



MARYLAND  
STATE RETIREMENT  
*and* PENSION SYSTEM

**MARYLAND STATE RETIREMENT AND  
PENSION SYSTEM**

**GOVERNANCE CHARTERS**

*Adopted by the Board of Trustees*

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## HISTORY OF CHARTER ADOPTIONS AND REVISIONS

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Charter for the Board	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Chairman	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Vice-Chairman	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Investment Committee	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
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Charter for the Audit Committee	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Corporate Governance Committee	<ul style="list-style-type: none"><li>• Adopted December 21, 2010</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Securities Litigation Committee	<ul style="list-style-type: none"><li>• Adopted February 21, 2012</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Committee Chairmen	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Executive Director	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Charter for the Chief Investment Officer	<ul style="list-style-type: none"><li>• Adopted June 17, 2008</li><li>• Revised and Adopted December 17, 2013</li></ul>

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE BOARD**

**INTRODUCTION**

1. The management, general administration and proper operation of the system are vested in a Board of Trustees comprised of fifteen members, a combination of elected, appointed, and ex-officio members. (SPP Article § 21-104; 21-108) The Secretary of the Department of Budget and Management, the State Comptroller, and the State Treasurer are the ex-officio members of the board. (SPP Article § 21-104)
2. The board is responsible for establishing policy and overseeing the system while the executive director is responsible for implementing policy and managing the day-to-day operations. The chief investment officer is responsible for the system's investment performance.
3. To guide the board in the administration of the system, the board establishes a mission statement, and this charter sets out the role of the board in carrying out the system's mission.

**DUTIES AND RESPONSIBILITIES**

4. The board shall generally meet each month, but may meet more or less frequently as needed, in no event less than six times per year, and is subject to the Open Meetings Act.

**Fiduciary Duties**

5. Each member of the board and each member of the board's Investment Committee is a fiduciary.
6. The duties of each fiduciary shall be discharged as follows (SPP Article § 21-203):
  - a. Solely in the interest of the participants;
  - b. For the exclusive purpose of providing benefits to the participants and paying reasonable expenses in administering the system;
  - c. With the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of a like character and with like aims;
  - d. By diversifying the investments of the system so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so;
  - e. In accordance with the laws governing the system; and
  - f. In accordance with the documents governing the system.

**Governance**

7. The board shall adopt such regulations, board rules and other policies as are necessary for the effective administration of the system, the management of the system's assets, and for the transaction of the system's business.

8. The board shall approve the mission statement of the system.
9. With respect to board operations, the board shall:
  - a. Approve charters describing the roles and responsibilities of the board, the committees of the board, the chairman and the vice-chairman, the committee chairmen, the executive director, and the chief investment officer, and amend said charters from time to time, as appropriate;
  - b. Approve and amend, as necessary, any Governance Policies;
  - c. Ensure that the nominees for the public member positions on the Investment Committee have the statutorily required qualifications;
  - d. approve the creation or disbanding of standing and ad hoc committees of the board, with the exception of the Investment Committee; and
  - e. Review the performance of the board in accordance with the board Performance Evaluation Policy.

### **Investments**

10. Subject to certain restrictions imposed by state law and its fiduciary duties, the board has the full power to invest the assets of the system.
11. In carrying out its fiduciary duties with respect to the assets of the system, the board shall:
  - a. Consider and act upon recommendations made by the Investment Committee, with respect to:
    - i. The investment programs, and
    - ii. Compliance of the investment programs with board policies;
  - b. Adopt an Investment Policy Manual that details, at a minimum:
    - i. The functions of the Investment Division of the agency,
    - ii. The investment goals and objectives of the investment program,
    - iii. The policies that govern the selection and retention of investments,
    - iv. Asset allocation policy,
    - v. The policies that govern the selection and removal of investment managers, and
    - vi. Proxy voting guidelines;
  - c. Review the appropriateness of, and compliance with, the provisions of the Investment Policy Manual;
  - d. Monitor the performance of the total fund, each asset category, and each investment manager of the fund;
  - e. Review the performance of the General Investment Consultant;
  - f. Review a study of the relationship between the system's assets and liabilities performed at least every two years; and

- g. Consider appropriate corporate governance actions.

## **Legal**

12. The board shall:

- a. Consider and act on recommendations made by legal counsel concerning settlements or other legal proceedings involving the system; and
- b. Recommend legislation that is consistent with the system's mission.

