



MARYLAND  
STATE RETIREMENT  
*and* PENSION SYSTEM

## **MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

### **GOVERNANCE POLICIES**

*Adopted by the Board of Trustees*

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## HISTORY OF POLICY ADOPTIONS AND REVISIONS

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Board Operations Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Board Communications Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Service Provider Selection Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Investment Committee Public Advisor Selection Policy	<ul style="list-style-type: none"><li>• Adopted August 19, 2008</li><li>• Revised and Adopted December 17, 2013</li></ul>
Monitoring and Reporting Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Code of Conduct	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Executive Director Performance Evaluation Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Chief Investment Officer Performance Evaluation Policy	<ul style="list-style-type: none"><li>• Adopted June 17, 2008</li><li>• Revised and Adopted December 17, 2013</li></ul>
Board Education Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Board Performance Evaluation Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Board Policy Development Process	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>
Operational Planning Policy	<ul style="list-style-type: none"><li>• Adopted December 19, 2003</li><li>• Revised and Adopted December 17, 2013</li></ul>

## **INTRODUCTION**

### **BACKGROUND**

1. The Maryland State Retirement and Pension System (the “system”) is a cost-sharing multiple employer public employee retirement system composed of two cost-sharing pools, established under Division II of the State Personnel and Pensions Article, Annotated Code of Maryland (the “SPP Article”) to provide retirement allowances and other benefits to state employees, teachers, police, judges and legislators, and employees of participating governmental units. The system has the powers and privileges of a corporation. (SPP Article §21-101; §21-102)
2. Responsibility for the system’s administration and operation is vested in a 15-member Board of Trustees. (SPP Article §21-108)
3. The trustees of the board are fiduciaries, and as such are required to discharge their duties with respect to the system solely in the interest of, and for the exclusive purpose of providing benefits to, plan participants. (SPP Article §21-203) Trustees are further expected to discharge their duties with the utmost honesty and integrity.

### **PURPOSES**

4. The governance policies and charters are intended to:
  - a. Establish the manner in which the Board of Trustees of the system and its committees shall conduct themselves so as to allow the board to carry out its responsibilities as effectively and efficiently as possible, and in accordance with applicable law, including state ethics laws.
  - b. Facilitate effective communication between and among the trustees, executive director, chief investment officer, agency staff, system participants, and external parties.
  - c. Establish guidelines by which service providers shall be selected and retained.
  - d. Establish board expectations concerning routine reports it is to receive from various sources.
  - e. Ensure that all policies adopted by and actions taken by the Board of Trustees are consistent with applicable law and the fiduciary duties of the board and staff.
  - f. Establish the responsibilities of the executive director and the process by which the executive director shall be evaluated.
  - g. Establish the responsibilities of the chief investment officer and the process by which the chief investment officer shall be evaluated.
  - h. Ensure that all trustees are provided with adequate opportunity and assistance to acquire the knowledge they need to carry out their fiduciary duties.

- i. Provide a process whereby the trustees may conduct self-analysis to ensure continuous improvement in the board's effectiveness.
- j. Further the objective that the board's primary focus shall be on setting general direction and policy and on monitoring its implementation, and the executive director shall be fully accountable for the operational performance of the agency, except for investment performance which shall be the responsibility of the chief investment officer.
- k. Ensure that the system engages in a long-range strategic and an annual business planning process to meet the needs of the system and that the resultant long-range strategic and annual business plans are communicated to all organizational levels.
- l. Be subject to review and revision every three years.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
BOARD OPERATIONS POLICY**

*Establish the manner in which the Board of Trustees of the system and its committees will conduct themselves so as to allow the board to carry out its responsibilities as effectively and efficiently as possible, and in accordance with applicable law, including state ethics laws.*

**POLICY GUIDELINES**

**Officers**

1. The board shall annually elect from its membership a chairman and vice chairman.
2. The board shall elect a secretary of the board who may be one of its members or may be the executive director. The secretary shall have those duties set forth in paragraph 4(a) of the charter for the executive director.
3. The secretary shall issue a call for nominations for chairman and vice chairman at the first regular meeting in May of each year. Nominations shall be submitted to the secretary by June 1.
4. The above officers shall be elected at the first regular meeting in June of each year, and shall serve for a term of one year.
5. The chairman shall preside at all meetings of the board. In the event of a vacancy or the absence of the chairman, the vice chairman shall assume the duties of the chairman. In all matters pertaining to board governance, the chairman shall act in consultation with the vice chairman.
6. In the event that a vacancy should occur in the position of vice chairman or in the positions of both the chairman and the vice chairman, for any reason, the board shall elect a successor for the balance of the unexpired term at its next regular meeting.

