

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

July 5, 2016

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor, Baltimore, Maryland, beginning at 9:30 a.m.

The Trustees present included:

Theresa Lochte, Vice Chairman, Presiding  
James Harkins, Chairman (via phone)  
James C. DiPaula (via phone)

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

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

Margaret Bury  
Michael Golden  
Angie Jenkins  
Calvin Kiser

Van Lewis  
Michelle Lowery  
Chandra Puranam

Kenneth Reott  
David Rongione  
Janet Sirkis  
Patricia Wild

Assistant Attorneys General present included: Rachel Cohen

Other Attendees Included: Phillip Anthony and Nathan Bowen

Minutes      On a motion made by Mr. Norman and seconded by Mr. Haines, the Administrative Committee approved the April 5, 2016, open session meeting minutes, with amendments.

FY17 Business Plan Initiatives      Mr. Kenderdine, along with Calvin Kiser, David Rongione, Chandra Puranam, Margaret Bury and Michael Golden, reported on the Agency's FY17 Business Plan Initiatives. *See Attachment A.*

Mr. Kenderdine reported on all plan initiatives that have been completed. With regard to the Business Continuity Plan, a complete review and update of the plan is complete. In addition, the Agency has procured sufficient hardware to allow twelve employees of the Member Services unit to telework from home by having in-coming member calls redirected to each staff member's location. These staff will also have agency issued laptops for accessing the MPAS system, and all member data.

Mr. Kenderdine acknowledged Chandra Puranam and Harvey Raitzyk, and the staff in the Benefits Administration and IT divisions for their hard work in completing the new system for on-line revenue control transmittals and PGU payroll reporting.

Mr. Nicole asked if the Agency had tested staff working from home.

Mr. Kenderdine responded that equipment has not yet been tested, but they will be once fully configured. The units will be assigned to the twelve Member Services staff at that time, but would be rotated among all such staff over-time and would need to be brought in on a regular basis for updates.

Mr. Kenderdine reported that two projects, the Administrative Procedure Portal and updating the division calculation manuals, were being recommended for deletion from the Business Plan due to resource

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constraints.

Mr. Haines asked about security on the computers that are being used off-site.

Mr. Kiser responded that everything is completely encrypted and that software on each computer detects social security numbers and other secure information.

Mr. DiPaula asked how the plan initiatives are developed.

Mr. Kenderdine responded that staff develops all initiatives and those initiatives are reported to the Administrative Committee for review and recommendation to the Board of Trustees for final approval.

Each of the new initiatives were then presented to the Committee by each staff member having responsibility for each initiative.

On a motion made by Mr. Nicole and seconded by Mr. Haines, the Administrative Committee approved the FY17 Business Plan Initiatives for recommendation to the Board of Trustees.

Trustee Election  
Schedule

The Committee reviewed the Board of Trustees election schedule<sup>1</sup>.

The term of office for the successful candidate in the Teachers' Systems and Employees' Systems Representative elections will be from August 1, 2017 through July 31, 2021.

September 1, 2016 through December 2, 2016	An eligible voter may obtain a nomination form from the Executive Director.
January 31, 2017	Completed nomination forms must be submitted to the Executive Director by an eligible voter by 4:30 p.m.
February 24, 2017	Executive Director certifies that an eligible voter satisfies the conditions set forth in 22.03.01.06 of the Board of Trustees' Regulations
May 22, 2017	Mailing of election materials to eligible voters, including candidate biographies and personal identification numbers for internet and IVR (telephone) access.
May 23, 2017	IVR (telephone) and website (internet) open for voting.
June 23, 2017	Last date for voting. Deadline is 4:30 p.m.
July 18, 2017 <sup>2</sup>	Executive Director announces election results at the July Board of Trustees meeting.
<sup>1</sup> Election schedule subject to approval by contractor.	
<sup>2</sup> Subject to the Board of Trustees' approval of the 2017 meeting dates	

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Ms. Bury reported the Agency spent \$120,000 on the election held in 2015. Out of 159,000 eligible voters, 8,900 votes were cast.