## **Benefits Administration**

13. The board shall:

- a. Consider and act upon recommendations from the Administrative Committee, the executive director, and/or legal counsel relating to the benefits administration function, including the approval of applications for disability retirement benefits;
- b. Approve regulations necessary to ensure effective benefits administration and delivery of member services, and review general compliance with those regulations;
- c. Hear and decide benefits-related appeals by participants and participating employers in the system; and
- d. Approve service quality goals and objectives including system communications with participants, and review the extent to which those goals are met.

## **Agency Operations**

14. The board shall ensure that the State Retirement Agency's operations are managed effectively. In doing so, the board shall:

- a. Approve the basic organizational structure of the State Retirement Agency;
- b. Approve a long-range strategic plan, an annual business plan, and any updates thereto, as deemed appropriate;
- c. Approve an annual operating budget submission for the agency, including the establishment of management and staff positions and any supplemental budgets that may be necessary for the agency, and authorize submission of the agency's budget to the governor for inclusion in the state budget;
- d. Approve management's implementation of effective technologies and information systems to efficiently manage data, information, and records of the agency;
- e. Approve selections of suitable office premises for the agency's headquarters and any secondary offices; and
- f. Confirm that the agency has in place a disaster recovery plan and business continuity plan, and that each are regularly reviewed.

## **Financial, Actuarial and Accounting Practices**

15. The board shall:

- a. Meet with the system's pension actuary each year to discuss and approve the annual actuarial valuation and employer contribution rates;
- b. Certify to the secretary of the Department of Budget and Management and to the governor each year the rates for employer contributions;
- c. Ensure that an adequate system of internal control has been implemented and is in place to safeguard the assets of the system;
- d. Review the annual publication of the Comprehensive Annual Financial Report (CAFR), which includes the Independent Audit Report;
- e. Monitor agency operations to help ensure that each participant annually receives a summary of the CAFR that also explains any material modifications to the system during the plan year;
- f. Oversee, through the Audit Committee, the internal and external audit functions;
- g. Review the actuarial experience of the system at least every five years and as appropriate, affirm existing, or adopt revised assumptions and methods; and
- h. Review the results of any actuarial audit conducted.

## **Human Resources**

16. The board shall:

- a. Approve human resource policies for the agency as needed;
- b. Appoint, terminate if necessary, and annually review the performance of the executive director;
- c. Approve the compensation of the executive director;
- d. Approve or disapprove the recommendation of the executive director and Audit Committee concerning the hiring and/or termination of the system's chief internal auditor;
- e. Approve a succession plan that provides for continuity in senior management and other critical positions within the agency;
- f. Determine the qualifications and appointment, as well as compensation and leave, for the chief investment officer, on the recommendation of the executive director and the Investment Committee;

- g. Establish criteria, on the recommendation of the Investment Committee, for awarding financial incentives to the chief investment officer, and may award financial incentives to the chief investment officer in accordance with the criteria approved by the board;
- h. Submit to the Joint Committee on Pensions on or before September 1 of each year and in accordance with § 2-1246 of the State Government Article, a copy of the most recent criteria established for awarding financial incentives to the chief investment officer, and any financial incentives that were awarded for the previous fiscal year to the chief investment officer; and
- i. Authorize the executive director to terminate the appointment of the chief investment officer, on the recommendation of either the Investment Committee or the executive director.

### **Key Service Providers**

- 17. The board shall select and/or ratify the hiring and termination of key service providers as set forth in the Service Provider Selection Policy.

### **MONITORING AND REPORTING**

- 18. The board shall:
  - a. Establish policies for reporting and monitoring practices necessary to provide the board with the information it requires to effectively oversee the administration of the system and meet the requirements of the SPP Article.
  - b. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the board are made available to the public. A chairman's summary of all committee meeting minutes shall be included in the agenda materials for the next scheduled board meeting.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE CHAIRMAN**

**DUTIES AND RESPONSIBILITIES**

1. The chairman shall:
  - a. Preside over all board meetings, ensuring that board meetings are conducted efficiently and productively and in accordance with Subtitle 5 of Title 10 of the State Government Article of the Annotated Code of Maryland (the “Open Meetings Act”) and other applicable laws and regulations;
  - b. Recommend to the board the appointment of members, chairmen, and vice-chairmen of standing and ad hoc committees, in consultation with the vice-chairman;
  - c. Ensure coordination of board meetings, agendas, schedules and presentations, in consultation with the executive director;
  - d. Be available to the executive director and chief investment officer as a source of advice and counsel;
  - e. Facilitate effective and open communications between the board and the executive director;
  - f. Serve as spokesperson in accordance with the board’s Communications Policy;
  - g. Support the board in establishing, where possible, a consensus on critical issues while allowing full and open debate, and ensure the general cohesiveness and proper functioning of the board as a policy and oversight body; and
  - h. Call special meetings of the board as needed.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE VICE-CHAIRMAN**