**Committees**

7. The standing committees of the board shall be as follows:
  - a. Investment Committee (SPP Article §21-114)
  - b. Administrative Committee
  - c. Audit Committee
  - d. Corporate Governance Committee
  - e. Securities Litigation Committee
8. The board may also maintain, under the standing committees, standing and/or ad hoc subcommittees.
9. The Investment Committee shall comprise:
  - a. A representative of the Employees' Pension System or the Employees' Retirement System;
  - b. A representative of the Teachers' Pension System or the Teachers' Retirement System;

- c. A representative of the State Police Retirement System;
  - d. Three representatives from the public appointed by the board, in accordance with the conditions set out in SPP Article §21-115(b)(2); and
  - e. Other additional board members as recommended by the chairman in consultation with the vice chairman and approved by the board. (SPP Article §21-115)
10. The members, chairman and vice chairman of each standing committee shall be established annually by board vote, upon the recommendation of the board chairman in consultation with the vice chairman, at the first regular meeting following the election of officers.
  11. The Administrative Committee shall comprise at least five members.
  12. The Audit Committee shall comprise at least five members.
  13. The Corporate Governance Committee shall comprise at least five members.
  14. The Securities Litigation Committee shall comprise at least three members.
  15. In making committee appointments, the board and the chairman shall consider continuity in committee membership, opportunities for the diversified experience of trustees, and requisite expertise.
  16. The board may approve the establishment of ad hoc committees in consultation with the executive director and/or the chief investment officer, provided that the responsibilities of the ad hoc committees do not overlap with those of any standing committee. The chairman shall recommend to the board for its approval the members, the chairman, and vice chairman of each ad hoc committee.
  17. The executive director shall prepare for board approval a charter for each standing committee that provides a description of the committee's mandate.
  18. The executive director shall ensure board committees receive adequate support from staff.
  19. In the event that a committee chairman is unable to complete his or her term, the committee vice chairman shall complete the term.
  20. All actions taken by committees must be approved by the board at a board meeting unless the committee's charter provides that the committee may take action on specified matters without board approval.

### **Board Meetings**

21. Board meetings shall be held at least six times each year, and according to an annual schedule adopted by the board and published in the minutes of the board. Timely notice of board meetings shall be provided to the public, in accordance with State Government Article ("SG Article") §10-506.
22. The annual schedule may be modified by the board as necessary, and timely notice of such changes must be provided to trustees and the public in accordance with SG Article §10-506.

23. Special meetings may be called by the chairman or by any five trustees by providing reasonable advance notice to each trustee and to the public in accordance with SG Article §10-506. A call for a special meeting must state the business to be considered, and the time, date and place of the meeting.

### **Committee Meetings**

24. Each standing committee, except the Securities Litigation Committee, shall establish a projected schedule of meetings for the fiscal year. The times and locations of such meetings shall be determined by the committee, and timely notice is to be provided to the public in accordance with SG Article §10-506.
25. A committee chairman, in consultation with the executive director, may cancel or reschedule a meeting if it is apparent that there will not be a quorum or if it is deemed that there is insufficient business to warrant a meeting. Attempts shall be made to provide all committee members and the public with at least one week's notice of cancellation of any meeting.
26. If neither the committee chairman nor vice chairman is present at a committee meeting, the committee members may appoint a chairman from among those members present for the meeting.
27. Ad hoc committee meetings shall be scheduled, as needed, by the chairman of the committee in question. Timely notice of the meetings shall be given to the ad hoc committee members.

### **Agendas and Meeting Materials**

28. The executive director or his or her designee, in cooperation with the chairman and respective committee chairmen, shall prepare and distribute a written agenda for all regular meetings of the board and standing committees.
29. The agenda and related materials for board and standing committee meetings shall generally be distributed to trustees at least seven calendar days in advance of the meeting. Members of the public wishing to obtain copies of the materials may do so to the extent and in the manner the materials are available under the Maryland Public Information Act.
30. Items may be placed on the board agenda, prior to the meeting by:
  - a. The chairman;
  - b. The executive director;
  - c. Standing or ad hoc committee recommendation;
  - d. Initiation of any trustee, through the chairman; or
  - e. A motion of a trustee, subsequently approved by the board.

### **Quorum and Voting**

31. With respect to board meetings, a majority of the trustees then serving on the board is a quorum. With respect to committee meetings, a majority of committee members then serving on the committee in question represents a quorum. A quorum is required for:
  - a. The transaction of any business;
  - b. The exercise of any power; or
  - c. The performance of any duty authorized or imposed by law. (SPP Article §21-106(b))

32. Each trustee is entitled to one vote on the board. (SPP Article §21-106(a)) Trustees may not vote by proxy, with the exception of the treasurer who may designate a deputy treasurer.
33. Each member is entitled to one vote on the committees on which they serve, but may not vote by proxy, with the exception of the treasurer who may designate a deputy treasurer, and the secretary of the Department of Budget and Management who may designate a deputy secretary to serve as a designee on the Administrative Committee, if the secretary is a member of the Administrative Committee.

### **Attendance**

34. Each trustee shall attend at least 80% of the regularly scheduled board meetings. An excused absence may be granted by any officer of the board for illness, family emergency, jury duty, or attendance at investment or fiduciary training, and such absence shall not be considered an absence for purposes of meeting this requirement. (SPP Article §21-104(e))
35. If a trustee is unable to attend a meeting of the board or a committee, the trustee shall notify the executive director as soon as possible to help ensure that a quorum will be achieved.
36. If personal attendance is impractical, a trustee may attend board or committee meetings via telecommunications.
37. Trustees may attend meetings of committees of the board as observers, but only committee members may vote on matters before the committee.

