chairman	Linda Herman
Thomas Brandt	Sheila Hill
David Brinkley	Richard Norman
Eric Brotman	Douglas Prouty
Jamaal Craddock	Michael Stafford, Jr.
Kenneth Haines	

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

Melody Countess	Kim O’Keeffe	David Rongione
Anne Gawthrop	Andrew Palmer	Janet Sirkis
Ira Greenstein	Chandra Puranam	Toni Voglino
Angie Jenkins	Ken Reott	Scott Bolander (live stream)

Assistant Attorneys General present included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

Other attendees included: Mark Rollison, Esq. and Gloria Luckett; Justin Hayes (Comptroller’s Office); and Brad Armstrong, Brian Murphy and Jeff Tebeau (GRS)

Administrative
Appeal of Gloria
Luckett

Mr. Mark Rollison, Esq. and Ms. Gloria Luckett appeared before the Board of Trustees, requesting that the Board reject the Proposed Decision of the Administrative Law Judge, which concluded, as a matter of law, that the Agency properly suspended Ms. Luckett’s accidental disability benefits and that the Agency must take action to recover the improper payments made to Ms. Luckett when her benefit should have been suspended.

Mr. Rollison, on behalf of his client Gloria Luckett, reported that the Retirement and Pension System granted Ms. Luckett an accidental disability retirement in 2000. Mr. Rollison argued that since that time, Ms. Luckett has, on numerous occasions, contacted the State Retirement Agency (“Agency” inquiring as to whether her accidental disability retirement was subject to an earnings limitation and was told, by Retirement staff, that her accidental disability retirement was not subject to an earnings limitation.

Mr. Rollison indicated that Ms. Luckett began working as a case manager with the Department of Juvenile Services in 2002 at an annual salary lower than her Average Final Compensation (“AFC”) at retirement. In 2015, Ms. Luckett began working for the Maryland Criminal Injuries Compensation Board, which was acquired by the Governor’s Office of Crime Control and Prevention (“GOCCP”) effective July 1, 2018. Mr. Rollison reported that the GOCCP employed Ms. Luckett as a contractual employee and paid her an annual salary, which exceeded her AFC at retirement and therefore, the Agency determined is subject to a suspension of her retirement benefits.

Mr. Rollison argued that since Ms. Luckett was employed as a contractual employee and not a permanent employee in a PIN position, with the same

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benefits of a permanent employee, she should not be subject to a temporary suspension of her disability retirement under State Personnel and Pensions Art., § 29-115. Mr. Rollison asked that the Board reject the Administrative Law Judge's decision and reinstate Ms. Lockett's accidental disability retirement benefits.

Ms. Emily Spiering, Assistant Attorney General, argued that in June 2019, Ms. Lockett was notified by the Agency that her benefits must be suspended because she was earning more than her AFC at retirement, and also advised her that her future benefits must be offset to recoup the benefits that she should not have received between July 2018 and May 2019. Ms. Spiering reported that in June 2019, Ms. Lockett and the GOCCP amended Ms. Lockett's personal services contract to decrease her rate of pay to an amount lower than her AFC, retroactive to May 1, 2019.

Ms. Spiering argued that while the Agency asserts that an accidental disability retirement allowance is not subject to an annual earnings limitation, State law requires that a disability allowance be suspended if a retiree is reemployed by a participating employer at an annual compensation that is at least equal to the retiree's AFC at retirement. Ms. Spiering reported that Ms. Lockett signed a "Reemployment after Retirement" form in 2000, which advised Ms. Lockett that her benefit was subject to revocation or suspension if reemployed by a participating employer at an annual compensation that is at least equal to her AFC. Ms. Spiering further reported that while statutory changes in 2002 and 2004 eliminated permanent revocation of a disability allowance and made suspension temporary, it also provided that the Board "shall" suspend the allowance, eliminating the Board's discretion to determine whether or not to suspend a disability benefit. Ms. Spiering further argued that even if the Agency had given Ms. Lockett incorrect information, the doctrine of equitable estoppel cannot compel the Board of Trustees to act in violation of the law. Therefore, the Administrative Law Judge correctly concluded, as a matter of law, that the Agency properly suspended Ms. Lockett's accidental disability benefits and that the Agency must take action to recover the improper payments made to Ms. Lockett from June 1, 2018 and April 30, 2019, when her benefit should have been suspended.