**DUTIES AND RESPONSIBILITIES**

1. The vice-chairman shall:
  - a. Assume and perform the duties of the chairman in the event the chairman is unable to fulfill the duties of the position due to incapacity or absence;
  - b. Perform other duties assigned to him or her by the board or the chairman;
  - c. Know the role and responsibilities of the chairman; and
  - d. Be available to consult with the chairman on all matters pertaining to board governance.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE INVESTMENT COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The composition of the Investment Committee shall be consistent with SPP Article § 21-115
2. The Investment Committee shall generally meet four times per year but may meet more or less frequently as needed, and is subject to the Open Meetings Act.
3. The Investment Committee shall advise the board and make recommendations on:
  - a. The investment programs of the system; and
  - b. Compliance of the investment programs with board policies.
  - c. Changes to this charter.
4. The Investment Committee shall be responsible for presenting an Investment Policy Manual for submission to the board that shall detail all of those items set forth in the charter for the board.
5. The Investment Committee shall be responsible for presenting and submitting any amendments to the Investment Policy Manual to the board for approval.
6. The Investment Committee shall advise the board and make recommendations with respect to the appointment of the following service providers:
  - a. General Investment Consultant;
  - b. Optional Retirement Program vendors; and
  - c. In collaboration with the Maryland State Treasurer, the custodian bank(s) for the system.
7. The Investment Committee shall review written documentation prepared by the chief investment officer explaining the chief investment officer's termination of any investment manager and report to the board on such documentation.
8. The Investment Committee shall approve the chief investment officer's annual plan for staff travel necessary for asset manager compliance and due diligence determination.
9. The Investment Committee may recommend to the board specific strategies to achieve the investment goals and objectives of the system, including active and passive investment strategies as well as external and internal investment strategies.
10. The Investment Committee, along with the executive director, shall recommend to the board the qualifications and appointment, as well as compensation and leave, for the chief investment officer.
11. The Investment Committee shall recommend to the Board of Trustees criteria for awarding financial incentives to the chief investment officer and may recommend financial incentives to be

awarded to the chief investment officer in accordance with the approved criteria.

12. The Investment Committee may recommend to the Board of Trustees that the executive director terminate the chief investment officer.

#### **MONITORING AND REPORTING**

13. The Investment Committee shall:

- a. Monitor compliance with the Investment Policy Manual and report to the board as appropriate;
- b. Monitor asset allocation strategies utilized in the investment programs;
- c. Monitor active and passive and external and internal investment management strategies utilized in the investment programs;
- d. Review the performance of each asset class within the investment programs;
- e. Review both external and internal investment manager performance;
- f. Review and approve the annual travel plan for the investment staff;
- g. Review staff's due diligence activities concerning the selection of investment managers and consultants;
- h. Review the cost effectiveness of the investment program, including trading efficiency;
- i. Review the performance and independence of the General Investment Consultant; and
- j. Keep minutes of its meetings and ensure the minutes are made available to all trustees.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE ADMINISTRATIVE COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The Administrative Committee shall generally meet each month, but may meet more or less frequently as needed and is subject to the Open Meetings Act.

**Governance**

2. The Administrative Committee shall:
  - a. Recommend to the board modifications to the board policies, charters and committee structure as necessary, and ensure appropriate governance practices on the part of the board; and
  - b. Coordinate the board performance evaluation process.

**Operations, Finance and Legal**

3. The Administrative Committee shall:
  - a. Recommend the long-range strategic plan, the annual business plan, the disaster recovery plan, and the business continuity plan;
  - b. Recommend the operating budget;
  - c. Recommend the organizational structure;
  - d. Recommend board action regarding administrative appeals of certain agency decisions;
  - e. Advise on the suitability of office premises; and
  - f. Recommend changes to legislation that are consistent with the system's mission.

**Benefits Administration**

4. The Administrative Committee shall:
  - a. Recommend to the board policies designed to ensure efficient and effective administration of benefits; and
  - b. Recommend for board approval service quality goals and objectives when necessary.