### **Rules of Order**

38. Meetings of the board and all of its committees shall be governed by a modified form of Robert's Rules of Order (see appendix #1).

### **Executive Session**

39. The board and its committees may conduct business in executive session, which shall be closed to the public, for the purpose of 1) conducting a function enumerated in SG Article §10-503, or 2) considering those matters enumerated in SG Article §10-508(a), and in accordance with the conditions prescribed in SG Article §10-508(b) – (d), which provides that:
  - a. A majority of board or committee members must vote in the affirmative to conduct business in executive session;
  - b. Before a public body meets in executive session, the presiding officer shall:
    - i. Conduct a recorded vote on the closing of the session; and
    - ii. Make a written statement of the reason for closing the meeting, including a citation of the authority under SG Article §10-508, and a listing of the topics to be discussed. The written statement shall be a matter of public record.
  - c. If a person other than a board member objects in writing to the closing of a session, the board shall send a copy of the written statement to the State Open Meetings Law Compliance Board, in accordance with SG Article §10-508(d)(3).

## **Public Comment**

40. Members of the public may record the meetings in open session, and may videotape, televise, photograph or broadcast open session meetings in accordance with the requirements set forth in the system's regulations.
41. The board shall provide the public an opportunity to address the board or standing committee at each open session meeting on any item under its jurisdiction. Members of the public wishing to address the board shall arrange to do so through the office of the executive director at least seven days in advance of the meeting. The duration of any address by a member of the public shall be limited at the discretion of the presiding officer. However, the duration of the public comment session for any one meeting shall not exceed 20 minutes. The board shall not be required to respond to any public comment.

## **Minutes**

42. The secretary shall prepare the minutes of all board meetings, recording therein the time and place of each meeting, the names of members present, each item considered, and the actions of the board giving the ayes, nays and abstentions upon all votes, except where the action is unanimous, and sufficient other details concerning any actions taken. When requested, a member's statement and/or vote on board actions shall be recorded. The secretary, generally, shall present the minutes for approval at the next regular board meeting.
43. Minutes of committee meetings shall be similarly prepared by the executive director or his or her designee and submitted to the committee for approval.
44. The minutes as approved by the board and signed by the secretary shall be preserved as a part of the permanent record of the board, and shall be open to public inspection.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
BOARD COMMUNICATIONS POLICY**

*Facilitate effective communication between and among the trustees, agency staff, system participants, and other stakeholders and external parties.*

**POLICY GUIDELINES**

**Communication Among Trustees**

1. The board shall carry out its activities in the spirit of open governance and in accordance with relevant law. The board may conduct certain business in executive (closed) session in accordance with the provisions of the State Open Meetings Act.
2. Trustees shall communicate in an open, straightforward, timely and constructive manner during meetings of the board and committees.

**Trustee Communication with System Participants**

3. Trustees shall be aware of the risk of communicating inaccurate information to plan participants and the potential exposure to liability and possible harm to a participant that may result from such miscommunications. Trustees shall mitigate this risk by refraining from providing specific advice, counsel or education with respect to the rights or benefits a participant may be entitled to under the SPP Article.
4. In the event a plan participant requests that a trustee provide explicit advice with respect to system policy on benefits, the trustee should assist the plan participant by referring the plan participant to the executive director or his or her designee or by having the executive director or his or her designee contact the participant. The trustee shall be informed of the outcome.

**Trustee Communication with the System's Management**

5. Trustees shall direct questions regarding any aspect of the system's operations to the executive director or appropriate senior staff member.
6. Requests for information that require a significant expenditure of staff time or the use of external resources should be:
  - a. Formally requested and approved at a board or committee meeting;
  - b. Directed to the executive director; and
  - c. Consistent with the policy role of the board.
7. In the spirit of open communication, individual trustees shall share any information pertinent to the agency with the executive director in a timely manner. The executive director shall similarly share with the board any information pertinent to the board in a timely manner.
8. The executive director shall ensure that information that has been requested by the board or by a trustee is made available to all trustees as appropriate.

