

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

September 1, 2020

The Administrative Committee meeting convened, via video/audio conference call, beginning at 9:33 p.m.

The Trustees present included:

Kenneth Haines, Chairman, Presiding	Jamaal Craddock
Richard Norman, Vice Chairman	Nancy Kopp
Thomas Brandt	Marc Nicole

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

Melody Countess	Van Lewis	Ken Reott
Michael Golden	Kim O’Keeffe	David Rongione
Ira Greenstein	Andy Palmer	Janet Sirkis
Angie Jenkins	Chandra Puranam	Scott Bolander (live stream)

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Minutes Treasurer Kopp requested that the minutes identify Tom Brandt and Anne Shelton by their titles, Trustee and Public Advisor, respectively.

Mr. Kenderdine responded that that minutes would be amended to include the titles of Mr. Brandt and Ms. Shelton.

On a motion made by Mr. Norman and seconded by Treasurer Kopp, the Administrative Committee approved the August 4, 2020 open session meeting minutes, as amended.

FY22 Budget Proposal Mr. Kenderdine, along with Van Lewis and Ira Greenstein presented the Agency’s Budget Request for Fiscal Year (FY) 2022.

Mr. Kenderdine presented his recommended Agency operating budget for FY2022. The Department of Budget and Management (DBM) has given the Agency a budget target of \$27.8 million, which includes \$.9 million for the MPAS-3 project. The Agency has essentially met that target with a recommended request of \$28,071,620, exceeding the target by \$251,300. An adjustment for Agency rent needs to be made that raises the FY22 budget request by the \$251,300. The lease provides that the Agency does not pay rent in June of every other year. Rent is not being paid in June 2021 but will be due in June 2022.

Mr. Haines asked if the amount is for one month or for the year.

Mr. Kenderdine reported that the amount is for one month, the month of June.

The Agency proposed budget also makes one “over the target” request for the MPAS project. It is not actually a request for additional dollars, rather it is a transfer of funds from the major IT project budget, over to the Agency operating budget.

Mr. Kenderdine reported Chart B – Position Analysis, at page 5 of the proposal needs a clarifying edit. The total Agency positions reported for fiscal year 2021 are inclusive of Investment Division personnel and, that division is now off

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budget. Mr. Kenderdine indicated that the budget proposal document, would be amended to indicate the separate number of investment personnel before the document is presented to the Board of Trustees.

Mr. Kenderdine asked Mr. Greenstein, the Agency's Chief Information Systems Officer, to address the committee regarding the MPAS project funds.

Mr. Greenstein reported that the State mandates that the first full year of any major IT project's operating expense be paid for out of the project budget. After the first year, that operating expense moves over to the Agency's operating budget. These transfers are captured in over-the-target requests for the year in which expenses move. In the FY22 proposed budget, that amount is \$751,420. Added to a similar request included in the FY21 appropriation, the total of these cost transfers has been roughly \$1.6 million, which conforms to the amount originally anticipated when the project was initiated. The majority of such expenses are for hardware and software licensing and maintenance.

Treasurer Kopp asked for a status on the negotiations of a new lease.

Mr. Kenderdine responded that discussions with the Department of General Services on the addition and design of additional space is on hold while the Agency determines if the Agency could effectively function by having certain functions performed by teleworking staff after the pandemic response ends. He further stated that at this time, it does not appear that the Agency can operate most effectively, at least in the next few years, with certain unit teleworking. With efficiencies gained through the completion of business process re-engineering (MPAS) it is possible that less space will be needed. Therefore, lease discussions will factor in a shorter lease period for the total space requirement.

Mr. Brandt requested that he be briefed on the economics of the MPAS project and how it will result in more automation and efficiencies in Agency operations.

Treasurer Kopp suggested that the requested information on the MPAS project be shared with the entire Board.

Mr. Kenderdine responded in the affirmative.

Treasurer Kopp asked if staff had prepared a list of potential cuts to the current operating budget in light of the State's current fiscal challenges.