**Human Resources**

5. The Administrative Committee shall:
  - a. Review and recommend the appointment and compensation of the executive director;

- b. Review and recommend a process for the annual performance evaluation of the executive director; and
- c. Review and recommend a management succession plan to ensure continuity in senior management and other critical positions within the system.

### **Appointment of Service Providers**

- 6. The Administrative Committee shall :
  - a. Recommend the appointment of human resource consultants hired to address matters involving the executive director;
  - b. Recommend the appointment of consultants assisting with governance and board effectiveness;
  - c. Recommend the appointment of Actuaries; and
  - d. Recommend the appointment of Actuarial Auditors.

### **MONITORING AND REPORTING**

- 7. The Administrative Committee shall:
  - a. Monitor implementation of the mission, the long-range strategic plan, the annual business plan, the disaster recovery plan, and the business continuity plan;
  - b. Monitor the board's governance, benefit administration, communications, operational, and human resource policies for continued appropriateness;
  - c. Monitor compliance with the operating budget;
  - d. Monitor service quality standards;
  - e. Monitor effectiveness of the benefits administration function;
  - f. Monitor contributions to and disbursements from the funds of the system;
  - g. Monitor compliance with state procurement statutes and rules for minority business participation; and
  - h. Keep minutes of its meetings and ensure the minutes are made available to all trustees.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE AUDIT COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The Audit Committee shall consist of at least five members of the Board of Trustees, and at least one of whom shall be an elected member. A majority of the members of the Audit Committee shall have financial or management expertise.
2. The Audit Committee shall meet four times per year, but may meet more or less frequently as needed, and is subject to the Open Meetings Act.
3. The primary purpose of the Audit Committee is to assist the board in fulfilling its oversight responsibilities with respect to:
  - a. The financial reporting process;
  - b. The system of risk management;
  - c. The system of internal control;
  - d. The internal and external audit functions; and
  - e. Compliance with laws, rules, regulations, and policies.
4. The Audit Committee's responsibility is one of oversight, recognizing that the agency is responsible for preparing the Comprehensive Annual Financial Report (CAFR), providing for external audits of the system's financial statements, conducting internal audits of agency operations, and providing for audits of local government employers while the Legislative Auditor is responsible for statutorily mandated audits.
5. The Audit Committee shall make recommended changes to this charter.

**Internal Controls**

6. The Audit Committee shall:
  - a. Provide for and oversee the periodic assessment of the system of internal control by internal and/or external auditors;
  - b. Review recommendations for improving internal controls and evaluate their cost benefit; and
  - c. Review and discuss with staff the agency's efforts to improve the system of internal control.

## **Risk Assessment**

7. The Audit Committee shall:
  - a. Provide for and oversee the periodic assessment of the system of risk management by internal and/or external auditors; and
  - b. Review and discuss with staff the agency's major risk exposures (whether financial, operating or otherwise) and the measures the agency has taken to monitor, measure, and control such exposures, including the guidelines and policies that govern the process by which risk assessment and management is undertaken and elicit recommendations for the improvement of the agency's risk assessment and mitigation procedures.

## **Internal Audit**

8. The Audit Committee shall:
  - a. Meet at least annually with the executive director and the chief internal auditor to review and approve the organizational structure, audit plans, including scope and objectives of audits, and the allocation of resources;
  - b. Review and approve the Internal Audit Charter every three years;
  - c. Monitor and recommend to the executive director and the board the staffing resources for the Internal Audit Division to allow for the proper execution of its duties and responsibilities;
  - d. Ensure there are no unjustified restrictions or limitations on the internal audit function;
  - e. Review the internal audit findings and recommendations, management's responses, and actions taken to implement the audit recommendations.
  - f. Recommend to the board, in consultation with the executive director, the appointment or dismissal of the chief internal auditor;
  - g. Review the effectiveness of the internal audit function, every two years; and
  - h. Evaluate the performance of the chief internal auditor, at least annually. The Audit Committee may consult with the executive director and senior staff, as deemed appropriate.

## **External Audit**

9. The Audit Committee shall:
  - a. Approve all external audit, attestation and other audit services retained under the direction of Internal Audit;
  - b. Review the appointment of the external auditor appointed by the state and oversee the work performed;

- c. Review and confirm the independence of external auditors retained by and under the direction of Internal Audit and the external auditor appointed by the state;
- d. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with Internal Audit; and
- e. Review the findings and recommendations of the external auditor, management's responses and actions taken to implement the audit recommendations.