## **Trustee Communication with External Parties**

9. The executive director or the chairman or their designee shall serve as the spokesperson for the system, unless the board designates the chairman or another member of the board to serve as spokesperson on a specified issue. The following guidelines shall apply with respect to the spokesperson:
  - a. If time permits, and to the extent permitted by the State Open Meetings Act, the spokesperson shall address sensitive, high profile issues with as many members of the board as possible, prior to engaging in external communications. At a minimum, the chairman and vice chairman shall be contacted.
  - b. To the extent possible, in situations where board policy concerning an issue has not been established, the board or an appropriate committee shall meet to discuss the issue prior to the spokesperson's engaging in external communications.
10. When asked to be interviewed or otherwise approached by the media for substantive information concerning the affairs of the system, trustees should generally refer the matter to the executive director or spokesperson, and shall make no commitments on behalf of the board or the system.
11. In their external communications, trustees shall:
  - a. Speak on behalf of the board only when explicitly authorized to do so by the chairman;
  - b. Respectfully indicate (i) when they are representing a personal position, opinion, or analysis, whether the same or different from a board-approved position, (ii) when their position, opinion, or analysis does not represent the official position of the board, and (iii) when their position is in opposition to the position of the board; and
  - c. Indicate if they are speaking in a capacity other than that of a member of the board; and
  - d. Make known to the executive director in a timely fashion if a personal position, opinion, or analysis was publicly communicated, such that it could receive media coverage. The trustee shall advise as to whom the communication was made and what was discussed.
12. Trustees may indicate publicly that they disagree with a policy or decision of the board, but shall do so respectfully and shall abide by the policy or decision to the extent this is consistent with their fiduciary duties.
13. Communications by trustees, when acting in their capacity as trustees, should be consistent with their fiduciary duty to represent the interests of all system participants.
14. Written press releases concerning the business of the system shall be the responsibility of the executive director and shall clearly and accurately reflect the provisions of the SPP Article and the policies of the board. The executive director shall submit to the chairman and the vice chairman for approval all press releases of a sensitive or high profile nature, or pertaining to board policy. Such press releases shall be shared with the board prior to their release.
15. To ensure the accuracy of materials prepared by trustees for publication or general distribution, which are related to the affairs of the system, and to ensure that the system is not inadvertently placed at risk, trustees agree to provide such material in a timely manner to the executive director, or his or her designee, for review prior to distribution or publication.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
SERVICE PROVIDER SELECTION POLICY**

*Establish guidelines by which service providers will be selected and retained.*

**ROLES AND RESPONSIBILITIES**

1. The role of the board with respect to the selection of service providers is to:
  - a. Ensure appropriate policies and processes are in place to assist the board and staff in making prudent and sound selection decisions in accordance with applicable state procurement laws;
  - b. Monitor compliance with such policies and processes; and
  - c. Select and/or ratify the hiring and termination of the following key service providers:
    - i. Actuary;
    - ii. General investment consultant;
    - iii. Consultants retained for non-investment related matters pertaining to the executive director and chief investment officer;
    - iv. Actuarial auditor;
    - v. Optional Retirement Program vendors; and
    - vi. Custodial bank or trust company, in accordance with the authority granted to the State Retirement Agency by the Maryland State Treasurer.
  
2. It is the function of the executive director and staff to:
  - a. Perform search, evaluation and due diligence activities for the selection of all service providers, provide a summary of each procurement and recommendations to the board, as appropriate, and monitor the work of each service provider; and
  - b. Appoint and terminate all service providers other than key service providers.

**THE SEARCH PROCESS**

**General Guidelines**

3. All service providers shall be subject to a level of due diligence that reflects a level of rigor that is commensurate with the importance and materiality of the service in question.
  
4. The executive director or his or her designee shall consider as broad a universe of qualified service providers as is practical and reasonable given budgetary, staffing, time and other relevant constraints in accordance with state procurement law.

**Key Service Provider Guidelines**

5. Prior to conducting a search for a key service provider, the executive director or his or her designee shall present a work plan to the board or a designated committee of the board that, at a minimum, contains the following:
  - a. The type of service provider being sought and why;
  - b. The objectives to be met and selection criteria to be used and their relative importance;

- c. An estimated timeline for completion of the search process; and
  - d. A brief description of the search methodology.
6. The executive director or his or her designee shall provide the board or a designated committee of the board with periodic reports on the status of all search processes involving key service providers.
7. For those key service provider procurements exempt from state procurement law, the executive director shall attempt to submit at least two candidates to the board for consideration and possible interviews.
8. When candidates are submitted to the board for consideration, the executive director or his or her designee shall provide a report to the board or a designated committee of the board, containing at a minimum:
  - a. The recommended service provider(s) and the rationale for the recommendation;
  - b. Confirmation that the executive director or his or her designee complied with the work plan or an explanation of any deviations from the work plan;
  - c. A summary of the findings; and
  - d. Identification of the contract monitor.

#### **CONTRACTS AND MONITORING AND REPORTING**

9. The executive director, or his or her designee as permitted by law, shall negotiate and execute all agreements in connection with service providers retained by the system. All contracts shall be reviewed by counsel as to form and legal sufficiency prior to execution, as required by law. The executive director shall inform the board of all major contracts, including those that require Board of Public Works approval.
10. All service providers shall be subject to regular monitoring of performance and periodic reviews, as appropriate, throughout the term of their contracts by the assigned contract monitor. Criteria for review may include, among others, performance expectations, service quality, and timeliness of deliverables.
11. The executive director shall report regularly to the board any material issues regarding contract performance with respect to key service providers.
12. All reporting and monitoring provisions contained in this policy serve as minimum requirements. If more stringent requirements have been established, either by applicable law or within other policies of the agency, such requirements shall prevail.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
INVESTMENT COMMITTEE PUBLIC ADVISOR SELECTION POLICY**

State Personnel and Pensions Article, §21-115(b)(2) provides that the Investment Committee shall include “three representatives from the public appointed by the Board of Trustees with the approval of the Board of Public Works for staggered three-year terms.” These public members may not be members, retirees, or beneficiaries under any of the several systems, must have had experience in the management and control of large investments, and must have at least 10 years of substantial experience as any one of the following or combination of the following:

- A portfolio manager acting in a fiduciary capacity,
- An employee or principal of a trust institution, investment organization, or endowment fund acting in either a management or investment related capacity,
- A chartered financial analyst in good standing, or
- A professional engaged in a public or private financial or investment field that is comparable to the above-listed fields.