Mr. Brotman asked two questions. First, he asked for confirmation that Ms. Lockett, as a now contractual employee, is not to be considered an employee of the State subject to the earnings limit. Second, he asked whether the AFC calculated in 2008 at the time of Ms. Lockett's retirement increases over time with inflation.

Mr. Rollison responded that no, the AFC does not increase over time with inflation for purposes of the suspension of benefits, and Ms. Lockett may not earn more than her AFC from twenty years ago. Mr. Rollison further responded that he did not believe it was the intention of the law to include contractual employees who are limited to any benefits that a permanent employee would be eligible to receive.

Mr. Brotman asked if Ms. Lockett received a W-2 from her employer.

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Ms. Lockett responded yes, she receives a W-2 from her employer.

The Board of Trustees discussed and voted on this appeal in closed session.

Consent Agenda

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

- July 21, 2020 Open Meeting Board Minutes
- July 21, 2020 Audit Committee Meeting Summary
- August 4, 2020 Administrative Committee Meeting Summary

Treasurer Kopp commented that while she understands that the committee summaries are not minutes of the meetings, she requested that, going forward, committee summaries include a list of attendees.

Option Factors and
Annuity Values

Mr. Norman, as Chairman of the Administrative Committee, reported that the committee met on August 4, 2020 to review the proposed changes to the regulations regarding the System's option and annuity factors. Mr. Norman reported that representatives of Gabriel Roeder Smith & Company ("GRS") were also at the committee meeting to discuss this matter. The Committee voted to recommend that the Board vote to submit the proposed amendments to the AELR Committee and publish them for comment in the Maryland Register.

Brad Armstrong, Brian Murphy and Jeff Tebeau from GRS were present and addressed the Board. The Board of Trustees was provided with material regarding the option and annuity factors and GRS' recommendations, which included:

- An interest rate change from 5.85% to 6.15%, based on the most recent experience study;
- COLA assumptions consistent with the group's benefit provisions (and pre and post reform) and valuation assumptions;
- Unisex mixes for each group based on gender mix of retirements in the last five years;
- A mortality table change from a table mostly derived from private sector data to a table derived from exclusively public sector data;
- For purposes of developing option factors, changing the grouping of System members, specifically,
 - ❖ Systems are currently combined as follows:
 - Teacher, Employee, Judicial and CORS
 - State Police and LEOPS
 - Legislator
 - ❖ Proposed System combination as follows:
 - Employee
 - Judicial
 - Legislator
 - State Police, LEOP, and CORS
 - Teacher

Mr. Brotman expressed concern over the recommendation that the interest rate be changed from 5.85% to 6.15% and described it as a "heavy lift" in his opinion.

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Mr. Armstrong responded that the increase is over a 20-year horizon.

Mr. Murphy further responded to Mr. Brotman's question, indicating that calculations are tied into the most recent experience study and that the capital market data at that time was used.

Mr. Stafford asked what the importance of the option and annuity factor interest rate is as opposed to the actuarial rate used for annual valuations.

Mr. Armstrong responded that option and annuity factor interest rate needs to protect the System from anti-selection (since there is not underwriting) and the actuarial rate is based on the expected return on assets without bias.

Mr. Stafford asked if the current actuarial rate is 100 basis points too high, would GRS suggest a different rate for the option and annuity factors.

Mr. Murphy responded that the assumed rate of 7.4% used for actuarial valuations is not at the 50% percentile and to achieve that 75% of the time on average, it would need to go below 6.4%.

Treasurer Kopp commented that she was surprised, at this time, that GRS was recommending an interest rate increase.

Mr. Brotman asked when the next experience study would take place.

Mr. Kenderdine responded that the next experience study is scheduled to be conducted after the conclusion of the FY22 valuation with results presented in 2023.