## **Financial Statements**

10. The Audit Committee shall:

- a. Review with the external auditor significant accounting and reporting issues and their impact on the agency's financial statements;
- b. Review with staff and the external auditors the results of the annual financial statement audit, including any difficulties encountered and any significant adjustments proposed by the auditors;
- c. Review the draft annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles prior to inclusion in the CAFR; and
- d. Review all significant recommendations by the external auditor for improved financial reporting and internal control.

## **Compliance**

11. The Audit Committee shall:

- a. Review the findings and recommendations of any examination by regulatory agencies, including the legislative auditors, management's responses and actions taken to implement the audit recommendations;
- b. Ensure that internal audits include compliance reviews with applicable laws, regulations, rules, board and management policies and directives and generally accepted business practices;
- c. Provide a forum for the resolution of all disputes between management, participating employers and the internal and/or external auditors regarding the financial reporting process, risk assessment, internal control and other compliance issues;
- d. Review compliance with the board's governance, benefits administration, communications, human resource, investment, finance, and other key policies; and
- e. Ensure the existence of a process for communicating the State Ethics Laws to staff and the board.

## **MONITORING AND REPORTING**

12. The Audit Committee shall:

- a. Report to the board about committee activities, issues, and related recommendations; and
- b. Provide an open avenue of communication between internal audit, the external auditors, staff, committees of the board, and the board.

13. Keep minutes of its meetings and ensure the minutes are made available to all trustees.

## **SELF-EVALUATION**

14. The Audit Committee shall:

- a. Provide a process whereby the committee members conduct a self-evaluation to help ensure continuous improvement of the committee's effectiveness. The purpose of the self-evaluation process is to assist committee members in assessing the committee's effectiveness and to improve its oversight responsibilities with respect to accounting and financial reporting, compliance, and the internal and external audit functions.
- b. Conduct a self-evaluation at least once every two years. The chairman may approve a one-year extension in extenuating circumstances.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE CORPORATE GOVERNANCE COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The Corporate Governance Committee shall generally meet quarterly, but may meet more or less frequently as needed, and is subject to the Open Meetings Act. The Corporate Governance Committee is committed to actively, and prudently, addressing poor corporate governance practices or regulatory constructs, and otherwise responding to issues affecting the integrity of the capital markets and market participants, utilizing the tools and methods available to proponents of good corporate governance. The extent of the committee's actions will vary on a case by case basis.
2. The Corporate Governance Committee shall make recommendations on:
  - a. General policy and company-specific issues relating to corporate governance;
  - b. Statutory mandates that impact corporate governance matters, including divestment;
  - c. Hiring or termination of corporate governance advisors, including proxy monitoring and voting services;
  - d. Changes to this charter that govern the system's corporate governance initiatives; and
  - e. Changes to the system's proxy voting guidelines.

3. The Corporate Governance Committee shall be guided by the following proxy voting principle:

The board believes that the voting of proxies is a fundamental aspect of the economic value of stock ownership, and recognizes that proxy voting issues that are not addressed by the system's existing policy or are novel and/or controversial can quickly arise during a given proxy season. Accordingly, the committee will on an ongoing basis, with the assistance of staff and consultants, recommend revisions and updates to the system's proxy voting guidelines. It is acknowledged and understood that the proxy voting guidelines will determine how the system's proxies are voted on the vast majority of issues. The committee may delegate authority to Investment Division staff to vote proxies in accordance with the voting decision of one of the system's activist managers, with notice to the committee, in instances where the chief investment officer determines that such voting decision would be in the best interest of the system. For purposes of this section, an "Activist Manager" is an investment manager of the fund sponsor whose investment strategy includes utilizing proxy voting and other techniques to facilitate change in a company that could enhance the value of an investment in that company.

4. The Corporate Governance Committee shall:
  - a. Monitor legislative, regulatory and/or other developments that could have an impact on the board's corporate governance posture in connection with the board's Securities Litigation Policy or the system's interests in securities litigation, and will coordinate with the board's Securities Litigation Committee as appropriate.