One of the staggered three-year public advisor terms ends on June 30 of each year. In order to facilitate the efficient nomination and transition of new public advisors, the Board of Trustees and its Investment Committee will utilize the following selection policy.

**Call for Nominations**

1. By January 15, the chairmen of the Investment Committee and the board each will make a call for nominations by members of the board and Investment Committee for the public advisor position, for the term that begins July 1 of that year. The deadline for nominations shall be March 1.
2. The executive director and the chief investment officer shall develop and carry out a plan for identifying possible nominees for the public advisor position. This plan shall include an outreach strategy that ensures a broad and inclusive reach into the Maryland investment community and its professional associations.
3. The chairman of the Investment Committee will determine the interest of the incumbent public advisor in being considered for another three-year term.
4. In making nominations, trustees and incumbent public advisors shall take into account the statutory requirements of a public advisor, as well as the board’s interest in achieving and maintaining diversity throughout the system, including board committees.
5. Trustees and incumbent public advisors, on behalf of their nominees, shall submit a brief biography and resume that clearly demonstrate the qualifications of the nominees to the respective chairmen by the deadline indicated above. Additionally, each nominee shall be required to submit four (4) professional references.

### **Public Advisor Candidate Review**

1. The executive director and the chief investment officer shall hold an informational meeting with each nominee between the close of nominations and the May meeting of the Investment Committee. These meetings are for the purpose of explaining the system, its investment program, the function of the Investment Committee, and the duties and responsibilities of the public advisor. This meeting will also serve to determine the nominee's background, experience, perspective on investment management, and other relevant issues as well as the nominee's interest in being considered.
2. From the pool of candidates, the executive director and the chief investment officer shall identify three candidates whose names and background information will be submitted to the Investment Committee for interviews.
3. The chairman of the Investment Committee, the executive director, and the chief investment officer shall develop the set of questions for the interview of nominees by the Investment Committee.

### **Public Advisor Candidate Interviews**

1. Prior to the May Investment Committee meeting, the executive director and the chief investment officer shall prepare a summary report on each nominee that provides the results of the public advisor candidate review. These summary reports shall be regarded as confidential documents pursuant to State Government Article § 10-616(i) and shall be made available to trustees and the two incumbent public advisors whose terms are not ending. All discussions pertaining to these documents shall be held in closed session pursuant to State Government Article § 10-508(a)(1).
2. To determine whether the nominees meet the statutory requirements for a public advisor, the executive director shall coordinate a thorough review of the public record for each nominee, reference checks, a background check, and information available through Internet searches. The outcome of this review shall be reported as part of the summary report referenced in paragraph 1 above.
3. At its May meeting, the Investment Committee shall interview each nominee. The Investment Committee chairman shall lead the interviews. A set of questions shall be asked of each nominee; however, the committee shall not be limited to those questions.

### **Public Advisor Selection**

1. By a majority vote, the Investment Committee shall select, from the pool of public advisor nominees, one individual whom the Investment Committee shall then recommend to the board for approval at the May meeting of the board.
2. With the board's approval, the nominee's name shall be submitted to the Board of Public Works for appointment during the month of June.

### **Unexpected Openings**

In the event a public advisor position becomes open unexpectedly between terms, the board and Investment Committee shall adjust the search schedule set forth in this policy as needed to both follow the procedures described in the policy and fill the position within a reasonable amount of time.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
MONITORING AND REPORTING POLICY**

*Establishes board expectations concerning routine reports it is to receive from various sources.*

**POLICY GUIDELINES**

**General**

1. A system of routine reporting shall be developed to address the performance of the system and compliance with policies and other requirements of the system.

**Benchmarks**

2. Performance benchmarks and success criteria should be specified in advance.
3. Performance benchmarks established to assess the performance of the agency should be:
  - a. Objective and unambiguous;
  - b. Measurable; and
  - c. Achievable.
4. Performance of the investment program should be assessed in accordance with policies contained in the Investment Policy Manual.
5. Subject to the availability of appropriations, a performance assessment of the agency's benefits administration function shall be conducted periodically by an independent third party.

**Routine Reporting**

6. Subject to the availability of appropriations, the board shall be provided the routine reports as outlined in Appendix 2.
7. Amendments to Appendix 2 shall require board approval.