Ms. Lochte commented that this has been an ongoing discussion regarding elections and whether there could be a group announcement, such as on the Agency's website or in a Newsletter, in order to announce the election versus individual mailings.

Ms. Bury responded that a group announcement could not be done because each member must receive an individual "PIN" number in order to be able to cast their vote in a controlled manner.

On a motion made by Mr. Haines and seconded by Mr. Nicole, the Administrative Committee approved the Teachers' Systems and Employees' Systems Representatives Board of Trustees election schedule for recommendation to the Board.

Gabriel Roeder Smith  
& Company (GRS)  
Contract Renewal

Mr. Kenderdine informed the Administrative Committee that the contract for actuarial services provided by Gabriel Roeder Smith & Company (GRS), which began on July 1, 2009, will have its second of three, one-year renewal options expire on December 31, 2016. Mr. Kenderdine reported that it is staff's recommendation that the Administrative Committee recommend to the Board of Trustees that it exercise the System's third and final one-year extension option at the cost of \$334,000. The recommendation is based on the firm's performance to date under the contract, as well as, the importance of continuity for the effective completion of current work assignments. This would extend the contract until December 31, 2017. Later this year, the Agency will be issuing an RFP for the actuarial services contract.

On a motion made by Mr. Haines and seconded by Mr. Nicole, the Administrative Committee approved for recommendation to the Board of Trustees that it exercise the System's third and final one-year extension option of the contract with GRS.

Finance Reports  
Quarter Ending  
March 31, 2016

Ms. Patricia Wild presented the FY2016 Non-Budgeted Investment Manager and Service Related Fees Report. Ms. Wild indicated that when comparing basis points, the fees paid as a percentage of assets during the first three quarters of FY2016 were lower than the fees paid during FY2015. Within the Equity and Fixed Income categories, the Agency is still experiencing a significant cushion under the statutory fee cap. Ms. Wild also reported that the equity asset class had a decrease of 8.3 basis points resulting from lower performance fees and the final liquidation of the investment with Relational. Ms. Wild also reported that the Fixed Income asset class realized a decrease of 4.4 basis points due to a temporary fee break resulting from additional funds being reallocated from the Real Return space, which also had a decrease of 3.7 basis points. Fees incurred for investment related service providers decreased due to a lower fee structure, which was negotiated by staff in the Record Currency program. Alternative investment experienced an increase of 5.8 basis points for FY2016 mainly due to reduced incentive fees.

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Mr. DiPaula asked how this plan compares, in total fees, to other plans.

Ms. Wild responded that both HEK and Meketa have done studies and determined that the plan is very comparable to other peer plans. Ms. Wild also reported that the Chief Investment Officer is looking into internal investing in part to save on fees.

Mr. DiPaula asked if the Investment Committee reviews the report as well.

Mr. Kenderdine responded that the report is posted on Director's Desk, along with the other finance reports and will be presented, by the CIO, at the next Investment Committee meeting.

Mr. Van Lewis presented the Administrative Expenses Report for the quarter ending March 31, 2016. Mr. Lewis reported that Agency has spent, to date, 67.0% of the FY2016 Appropriation amount.

Mr. Lewis reported that the personnel costs will increase due to the State's consolidation of Human Resources (HR) staff recently implemented by the Department of Budget of Management (DBM). State Retirement Agency HR employees were moved to DBM.

Mr. DiPaula asked about the increase in expenditures in Data Processing.

Mr. Lewis responded that those costs were associated with two contracts, one with Hewlett-Packard and the other with Advance Digital Systems.

Mr. DiPaula asked if it was a conscious decision to increase that budget.

Mr. Kenderdine responded in the affirmative, stating that these expenditures were necessary in order to move various IT projects forward.

Mr. Van Lewis presented the MBE Performance Report for the quarter ending March 31, 2016. Mr. Lewis reported that MBE Performance was 23.57%, which is below the Administrative MBE performance goal of 29.0%.