- b. Seek to collaborate with other like-minded investors and capital markets participants to maximize the impact of the board's corporate governance initiatives.
  - c. The Corporate Governance Committee shall provide guidance to staff in connection with corporate governance matters, including communications with companies, communications with regulatory agencies, the United States Congress and the Maryland General Assembly, and proxy voting decisions.
  - d. The Corporate Governance Committee shall provide guidance to the system in matters before governance organizations such as the Council of Institutional Investors.
  - e. The Corporate Governance Committee shall evaluate the effectiveness of the system's corporate governance initiatives, proposing, when appropriate, suitable modifications.
5. The Corporate Governance Committee may, pursuant to a policy adopted by the committee or on a case by case basis, delegate to the executive director, with the assistance of the chief investment officer and other professional investment staff, the responsibility to, among other things, (1) implement and manage the system's corporate governance initiatives, (2) vote proxies, and (3) administer compliance with statutory mandates that impact corporate governance matters, including divestment.

#### **MONITORING AND REPORTING**

6. The Corporate Governance Committee shall:
- a. Monitor and oversee the system's corporate governance initiatives, including the performance of external corporate governance advisors, and shall report to the board regarding corporate governance initiatives and engagement.
  - b. Monitor focus lists and restricted lists maintained by the Investment Division staff and divestment actions under statutory mandates relating to divestment.
  - c. Keep minutes of its meetings and ensure the minutes are made available to all trustees.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE SECURITIES LITIGATION COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The Securities Litigation Committee shall meet upon the request of the chief investment officer or the Office of the Attorney General (OAG), and otherwise as needed, and is subject to the Open Meetings Act.
2. The Securities Litigation Committee shall provide recommendations to the Board of Trustees with respect to any securities litigation matter, including whether the system should seek lead plaintiff status in a securities class action suit, whether the system should “opt out” of a securities class action settlement and bring its own action, and whether the system should file its own securities-related action.

In order to reach its recommendations, the committee shall:

- a. Review the evaluations from law firms and other claim evaluators;
  - b. Receive a recommendation from the OAG; and
  - c. Obtain input from Investment Division staff.
3. With respect to whether the system should seek lead plaintiff status in a class action case, the Securities Litigation Committee shall base its recommendations on the four factors set forth in the board’s Securities Litigation Policy in the Investment Policy Manual.
  4. The Securities Litigation Committee shall be available to meet on short notice to provide advice to Investment Division staff and/or the OAG with respect to issues that arise in the conduct of litigation.
  5. The Securities Litigation Committee shall make recommended changes to this charter.

**MONITORING AND REPORTING**

6. All securities litigation activity shall be monitored by the full Board of Trustees.
7. The Securities Litigation Committee shall keep minutes of its meetings and ensure the minutes are made available to all trustees.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE COMMITTEE CHAIRMEN**

**DUTIES AND RESPONSIBILITIES**

1. With regard to their assigned committees, committee chairmen shall:
  - a. Lead committee meetings in an efficient and productive manner and in accordance with applicable laws and the board's governance policies;
  - b. Support the committee in establishing a consensus, where possible, on critical issues and decisions, while allowing full and open debate;
  - c. Facilitate effective and open communications among the committee members, the board, the executive director, the chief investment officer, and staff;
  - d. Ensure coordination of committee meetings, agendas, schedules, and presentations;
  - e. Report to the board on the activities of the committee; and
  - f. Carry out such other functions and duties as may be prescribed by the board.
2. With regard to standing committees, the committee chairmen shall conduct committee meetings in accordance with the Open Meetings Act.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE EXECUTIVE DIRECTOR**

**DUTIES AND RESPONSIBILITIES**

The executive director's duties shall include, but not be limited to, the following:

**Leadership and Accountability**

1. The executive director shall provide executive leadership to the agency and shall assist and support the board in the pursuit of the system's mission, goals and objectives.
2. Though the executive director is the executive ultimately responsible for the investment and administrative operations of the system, he or she shall ensure proper delegation of duties throughout the agency so as to maximize the efficiency and effectiveness of the operations. The chief investment officer is responsible for investment performance.

**Policy Analysis**

3. The executive director shall provide all necessary support to the board and its committees in establishing and revising all policies of the board. This will involve working with the board and its committees to continually identify risks and issues requiring board policy, conducting the necessary analysis of such risks and issues, and providing clear and well-supported policy recommendations for the board's consideration. Policy areas to be covered include, but are not limited to:
  - a. Governance and board operations;
  - b. Investment operations;
  - c. Benefits administration;
  - d. Agency operations;
  - e. Actuarial and accounting practices;
  - f. Human resources; and
  - g. Communications.