**Actuarial Audit**

8. To ensure that the costs of the benefits are properly measured and reported, an audit of the system's actuarial valuations shall be performed by an independent actuary in accordance with generally accepted actuarial principles and practices. The purpose of such an audit is to provide an independent critique of the reasonableness of the actuarial methods and assumptions in use and the validity of the resulting actuarially computed liabilities and required contributions. An independent actuarial audit shall be performed as follows:
  - A partial audit shall be conducted at least once every five years. The audit shall include an appropriate sampling of "test lives," sufficient to research a conclusion on the validity of the actuarially computed liabilities of each plan and the required contributions.

- In any year in which a new consulting actuary is hired, a full replication audit of the system shall be performed concurrently with the first annual actuarial valuation performed by the new consulting actuary.
- In any year in which the actuarial assumptions are changed, actuarial funding methods are changed, significant plan changes are made, or actuarial errors occur, based upon the magnitude of the change(s) or errors, and at the discretion of the Board of Trustees, a partial (sampling of “test lives”) or full replication audit of the system may be performed.
- Notwithstanding any other independent actuarial audit, a full replication audit of the system’s liabilities and contributions shall be performed at least once every ten (10) years.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CODE OF CONDUCT AND POLICY ON GIFTS AND TRAVEL**

***Help ensure that all policies adopted by and actions taken by the Board of Trustees are consistent with applicable law and the fiduciary duties of the board and staff.***

**POLICY GUIDELINES**

1. Trustees shall:
  - a. Conduct themselves with decorum, integrity, and professionalism in all aspects of their board duties and in their relations with fellow trustees, staff, service providers, and other constituents;
  - b. Actively prepare for each meeting by thoroughly reading all meeting materials in advance; and
  - c. Abide by all other policies of the board.
  
2. Trustees agree to abide by the laws pertaining to the system and the board, particularly the:
  - a. System's governing legislation (State Personnel and Pensions Article);
  - b. State Open Meetings Act (State Government Article, Title 10, Subtitle 5);
  - c. State ethics laws (State Government Article, Title 15);
  - d. State procurement laws (State Finance and Procurement Article, Division II); and
  - e. State standard travel regulations.

**Gifts**

3. The state ethics laws prohibit trustees from soliciting any gift. Moreover, aside from a few limited exceptions, trustees are prohibited from accepting any gifts from an entity that does or seeks to do any business of any kind with the Maryland State Retirement and Pension System. Even if the gift falls within one of the limited exceptions, such as accepting a meal or beverage provided in the presence of the donor, *such a gift with a value of more than \$50 must be reported as a gift on the trustee's annual Financial Disclosure forms submitted to the State Ethics Commission.* (See Appendix 3 for the statutory provisions.)

**Travel**

4. An entity's payment of conference expenses for a trustee is a gift to the trustee. Therefore, aside from a few limited exceptions, trustees shall not permit an entity that does or seeks to do any business of any kind within the Maryland State Retirement and Pension System to pay the trustees' expenses associated with attending the conference. Even if the gift falls within one of the limited exceptions, such as accepting a meal or beverage provided in the presence of the donor, *such a gift with a value of more than \$50 must be reported as a gift on the trustee's annual Financial Disclosure forms submitted to the State Ethics Commission.* (See Appendix 3 for the statutory provisions.)

However, if an entity that does or seeks to do any business with the system sponsors a conference with no registration fee for any attendees, including trustees, it is possible the value of such a conference may not be considered a gift to the trustee, but trustees should consult with the Ethics Commission or the executive director.

#### **ENFORCEMENT PROVISIONS**

5. The chairman, in presiding over meetings of the board, shall enforce and attempt to rectify any breaches of the Code of Conduct that may occur during meetings of the board. Similarly, committee chairmen, including ad hoc committees, shall do the same during meetings of the committee.
6. A trustee who is aware of any possible breach of this Code of Conduct shall promptly disclose the information regarding the breach to the chairman and vice chairman in a signed written statement. In no event shall the disclosure of this information be made more than thirty days from the day on which he or she knew of the breach. The chairman and vice chairman, in consultation with the Maryland Attorney General's Office, shall consider the disclosure and take whatever action they determine to be appropriate under the law and circumstances of the disclosure.
7. In the case of disclosure of any alleged breach of this Code of Conduct involving the chairman, the report should be made to the vice chairman and the executive director. In the case of disclosure of any breach of the agreement involving the vice chairman, the report should be made to the chairman and the executive director. The same procedures should be followed as set forth in Paragraph 6 above.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
EXECUTIVE DIRECTOR PERFORMANCE EVALUATION POLICY**

***Establish the responsibilities of the executive director and the process by which the executive director will be evaluated.***

**PRINCIPLES**

1. The primary responsibility of the executive director is the effective and efficient management of the operations of the system. Accordingly, the performance of the operations constitutes the most relevant measure of his or her performance, and should weigh heavily in his or her performance evaluation.
2. The executive director is responsible for the performance of all senior executives and the staff of the agency.
3. The executive director's evaluation process and its results should be shared with all trustees and the executive director.