Mr. Brotman asked what the ramifications would be if the Board did not change the options and annuity factors.

Mr. Kenderdine responded that keeping the current factors in place would result in those retirees who select one of the options receiving benefits that would not be the actuarial equivalent to the Basic Allowance.

Mr. Brotman asked if it would be a deterrent to retirees.

Mr. Armstrong responded that due to the combination of all the changes being proposed, the majority of retirees would be advantaged by new factors.

Mr. Brotman commented that this seems to create an incentive for healthy members to retire with an optional form of allowance.

Mr. Murphy suggested that GRS could come back to the Board at its next meeting, with both interest rates, 6.15% and 5.85% used for the factor determination and show how each impacts a member's benefit.

Mr. Brandt commented that he, too, felt it is counter-intuitive to increase the interest rate at this time given what the Board knows about the actuarial assumed rate.

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Treasurer Kopp asked what the impact would be if the Board adopted all recommendations except the interest rate.

Mr. Murphy responded that benefits under the new factors would be lower if interest rate is not changed.

Mr. Palmer asked how much would change if the interest rate is increased from 5.85% to 6.15%.

Mr. Armstrong responded that the probability of achieving 5.85% or above is somewhere between 75-80% (over a 20-year time horizon).

Mr. Kenderdine stated that this matter could be tabled for a month so that recalculations of the option and annuity factors under both interest rates could be presented, as well as an assessment of their impact on benefits. He further commented that this would add some pressure to the timeline for making the necessary changes to the option and annuity factor regulations.

Ms. Cohen commented that presenting new information to the Board next month would impact the schedule for proposal and final adoption of the amendments to the regulation, and the Agency would need to consider whether it could go forward with a July 1 effective date for the new factors, or delay the effective date of the new factors.

Mr. Brotman commented that the other option would be to leave the factors as they are.

Ms. Cohen commented that GRS has recommended other changes in addition to the interest rate change, including the use of new mortality tables, and separate factors for teachers. Currently there are three sets of factors for Teachers/Employees, Public Safety and Legislators. However, GRS is recommending five sets of factors, one set each for Employee, Judicial, Legislator, Public Safety, and Teachers.

Ms. Cohen asked GRS what the impact would be for a retiree under new factors if all recommendations were adopted, but the interest rate remained as it presently is.

Mr. Armstrong responded that a retiree selecting an option would get less of a benefit with the 5.85% than with the 6.15%.

Mr. Murphy commented with the following example: A retiree gets \$1,000 a month at retirement and they chose an option with a 100% joint survivor annuity. The monthly benefit with the option at 6.15% interest rate could be \$900.00 per month and with an interest rate of 5.85%, the benefit could be \$850.00 a month.

Treasurer Kopp commented that it would cost more to the retiree because the interest rate is less.

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On a motion made by Mr. Norman and seconded by Mr. Haines, the Board voted to recommend that GRS come back next month, as discussed and deferred this matter until that time.

Treasurer Kopp asked if there was any reason why Anne Gawthrop could not go down and prepare DLS staff about the proposed regulations that will be forthcoming.

Mr. Kenderdine responded that Ms. Gawthrop would do so.

Recommendation of
the Administrative
Committee to
Approve the Board
Requested
Legislation

Mr. Norman, Chairman of the Administrative Committee asked Ms. Gawthrop to present the Board requested legislation that the Committee had voted to recommend to the Board for its approval.

Ms. Gawthrop provided the Board with background information on fiduciary bonds. Ms. Gawthrop reported that the proposed legislation would amend State Personnel and Pension Article, § 21-210 to provide that the State may satisfy the requirement to purchase a bond through the alternative of purchasing an insurance policy for the System to cover losses due to theft.

On a motion made by Mr. Norman and duly seconded, the Board voted to approve the Administrative Committee's recommendation to submit the legislative proposal, as presented, to the JCP for its consideration for the 2021 legislative session.

Appointment of
Administrative
Committee
Members

As mandated by the Board Operations Policy, the Board of Trustees must appoint members and officers for a term of one year. The Board was provided with a proposed list of committee members, including proposals for a Chairman and Vice Chairman.