**Governance and Board Operations**

4. The executive director shall:
  - a. If elected, serve as secretary to the board and carry out the following duties:
    - i. Coordinate meetings, agendas, schedules and presentations for both board and committee meetings in accordance with the "Open Meetings Act" and any other applicable laws;

- ii. Prepare and maintain minutes of board and committee meetings;
  - iii. Sign the minutes of board meetings upon the approval of the board; and
  - iv. Ensure adequate staff support for all board committees;
- b. Recommend to the board the mission of the agency;
  - c. Recommend to the board any governance policies necessary to ensure effective board governance practices;
  - d. Coordinate the implementation of the Board Education Policy, including developing an orientation session for new trustees, and reviewing and updating trustee education materials;
  - e. Conduct ordinary correspondence of the board; and
  - f. Analyze and evaluate, in consultation with staff and legal counsel, existing laws and proposed legislation and provide recommendations consistent with the mission of the agency.

### **Investment Operations**

- 5. The executive director, along with the Investment Committee, shall recommend to the Board of Trustees the qualifications and appointment, as well as compensation and leave, for the chief investment officer;
- 6. The executive director shall monitor the performance of the chief investment officer. The executive director or the Investment Committee may recommend to the Board of Trustees the termination of the chief investment officer. On receiving an affirmative vote from the majority of the Board of Trustees, the executive director shall terminate the appointment of the chief investment officer.
- 7. On the recommendation of the chief investment officer, the executive director shall recommend to the Administrative Committee for approval, a budget for the Investment Division to form part of the operating budget for the system.
- 8. With the assistance of the chief investment officer and other professional investment staff, the executive director shall:
  - a. Recommend to the Investment Committee the Investment Policy Manual and amendments thereto;
  - b. Execute contracts for each investment manager retained by the agency;
  - c. Recommend to the Investment Committee any corporate governance actions for consideration; and
  - d. Advise the board and the Investment Committee on other investment matters, in the executive director's discretion.

## **Benefits Administration**

9. The executive director shall:
  - a. Ensure the accurate and timely delivery of benefits to all members of the system in accordance with applicable laws;
  - b. Recommend to the board appropriate service quality goals and standards;
  - c. Ensure delivery of consistently high standards of service quality to members and beneficiaries in accordance with the goals and objectives established by the board;
  - d. Ensure that members and beneficiaries disputing any benefit-related decisions of the system are accorded an internal review, provided an official decision in writing, and informed of their right to appeal;
  - e. Ensure timely distribution of the annual Personal Statement of Benefits;
  - f. Ensure administrative errors made by the board, agency employees, or the executive director are corrected in a timely manner; and
  - g. Ensure the appropriate recovery of any benefits paid to ineligible benefit recipients.

## **Agency Operations**

10. The executive director or his or her designee shall:
  - a. Recommend a long-range strategic plan to the board for its consideration;
  - b. Recommend an annual business plan to the board for its consideration;
  - c. Estimate each year the amount, not exceeding 0.22% of the payroll of members, necessary for the administrative and operational expenses of the Board of Trustees and the State Retirement Agency;
  - d. Prepare an annual operating budget for the system, including budgeted staff positions, as well as any supplemental budgets that may be necessary for the agency;
  - e. Make all necessary operational expenditures, consistent with the Operating Budget and internal controls approved by the board;
  - f. Execute contracts in accordance with the State Personnel & Pensions Article;
  - g. Ensure the appropriate design, purchase, implementation, and maintenance of all technologies required to efficiently manage the data, information and records of the various retirement plans comprising the system;
  - h. Recommend a disaster recovery plan and a business continuity plan to the board for its consideration; and

- i. Recommend to the board suitable office premises for the agency's headquarters and any secondary offices.

### **Financial, Actuarial and Accounting Practices**

11. The executive director or his or her designee shall:

- a. Work to ensure the fiscal soundness of the various systems, anticipating future benefit and contribution levels and providing recommendations to the board;
- b. Account for and deposit all receipts in a timely manner and account for all disbursements by the agency;
- c. Ensure the implementation of appropriate internal controls and procedures to safeguard the assets of the system;
- d. Ensure internal and external audits are performed, as appropriate, and findings are addressed; and
- e. Ensure the timely preparation of the Comprehensive Annual Financial Report.

### **Human Resources**

12. The executive director shall:

- a. Recommend to the board human resource policies for the agency as needed;
- b. Ensure appropriate job descriptions for all senior executives and staff of the agency are established;
- c. Ensure appropriate human resource programs and procedures for agency management and staff in accordance with the human resource policies, including appropriate education, training and development plans are developed;
- d. Recommend a chief internal auditor for appointment or termination by the board;
- e. Select, hire, train, terminate and discipline all other agency management and staff; and
- f. Recommend to the Administrative Committee, a management succession plan to ensure continuity in management and other critical positions within the system.