**POLICY GUIDELINES**

**Administrative Committee**

4. The Administrative Committee shall facilitate the evaluation of the performance of the executive director, in accordance with this policy.

**Evaluation Criteria and Forms**

5. Prior to the close of each calendar year, the executive director shall recommend to the Administrative Committee for approval a set of criteria and/or objectives to be used in evaluating the executive director's performance. In order to assist the board in assessing the performance of the executive director relative to the evaluation criteria, the executive director shall annually recommend to the Administrative Committee a performance evaluation form including specific questions and guidelines, as well as sufficient space for trustees to provide general comments. In addition, the Administrative Committee shall be provided with a performance evaluation form to be completed by agency senior staff who report directly to the executive director. Both the form for trustee use and the form for agency staff use shall be approved by the Administrative Committee.
6. In considering the proposed criteria, the Administrative Committee shall:
  - a. Ensure that the criteria are objective in nature and, for the most part, measurable; and
  - b. Ensure that the criteria pertain to outcomes over which the executive director has a reasonable degree of control.
7. The performance evaluation criteria shall fall into one of four broad categories:
  - a. Achievement of performance targets established for the agency as a whole;
  - b. Implementation of the long-term strategic and annual business plans;

- c. Leadership and related qualities; and
  - d. Other criteria that reflect special events or circumstances that may arise in a given year.
8. The Administrative Committee, in consultation with the executive director, shall assign a weight to each of the evaluation criteria established.

### **Performance Assessment**

9. At the beginning of the calendar year, all trustees shall be provided copies of the performance criteria and objectives and the evaluation form pertaining to the evaluation of the executive director's performance in the prior year. To assist trustees in completing the evaluation form, the executive director shall provide the board with an executive director self-assessment containing a review of his or her own performance and any supporting data or background information. The self-assessment shall address those criteria and objectives agreed to by the Administrative Committee. The self-assessment may also cover additional accomplishments achieved and difficulties during the year.
10. All senior agency staff who report to the executive director shall be asked to complete an evaluation of the executive director, using the approved form.
11. Trustees shall be allowed sufficient time, as determined by the chairman, to complete and return the evaluation form directly to the chairman of the Administrative Committee or a designated third party.
12. The chairman of the Administrative Committee shall ensure that the results of all evaluation forms are tabulated and summarized on a confidential basis.
13. The Administrative Committee shall discuss the self-assessment, the results of the evaluation forms, and any other related matters with the executive director. The committee may request additional information from the senior staff. The committee may discuss the self-assessment and the results of the evaluation forms with the executive director present. This meeting shall be held in closed session.
14. The chairman of the Administrative Committee shall prepare a performance report, summarizing the committee's assessment and providing specific guidance for the executive director concerning improvement opportunities.
15. During the first quarter of the calendar year and at a regularly scheduled board meeting, the Administrative Committee chairman shall present the board a summary of the performance report for review, discussion, and approval. The executive director shall be asked to participate in the meeting and be presented with the results of the performance report.
16. Both the Administrative Committee and the Board of Trustees may discuss the summary of the performance report in closed session and without the executive director present prior to their meetings in which the executive director's participation is required.

### **Evaluation Results and Materials**

17. A copy of the summary of the performance report shall be maintained in the executive director's personnel file. The completed evaluation forms shall be destroyed within sixty calendar days of the completion of the evaluation process.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHIEF INVESTMENT OFFICER PERFORMANCE EVALUATION POLICY**

*Establish the process by which the chief investment officer will be evaluated.*

**PRINCIPLES**

1. The primary responsibilities of the chief investment officer are investment performance, and the effective and efficient management of the operations of the Investment Division.
2. The chief investment officer's evaluation process and its results should be shared with all trustees and the chief investment officer.

**POLICY GUIDELINES**

3. The executive director and the Investment Committee shall facilitate the evaluation of the performance of the chief investment officer, in accordance with this policy.

**EVALUATION CRITERIA**

4. The process for evaluating the performance of the chief investment officer shall be carried out in accordance with the provisions of the State Personnel and Pensions Article. The executive director and the Investment Committee may recommend to the Board of Trustees changes to the base salary as well as the criteria for awarding financial incentives to the chief investment officer, along with any documentation that may be necessary.
5. Prior to the close of the first quarter of the fiscal year, the executive director shall recommend to the Investment Committee for approval a set of criteria and/or objectives to be used in evaluating the chief investment officer's performance. In order to assist the board in assessing the performance of the chief investment officer relative to the evaluation criteria, the executive director shall annually recommend to the Investment Committee a performance evaluation form including specific questions and guidelines, as well as sufficient space for trustees to provide general comments. In addition, the Investment Committee shall be provided with a performance evaluation form to be completed by investment division senior staff who report directly to the chief investment officer. Both the form for trustee use and the form for investment staff use shall be approved by the Investment Committee.
6. In considering the proposed criteria, the Investment Committee shall ensure that the criteria:
  - a. Are objective in nature and, for the most part, measurable; and
  - b. Pertain to outcomes over which the chief investment officer has a reasonable degree of control.
7. The performance evaluation criteria shall fall into one of four broad categories:
  - a. Achievement of performance targets established for the investment program;
  - b. Implementation of the system's asset allocation;
  - c. Leadership and related qualities; and

- d. Other criteria that reflect special events or circumstances that may arise in a given year.
8. The Investment Committee, in consultation with the executive director, shall assign a weight to each of the evaluation criteria established.