Mr. DiPaula asked how we compare to other agencies in MBE performance.

Mr. Lewis responded that he didn't have that information at this time, but that the Governor's Office of Minority Affairs (GOMA) website would have the report showing all agencies and their performance.

Mr. Kenderdine indicated that staff would pull that information, when available, and distribute it to the Committee.

**Member Services  
Update**

Ms. Bury updated the Committee on the performance of the Member Services Unit.

Ms. Bury reported that the unit did not meet its performance goals for the month of May. Ms. Bury reported that the abandonment rate for May was

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10.82% and the average speed of answer was 2:59 minutes.

Ms. Bury reported that the performance goals were not met due to the following factors:

- release of member communications regarding implementation of updated actuarial option and annuity factors effective with all retirements effective on and after July 1, 2017;
- release of benefits estimate notices comparing the benefit allowance amounts under the current factors compared with the factors effective on and after July 1, 2017;
- continuation of the training of six new Retirement Benefit Specialists;
- assignment of two specialists at Pre-Retirement seminars; and
- release of 823 automatic enrollment letters mailed to individuals who have not completed enrollment and beneficiary applications and to employers to alert the employers of a penalty fee to be assessed at fiscal year-end for failure to submit the missing applications.

**CLOSED SESSION**

On a motion made by Mr. Haines and seconded by Mr. Nicole, the Administrative Committee voted to meet in a Closed Session beginning at 10:45 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

1. reviewing the Closed Session Minutes of the April 5, 2016 Administrative Committee meeting, pursuant to the General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function; and
2. discussing office security protocol, pursuant to General Provisions Art., § 3-305(b)(10), to discuss public security, if the public body determines that public discussion would constitute a risk to the public or to public safety, including: (i) the deployment of fire and police services and staff; and (ii) the development and implementation of emergency plans.

The Trustees present included:

Theresa Lochte, Vice Chairman, Presiding  
James Harkins, Chairman (via phone)  
James C. DiPaula (via phone)

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

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

Margaret Bury  
Michael Golden  
Angie Jenkins  
Calvin Kiser

Van Lewis  
Michelle Lowery  
Chandra Puranam

Kenneth Reott  
David Rongione  
Janet Sirkis  
Patricia Wild

Assistant Attorneys General present included: Rachel Cohen

On a motion made by Mr. Nicole and seconded by Mr. Haines, the Administrative Committee returned to open session at 10:59 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

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**OPEN SESSION**

During the closed session the Administrative Committee took action on the following:

Closed Session Minutes	The Committee approved the April 5, 2016 closed session Administrative Committee minutes.
Adjournment	There being no further business before the Committee, on a motion made by Mr. Nicole and seconded by Mr. Haines, the meeting adjourned at 11:00 a.m.

Respectfully submitted,



R. Dean Kenderdine,  
Secretary to the Board

## ATTACHMENT A

<b>Project Number</b>	<b>Initiatives</b>	<b>Division</b>	<b>Completion Date</b>	<b>Status</b>
<b><i>Completed Business Initiatives</i></b>				
10EX02	Business Continuity Plan Review and update.	Executive Division	Dec-15	COMPLETE
11BO01	Increase functionality of secure member internet portal to give members access to PSB reprints and retirees access to 1099R reprints.	Business Operations Office	Jan-16	COMPLETE
09BO02-1	MPAS-2 Project - Improve Data Integrity (Phase 1). Develop reporting screens, pre-cursor activities of flagging and cleansing of data fields affecting service and salary data; and modifications to existing MPAS applications to enforce Phase 1 rules reducing on-going payroll data inconsistencies.	Business Operations Office	Jul-15	COMPLETE
13BA/FI02	Educational Online Tutorials. Add online tutorials on actuarial valuations and PGU withdrawal.	Benefits Administration & Finance Divisions	Ongoing	COMPLETE
16FI01	Procurements and Contracts Monitoring System.	Finance Division	Dec-15	COMPLETE with enhancements to be made in FY2017
<b><i>New &amp; On-going Business Initiatives</i></b>				
13BA01	Benefits Administration Procedure Portal	Benefits Administration Division	On hold	TO BE DELETED FROM BUSINESS PLAN.
14BA03	Update Division Calculation Manuals	Benefits Administration Division	On hold	TO BE DELETED FROM BUSINESS PLAN.
14BA04	Review and Revision of Code of Maryland Regulations	Benefits Administration Division	Ongoing	During FY16, the Board adopted proposed regulations that delegate final decision making authority for disability appeals to the Office of Administrative Hearings and regulations that update the option and annuity factors used for making calculations related to benefit payments.
16BA01	Enhancement of Personal Statement of Benefits to include more detailed benefit allowance projections	Benefits Administration Division	Jun-18	To be completed for September 2018 PSB distribution.