On a motion made by Ms. Hill and seconded by Mr. Brotman, the Board approved the proposed Administrative Committee assignments, as follows:

- Kenneth Haines, Chairman
- Richard Norman, Vice Chairman
- Thomas Brandt
- David Brinkley (or Designee)
- Jamaal Craddock
- Nancy K. Kopp (or Designee)

Appointment of
Members of the
Audit and Securities
Litigation
Committees

As mandated by the Board Operations Policy and Securities Litigation Policy, the Board of Trustees must appoint members and officers to these committees for a term of one year. The Board was provided with a proposed list of committee members, including proposals for a Chairman and Vice Chairman.

Treasurer Kopp reported that while the Board Charter for the Audit Committee requires that five members be appointed to that Committee, two positions are currently vacant and will be filled in the near future.

In addition, Treasurer Kopp indicated that the Securities Litigation Committee may be combined with the Corporate Governance Committee, as opposed to

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the Audit Committee. She asked staff to confer with Trustee Hamilton on this matter.

On a motion made by Mr. Brotman and duly seconded, the Board approved the proposed membership of the Audit and Securities Litigation Committees, as follows:

- David Hamilton, Chairman
- Richard Norman, Vice Chairman
- Thomas Brandt

Appointment of
Corporate
Governance
Committee
Members

As mandated by the Board Operations Policy, the Board of Trustees must appoint members and officers for a term of one year. The Board was provided with a proposed list of committee members, including proposals for a Chairman and Vice Chairman.

On a motion made by Mr. Norman and duly seconded, the Board approved the proposed Corporate Governance Committee assignments, as follows:

- Sheila Hill, Chairman
- Douglas Prouty, Vice Chairman
- David Brinkley (or Designee)
- David Hamilton
- Nancy K. Kopp (or Designee)

Appointment of
Investment
Committee
Members

In accordance with State Personnel and Pensions Art., § 21-115(a)(2)(b)&(d), the Board of Trustees must appoint annually from its membership an Investment Committee. As mandated by the Board Operations Policy, the Board of Trustees must appoint members and officers for a term of one year. The Board was provided with a proposed list of committee members, including proposals for a Chairman and Vice Chairman.

Ms. Herman stated that she would prefer not to be Vice-Chairman, as proposed, and recommended Michael Stafford for the position of Vice-Chairman.

On a motion made by Mr. Prouty and seconded by Mr. Norman, the Board approved the proposed Board approved the proposed Investment Committee assignments, with an amendment to the Vice-Chairman position, as follows:

- Eric Brotman, Chairman
- Michael Stafford, Vice Chairman
- David Brinkley (or Designee)
- Peter Franchot
- Linda Herman
- Sheila Hill
- Nancy K. Kopp (or Designee)
- Richard Norman
- Douglas Prouty
- 3 Public Advisors

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CIO Report

Mr. Palmer provided the Board with two fund tear sheets, one as of June 30, 2020, which showed that the total fund value at \$54.7 billion, with a fund return of 1.88% for the month and a return of 3.57% for the trailing year. The June report also included final benchmark data. The second tear sheet provided preliminary numbers, as of July 31, 2020, which reported that the total fund value was approximately \$56.7 billion. The report also showed that the fund's return for the month was 3.92% and 7.44% for the trailing year.

Mr. Palmer reported that compared to our peers (23 plans), the preliminary TUCS report reported the fund at the 35th percentile for the year.

Mr. Palmer also reported on incentive compensation for certain Investment Division positions. Mr. Palmer state that the enabling legislation which gives the Board authority over investment staff compensation provides that an increase in compensation be tied to achieving measurable investment goals and that some of the investment staff's compensation be at risk. The Board adopted an incentive plan that achieved this goal. The Board's plan sets the August Board Meeting as the date to approve incentive awards and set a date for payout. However, the enabling legislation put limits on paying incentive payments in years when state employees were furloughed. Therefore, staff is postponing the presentation of recommendations for incentive compensation until at least September, given the recent press reports on potential for furloughs for State employees. The Board may still approve incentive awards but payment will have to be deferred until the year without furloughs.