Mr. Kenderdine responded that no, a cut list had not yet been developed, but that staff will promptly respond to any future budget reduction requested by the budget department.

On a motion made by Mr. Norman and seconded by Treasurer Kopp, the Administrative Committee approved, for recommendation to the Board of Trustees, the FY22 Budget Proposal, as presented. Mr. Nicole abstained.

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Review and
Discussion of
Governance
Recommendations
Assigned to the
Administrative
Committee

Mr. Kenderdine stated that the System Governance Charters and Policies are to be reviewed and revised on a triennial basis by the Board. The Administrative Committee is responsible for conducting this review and making recommendations for revisions to the Board.

The Committee was presented with red-lined edits to several of the charters and policies which reflect changes necessitated by changes to the System's governing statutes, policies and practices, some of which have resulted from the Board's governance review conducted last year. Mr. Kenderdine reported that the changes provided are for the committee's review and comment at this time. It is expected that the final amendment recommendations will be presented to the Board of Trustees, for its approval, no later than the December Board meeting.

Mr. Kenderdine gave credit to Rachel Cohen for her hard work in editing the documents provided and asked that she comment on the proposed changes.

The Committee was provided with an overview of all proposed changes, however, Ms. Cohen reported specifically, on the following items (*the page numbers referenced below indicate the master page number of the Committee meeting book*):

- Page 46 – Charter for the Corporate Governance Committee.
The charter currently states that the committee shall recommend the selection of corporate governance consultants but does not specify who the decisions of the committee are made to and who has the final say. Therefore, proposed language has been added to provide that on the recommendation of the Chief Investment Officer, the committee shall select and/or ratify the hiring and termination of corporate governance consultants, including for proxy monitoring and voting services.
- Page 73 – Quorum and Voting
Proposed language was added to reflect that for purposes of achieving a quorum at a committee meeting, a committee chair, with the consent of the Board chair, may substitute a different trustee for an absent trustee prior to the meeting.
- Pages 76-77 – Board Communications Policy
Proposed language was added to reflect that trustees include members of the Board and the Board's committees, including public members of the Investment Committee.

In addition, proposed language was added to address the treatment of confidential information, including material non-public information.

- Page 88 – Code of Conduct and Policy on Gifts and Travel
Proposed language was added to expand the policy to cover other System fiduciaries in addition to the Board of Trustees. A new paragraph 8 provides separate enforcement provisions in the event of a violation of the policy by a fiduciary who is an employee of the Agency.

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Ms. Cohen requested that if any Trustees, after further reviewing the proposed changes, has any edits that they please email those edits to Mr. Kenderdine.

Treasurer Kopp commented that the Board should consider having the Securities Litigation Committee be joined with the Corporate Governance Committee as opposed to the Audit Committee, suggested that speak with Trustee Hamilton regarding the matter as he raised this issue with her during her discussions with Trustees over this year's committee assignments. Treasurer Kopp further commented that it may be that the Corporate Governance Committee is not correctly named.

Ms. Cohen responded that the Securities Litigation Committee could be viewed as a complement to Corporate Governance.

Treasurer Kopp asked about the Executive Director's long-range strategic plan.

Mr. Kenderdine responded that a strategic plan was developed a number of years ago but has not needed to be amended since, as we are still working through it with the modernization of the System through the MPAS project.

Finance Reports
Quarter Ending
June 30, 2020

Ms. Countess and Mr. Lewis presented the Administrative Expenses report for the quarter ending June 30, 2020. Ms. Countess reported that the Agency expended 94.58% of its available appropriation, with a year-end surplus of approximately \$1.4 million.

Mr. Lewis reported that a portion of the year-end surplus was directly related to the COVID pandemic, which created a surplus of funds in the following areas:

- Travel – all travel was halted
- Contractual P/R & Tech Support – a very limited number of independent medical examinations were conducted for disability claimants during the final quarter
- Communications – unexpended postage costs in FY20
- Contractual Services – the Agency did not process a procurement by year's end.