17BA01	Development of an Automated Full Cost Purchase Calculator	Benefits Administration Division	Jan-17	Develop, test, and implement an automated full cost purchase of service calculator for use by staff when responding to members' purchase of service requests.
17BA02	Updating of Information Provided to the System's Actuary for the Annual Valuation	Benefits Administration Division	Jun-17	Review and update, as needed, the actuarial charts and information summaries related to the administration of the System in conjunction with the Actuary.
17BA/BO01	Implementation of New Annuity and Option Factors	Benefits Administration Division & Business Operations Office	Jun-17	Update and test the various automated applications used to calculate, revise, and pay retirement and pension benefits.
09BO02-2	MPAS-2 Project - Improve Data Integrity (Phase 2)	Business Operations Office	Jul-16	Phase 2 – Implement flagging of service data; and modifications to existing MPAS applications to include payroll data edits and adjustments. In final acceptance testing. To be completed 8/1/2016.
09BO02-3	MPAS-2 Project – Improve Data Integrity (Phase 3)	Business Operations Office	Aug-17	Adjustments to the service data values of certain member accounts that were identified with discrepancies in Phase 2 of this project through automated service cleansing scripts.
14BO02	Analysis and Re-Engineering of Processing and Administration of Domestic Relation Orders within MPAS	Business Operations Office	Dec-17	Initial discussions have occurred and various scans of the data have occurred to define the current processes/MPAS architecture used to administer DROs. Additionally, the desired future processes/MPAS architecture for administering DROs has been drafted. Further work on the transition from the current processes/MPAS architecture to the desired processes/MPAS architecture is on hold pending the availability of resources in the Business Operations Office and the MPAS programmers to work on this project.



17BO01	Automate the Average Final Compensation (AFC) Calculations	Business Operations Office	Aug-17	Automate the Average Final Compensation (AFC) calculation by refining and re-designing the existing Online MPAS Screen "PRFS Average Final Salary" functionality in a more agile web based application. This application will audit existing historical salary data, identifies suspect salary data and provides staff a mechanism to correct the salary data.
17EA/IS01	MSRA Public Website	External Affairs & Information Systems Divisions	Jul-17	To improve the content, access and navigation of the SRA website.
11IS01	Revision of Revenue Control Transmittals and PGU Payroll Reporting	Information Systems Division	Dec-15	Program fully developed and being implemented with July 2016 payroll submissions. Training videos and user guides produced, and Internet online tutorial successfully conducted.
17IS01	Disaster Recovery Plan – I.S. Desktop Walk-Through Exercise	Information Systems Division	Dec-16	Simulate a disaster/incident rendering Agency's computer system inoperable for an extended period of time. I.S. team will methodically follow the Disaster Recovery Plan (DRP) to ensure all requisite steps, processes and changes are documented. Changes or additions to the DRP will be identified during the exercise and added to the master DRP.
17IA01	Implement AutoAudit Modules	Internal Audit Division	Jun-17 Issue & Time Tracking Module  Update Policies & Procedures	Implement the "Issue Tracking" and "Time Tracking" modules of the "AutoAudit" program. Update Policies and Procedures based on the implementation of AutoAudit modules.