Executive Director's
Report

Mr. Kenderdine reported that staff is in the process of working with the building management and the Department of General Services (DGS) to reconfigure and/or acquire additional office space to accommodate the internal management of assets. Mr. Kenderdine indicated that in past meetings of the Board it was suggested that alternative in the metro area be considered. It has been determined that considering other space is not possible for the following reasons:

1. There is a directive from the Governor to all State agencies, that all current leases for space in Baltimore City are to remain in effect. The agency has a little more than four years left on the current lease.
2. DGS has determined that there is not alternative space in the city that would be similarly priced and still meet the needs of the Agency.
3. The Agency would incur lease termination costs and moving costs.

Mr. Kenderdine reported on the Trustee Election schedule, approved by the Board in July, for the two Trustee elections that are expected to take place in 2021. The current terms for Mr. Prouty and Mr. Craddock expire June 30, 2021. Mr. Kenderdine reported that Mr. Prouty pointed out that under COVID restrictions, it will be considerably more difficult for a potential candidate to meet the requirement to obtain the 500 System member signatures needed to qualify for the ballot.

Mr. Kenderdine reported that in light of the current circumstances, staff has revised the form for securing member signatures. It will be formatted to provide

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for a single member signature and for convenient email distribution. The new form will still require a “wet” signature in order to be considered a valid signature.

Secretary Brinkley commented that the Lieutenant Governor put out to State agencies, last Friday, a request asking what agencies needs are in the current environment and asked if Mr. Kenderdine received such request.

Mr. Kenderdine responded that the Agency had not received that communication. Secretary Brinkley stated that he would see to it that one was sent.

Secretary Brinkley asked what the current square footage is for the agency’s infrastructure.

Mr. Greenstein responded that the Agency's Data Center is modest in size.

Mr. Kenderdine further responded that the room is approximately 15x15.

On a motion made by Mr. Norman and seconded by Mr. Prouty, the Board voted to meet in a Closed Session, beginning at 11:32 a.m., via video-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;
- 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 psychological information;
- c) reviewing a report regarding extraordinary salary increases, 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;
- d) discussing the administrative appeal of Gloria Lockett, pursuant to General Provisions Art., § 3-103(a)(1)(iii), a quasi-judicial function and 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;

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- e) discussion the purchase of Fiduciary Liability Insurance, pursuant to General Provisions Art., § 3-305(b)(14), to discuss, before a contract is awarded, a matter directly relating to a negotiating strategy or the contents of a bid or proposal, if public discussion or disclosure would adversely impact the ability of the public body to participate in the competitive bidding or proposal process.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
Kenneth Haines	Michael Stafford, Jr.

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

Melody Countess	Angie Jenkins	Ken Reott
Anne Gawthrop	Kim O’Keeffe	David Rongione
Ira Greenstein	Andrew Palmer	Janet Sirkis
	Chandra Puranam	

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Justin Hayes (Comptroller’s Office)

On a motion made by Mr. Norman and duly seconded, the Board returned to open session at 12:01 p.m., via video-conference call.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	David Hamilton
Thomas Brandt	Linda Herman
David Brinkley	Sheila Hill
Eric Brotman	Richard Norman
Jamaal Craddock	Douglas Prouty
Kenneth Haines	Michael Stafford, Jr.

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

Melody Countess	Angie Jenkins	Ken Reott
Anne Gawthrop	Kim O’Keeffe	David Rongione
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Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Justin Hayes (Comptroller’s Office)

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During closed session, the Board of Trustees discussed and acted on the following matters:	
Closed Session Minutes	The Board reviewed and approved the July 21, 2020 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from July 22, July 30, August 5 and August 13, 2020.
Administrative Appeal of Gloria Lockett	The Board voted to adopt the Administrative Law Judge's Proposed Decision and deny Ms. Lockett's appeal.
Purchasing Fiduciary Liability Insurance	The Board voted to request that the State Treasurer's Office purchase fiduciary liability insurance.