### **Communications**

13. The executive director or his or her designee shall:

- a. Serve as a primary spokesperson for the system, including representing the board before the legislature, and the administrative branches of state government;
- b. Direct and review the preparation of position statements and press releases; and

- c. Deliver effective and timely communications to members and beneficiaries, employers, the legislature, and other constituents on matters relating to the operation and administration of the system.

### **Appointments**

14. The executive director shall:

- a. Appoint and may remove all service providers except key service providers; and
- b. Ensure all necessary due diligence is performed with respect to all service providers retained by the system.

### **MONITORING AND REPORTING**

15. The executive director or his or her designee shall:

- a. Ensure that the board is provided with all relevant, appropriate and timely information to enable it to properly carry out its monitoring and oversight responsibilities;
- b. Monitor the board, staff, and external service providers to ensure that they operate in accordance with board policies and applicable laws and regulations;
- c. Monitor the funded status of the system;
- d. Monitor the investment performance of all asset categories in which the system invests and of all external and internal investment managers retained by the system;
- e. Submit a report, on or before December 15 of each year, to the board about the operation and performance of the system for the preceding fiscal year, containing the information required by the State Personnel & Pensions Article and as prescribed by the board;
- f. Monitor the quality of service provided to participants;
- g. Monitor and evaluate the activities and performance of staff and external service providers;
- h. Monitor the accuracy and timeliness of monies owed to the system and the accuracy and timeliness of disbursements made by the agency;
- i. Monitor the implementation and maintenance of technologies to efficiently manage the data, information, and records of the various retirement plans which comprise the system;
- j. Monitor business and other risks faced by the system; and
- k. Monitor external trends and legislation that may have a significant impact on the system and report to the board as appropriate.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE CHIEF INVESTMENT OFFICER**

**DUTIES AND RESPONSIBILITIES**

1. The chief investment officer shall:
  - a. Recommend to the Investment Committee any additions, deletions or modifications to the Investment Policy Manual in cooperation with the executive director;
  - b. Implement investment strategies for each asset category in which the system invests and ensure investments are in alignment with the policies approved by the board, including but not limited to the funds to be allocated to active and passive portfolios, and to externally and internally managed portfolios;
  - c. Ensure that all necessary due diligence relating to the selection of investment managers, general partners, consultants, custodians, and other similarly related service providers is properly conducted;
  - d. Approve and authorize modifications to investment management guidelines issued to external investment managers;
  - e. Recommend to the executive director contracts to be executed for each investment manager retained by the agency, including securities lending and other similar investment programs;
  - f. Execute portfolio rebalancing and portfolio transitions in accordance with the policies of the board;
  - g. Recommend to the executive director an annual operating budget for the Investment Division, including budgeted staff positions, as well as any supplemental budgets that may be necessary for the Investment Division;
  - h. Recommend to the executive director a management succession plan to ensure continuity in management and other critical positions within the Investment Division;
  - i. Recommend to the executive director a long-range strategic operational plan and an annual business plan for the Investment Division;
  - j. Provide staff support in connection with the board's responsibilities with respect to the Optional Retirement Program (ORP) and the Post Retirement Health Benefits Trust Fund; and
  - k. Advise the board and the Investment Committee on any other investment matters and make recommendations for board or Investment Committee action when necessary.
2. The chief investment officer shall have the authority to:
  - a. Hire and terminate external investment managers;

- b. Select, invest in, and withdraw from specific investment vehicles, including limited partnerships, private equity fund investments, and private real estate fund investments;
- c. Manage a tactical asset allocation strategy;
- d. Select, hire, train, terminate and discipline all staff of the Investment Division; and
- e. Recommend to the Corporate Governance Committee any corporate governance actions for consideration.

### **MONITORING AND REPORTING**

- 3. The chief investment officer shall:
  - a. Monitor the investment performance of all asset categories in which the system invests and of all internal and external investment portfolios;
  - b. Ensure that the Investment Committee receives relevant, appropriate and timely information to enable it to properly monitor and oversee the system's investments; and oversee investment staff, advisors and service providers to ensure they operate in accordance with investment policies of the board, as well as contractual terms and applicable laws and regulations.