Mr. Lewis reported that there were also deficits, as a result of the pandemic in areas such as:

- Motor Vehicle - due to additional parking privileges being made available to Agency employees who had to come into the office during the pandemic.
- Supplies – the purchase of sanitation and personal protective equipment supplies
- Computer Equipment Purchases – purchased of additional equipment to provide remote access to the workplace for Agency employees relegated top to work from home.

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Mr. Norman asked while there has been an increase in PINs, mostly in the Investment Division, is there discussion to get more PINs in Member Services.

Mr. Kenderdine responded that there is no discussion for more PINs in Member Services as most of the Agency's current vacancies are in Benefits Administration. He added that it is and has been more of an attraction and retention matter.

Mr. Reott further responded that, thanks to Mr. Nicole's assistance, three additional PINs have been added in Member Services, with two people sharing PINs, through the system of "double-pinning" positions.

Mr. Reott commented that he is unsure if adding additional employees at this time would solve these problems, when access to technology is also an issue. Mr. Reott further commented that at this time it is our focus to handle more calls in the office.

Status on MPAS+
Project

Mr. Kenderdine reported that this past January, phase 2 of the MPAS+ project was completed, with procuring the majority of the required infrastructure, launching the member document storage (MDS) system and the scanning and intelligent character recognition (ICR) system.

Mr. Kenderdine also reported that the *mySRPS*, the secure self-portal for members and retirees, has been working well. Mr. Kenderdine added that, to date, registration packets have been mailed out to 175,000 active member and 70,000 retirees, with the remaining retiree packets to be mailed out by the end of November.

Mr. Kenderdine commented that the number of members and retirees who have registered thus far show a participation rate of approximately 25%. Mr. Kenderdine indicated that his understanding of other plans indicates an average rate of participation at initiation of 10-15%.

Treasurer Kopp asked is there is a projection or metrics of participation overtime.

Mr. Puranam responded that the projection is to have at least 30-40% participation overall.

Treasurer Kopp asked when staff believes it could expect that rate.

Mr. Puranam responded that we expect to achieve that participate rate within two years from completion of the rollout.

Mr. Kenderdine reported that work has begun on re-engineering the following three major business processes:

- Benefit Estimates Process for those who chose not to do it with *mySRPS*
- Payments Processes received and made by SRA
- Employer Processes for employee payroll information

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Mr. Kenderdine further reported that changes are being made in the agency's finance department, as the agency replaces its accounts payable banking functions, notably moving away from ledgers and the antiquated "create-a-check" program. The changes are on target to be completed by June 2022.

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee voted to meet in a Closed Session, via video/audio conference call, beginning at 11:02 a.m. for the purposes of:

- (a) reviewing the closed session Administrative Committee meeting 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 minutes of a closed session be sealed and not be open for public inspection; and
- (b) discussing the offset of an individual participant's retirement benefit under State Personnel and Pensions Art., § 21-113, pursuant 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.

CLOSED SESSION

The Trustees present included:

Kenneth Haines, Chairman, Presiding	Jamaal Craddock
Richard Norman, Vice Chairman	Nancy Kopp
Thomas Brandt	Marc Nicole

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

Melody Countess	Van Lewis	Ken Reott
Michael Golden	Kim O'Keeffe	David Rongione
Ira Greenstein	Andy Palmer	Janet Sirkis
Angie Jenkins	Chandra Puranam	

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

On a motion made by Treasurer Kopp and seconded by Mr. Nicole, the Administrative Committee returned to open session, via video/audio conference call, at 11:08 a.m.

OPEN SESSION

During closed session, the Administrative Committee discussed and acted on the following matter:


Minutes	The Administrative Committee reviewed and approved the August 4, 2020 closed session minutes, with amendments.
Correction of Errors – Offset of Retirement Benefits	The Administrative Committee approved the recommended action.

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Adjournment There being no further business before the Committee, on a motion made by Mr. Norman and seconded by Mr. Nicole, the meeting adjourned at 11:09 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Dean Kenderdine', written over a horizontal line.

R. Dean Kenderdine,
Secretary to the Board