Adjournment

There being no further business before the Board, on a motion made by Mr. Norman and duly seconded, the meeting adjourned at 12:02 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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

Presentation of Compliance Monitoring Audit by BD & Co.

Mr. Binford from BD & Co. presented the audit report of the Compliance Monitoring audit. The scope of the audit included the processes and procedures around the area of compliance monitoring, trade compliance, and risk reporting for all investments within the Investment Management Division. He mentioned that the control environment is functioning effectively and the audit identified only two issues:

- 1) Quarterly monitoring of trade practices are not being reported to the CIO. This is mainly due to lack of an order management system. In addition, the type of trades being processed do not require this level of monitoring.
- 2) Two sections of the Conflict of Interest Disclosure Statement require separate signatures. The first section of the statement was properly signed however, the second element was not signed due to management oversight. Management has a tracking log for the statement and a column will be added on that log to indicate whether signatures have been obtained from all parties.

Mr. Binford noted that Ms. Voglino and the Investment Management Division employees were very helpful during the audit and the program is operating effectively. He mentioned that as more investments come in house, the compliance program will increase.

Independence Memo from CliftonLarsonAllen on Financial Statement Audit

Mr. Rongione mentioned that the Agency had requested an independence memo from CliftonLarsonAllen for the Financial Statement Audit. He noted that the memo is now attached with the Audit Committee Agenda packet for the Committee's review.

Status of FY2020 Audit Plan

Mr. Rongione mentioned that IAD has completed all full-scope audits included in the audit plan with the exception of one audit. He noted that all outsourced audits have been completed. Mr. Rongione also mentioned that for Participating Employer Audits, 40% is complete, 32% is complete but pending management response and 28% is in progress. He noted that IAD expects all audits to be completed by August 31st, 2020.

FY2020 Internal Audit Performance Report

Mr. Rongione noted that IAD has met all performance goals with the exception of completion of annual audit plan. IAD has completed 95% of the audit plan. Mr. Rongione indicated that due to COVID-19, IAD has experienced some difficulties in obtaining information since the majority of the Agency employees are currently teleworking which presented limited availability to staff and documents. Mr. Norman noted that given the current circumstances, IAD has performed very well. Mr. Rongione added by saying that not only IAD but the entire Agency as a whole has performed extremely well under these difficult circumstances.

FY2020 Time Report

Mr. Rongione noted that the time report compares hours from the current fiscal year to previous fiscal years, in respective hour categories. For administrative hours, IAD's goal is to keep these hours under 20%, and the FY2020 administrative hours was at 16.77%.

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

Status of Open Issue Log	Mr. Rongione directed the Audit Committee to the listing of open issues saying that IAD will test to confirm whether the issues have been resolved when management indicates they have remediated the issue. Mr. Norman asked whether IAD is receiving timely response on the open issues. Mr. Rongione answered by saying that IAD usually reaches out to the management a few weeks before the Audit Committee meeting to review which issues have been resolved, and management responds in a timely fashion indicating whether the issues have been resolved or not.
FY2021 Audit Plan	Mr. Rongione reviewed the FY2021 Audit Plan indicating that he has included two options for the Audit Committee's review. The first one being the traditional audit plan where questionnaires are sent out to the Audit Committee members, Executive Director, Executive Staff as well as the Unit Directors. Based on their responses, IAD performs an assessment of the risks on their likelihood and impact within the business processes and the highest risk areas are included in the audit plan. Mr. Rongione mentioned that for FY2021, two major risks were considered – 1) COVID-19 pandemic and 2) MPAS Plus Project. Due to COVID-19, the Agency has changed the way it operates and majority of the employees were moved to remote work location which presented challenges for IAD with availability of staff and documentation. He also mentioned that business processes are being re-engineered due to MPAS Plus project. These processes are changing rapidly therefore, a process audited by IAD during current fiscal year may not even be applicable/relevant within the next few months. Mr. Rongione said the second option of the audit plan is a Continuous Audit plan which will involve various data analytics projects using a data analytics tool by IAD called ACL. He said that an example of that plan will be IAD analyzing month over month data directly from the database, which will reduce the dependency on receiving information/documents from the Agency staff. Mr. Rongione recommended the second option for FY2021 audit plan. Mr. Norman, Mr. Stafford and Mr. Craddock agreed with the second option.
Special Project on Effective Date of Retirement Analysis	Mr. Rongione noted that during February 4 th , 2020 Administrative Committee meeting, an issue was discussed regarding effective date of retirement where the members who separated from service when they were eligible for early service retirement but not normal service retirement, were denied an effective date of retirement as of the 1st of the month after they reached normal retirement age. The Agency had performed an analysis of the effective date of retirements for these retirees and identified that the Agency owed retroactive payments to some retirees. IAD had re-performed the analysis and identified one additional retiree who is due a retroactive payment. In addition, IAD identified five retirees who needed their separation from employment date corrected in the system.
Other Business	Next Audit Committee meeting will be held on November 10 th , 2020 which will include the presentation of the Financial Statement audit.

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

Presentation regarding Fiduciary Liability Insurance The Administrative Committee received a proposal from representatives of Willis Towers Watson regarding fiduciary liability insurance. Mr. Tim Bowen, of Willis, presented an overview of the insurance proposal, which outlined the insurance companies offering the insurance, levels of coverage and annual premia for each.

Board Requested Legislation

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

Ms. Gawthrop presented a document outlining the details of a legislative proposal concerning current provisions for a Fiduciary Bond for the System under § 21-210 of the State Personnel and Pensions Article. Ms. Gawthrop requested, the Administrative Committee's consideration and recommendation to the Board of Trustees for inclusion in its 2021 legislative proposals to the Joint Committee on Pensions (JCP).

On a motion made by Mr. Haines and seconded by Ms. Benik, the Administrative Committee approved the legislative proposal as presented, for recommendation to the Board of Trustees.

Proposed Amendments to COMAR 22.02.01 – Option Factors and Annuity Values

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

Mr. Reott presented proposed amendments to COMAR 22.02.01 – Option Factors and Annuity Values. Mr. Reott reported that based upon the actuarial assumptions adopted by the Board of Trustees for use in benefit calculations and the actual experience observed by the System's Actuary, Gabriel Roeder Smith & Co. (GRS), it is necessary to update the regulations to explain when the updated factors and values will apply to the Agency's calculations.

On a motion made by Mr. Haines and seconded by Mr. Nicole, the Administrative Committee voted to recommend that the Board of Trustees vote to submit the proposed amendments to COMAR 22.02.01 to the Administrative, Executive, and Legislative Review Committee, and publish them for comment in the Maryland Register, contingent upon the Board's approval of the option and annuity factors to be presented to the Board at its August meeting.

Member Services Update

Mr. Reott reported that the Member Services unit was unable to meet its goals for the call abandonment rate and average call wait time for the month of June 2020. The unit's call abandonment rate was 13.44% and the average "speed of answer" was 224 seconds for the month of June.

Mr. Reott further reported that it has been tougher on staff working remotely due to home set-up. In the office, each staff member in the call center has two monitors and a printer to be able to handle calls with optimal productivity. Mr. Reott reported that arrangements are being made so that beginning in September, half of the call center staff, may begin working on-site using an alternating schedule. Mr. Reott reported that there is sufficient number of offices, given the ongoing level of teleworking, to appropriately space employees out and ensure sufficient social

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

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distancing.

Mr. Norman commended Mr. Reott and his staff on working through the pandemic so effectively.

Correction of
Errors – Offset
of Retirement
Benefits

The Administrative Committee received, in closed session, a memorandum from Mr. Kenderdine, which provided the committee with an updated report regarding correcting the error and the offset of retirement benefits of a retiree.

Discussion by
the
Administrative
Committee
regarding
Purchasing
Fiduciary
Liability
Insurance

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

The Administrative Committee voted to recommend to the Board of Trustees that it request the State Treasurer's Office to purchase fiduciary liability insurance.