### **Performance Assessment**

9. Prior to October 1, all Investment Committee members shall be provided copies of the performance criteria and objectives and the evaluation form pertaining to the evaluation of the chief investment officer's performance in the prior fiscal year. To assist Investment Committee members in completing the evaluation form, the chief investment officer shall provide the board with an chief investment officer self-assessment containing a review of his or her own performance and any supporting data or background information. The self-assessment shall address those criteria and objectives agreed to by the Investment Committee. The self-assessment may also cover additional accomplishments achieved and difficulties during the year.
10. All senior investment agency staff who report to the chief investment officer shall be asked to complete an evaluation of the chief investment officer, using the approved form.
11. Investment Committee members shall be allowed sufficient time, as determined by the chairman, to complete and return the evaluation form directly to the chairman of the Investment Committee or the executive director.
12. The chairman of the Investment Committee shall ensure that the results of all evaluation forms are tabulated and summarized on a confidential basis.
13. The Investment Committee shall discuss the self-assessment, the results of the evaluation forms, and any other related matters with the chief investment officer. The committee may request additional information from the senior investment staff. The committee may discuss the self-assessment and the results of the evaluation forms with the chief investment officer present. This meeting shall be held in closed session.
14. The chairman of the Investment Committee shall prepare a performance report, summarizing the committee's assessment and providing specific guidance for the chief investment officer concerning improvement opportunities.
15. During the first quarter of the fiscal year and at a regularly scheduled board meeting, the Investment Committee chairman shall present the board a summary of the performance report for review, discussion, and approval. The chief investment officer shall be asked to participate in the meeting and be presented with the results of the performance report.
16. Both the Investment Committee and the Board of Trustees may discuss the summary of the performance report in closed session and without the chief investment officer present prior to their meetings in which the chief investment officer's participation is required.
17. On or before October 1 of each year, the executive director shall provide the Investment Committee with an analysis of the chief investment officer's performance for the fiscal year based on the performance evaluation criteria approved by the board and a recommendation as to any incentive pay to be awarded.

18. Portfolio performance data used in assessing the chief investment officer's performance may be obtained from the general investment consultant, custodian, other independent performance measurement advisors, and others as appropriate.
19. Portfolio performance shall be determined as of and for the period ending June 30 of each fiscal year.
20. The Investment Committee and executive director shall meet with the chief investment officer in closed session to review the results of the evaluation. Additional meetings may be held if it is deemed that additional information or discussion is needed.

#### **RECORDS AND REPORTING**

21. A record of the chief investment officer's performance evaluation shall be maintained in the chief investment officer's personnel file.
22. On or before September 1 of each year, the Board of Trustees shall submit to the Joint Committee on Pensions a copy of the most recent criteria and any incentives that were awarded for the previous fiscal year to the chief investment officer.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
BOARD EDUCATION POLICY**

*Ensure that all trustees are provided with adequate opportunity and assistance to acquire the knowledge they need to carry out their duties.*

**POLICY GUIDELINES**

**General Provisions**

1. Trustees agree to develop and maintain an adequate level of knowledge and understanding of relevant issues pertaining to the administration of the system throughout their terms on the board.
2. Trustees agree to pursue appropriate education across a range of pension-related areas, rather than limiting their education to particular areas. The executive director shall annually prepare and submit to the Board of Trustees an education plan. (SPP Article § 21-108) The general topic areas to be pursued may include, but are not limited to:
  - a. Governance and fiduciary duty;
  - b. Investment policy and asset allocation;
  - c. Benefits administration;
  - d. Actuarial policies and funding;
  - e. Technology;
  - f. Regulatory and legal issues; and
  - g. Financial and accounting standards and practices.

Specific topics within these general areas are identified in Appendix 4, for reference purposes.

3. Trustees shall meet the following minimum goals:
  - a. Secure, over time, a meaningful level of understanding in each of the topic areas listed in paragraph 2 above and other pertinent topics through presentations made at regular meetings of the board, training programs provided to the board as well as through attendance at conferences. Trustees are encouraged to attend conferences, on occasion, that address pension-related topics other than investments.
  - b. Annually participate in at least eight hours of investment and fiduciary training, including training on fiduciary conduct and board governance, within the state, conducted by an entity not affiliated with any external investment manager for the system. (SPP Article § 21-108(a)(3)) The executive director shall canvass the board to identify topics of interest. The seminar may be appended to a regular board meeting or organized as a stand-alone session.

**Orientation Program**

4. A formal orientation program, covering the general topic areas outlined in Paragraph 2 above as well as any other pertinent topics, shall be developed by the executive director for the benefit of new trustees.

5. Prior to attending their first meeting of the board as a trustee and to the extent practicable, new trustees shall be invited by the chairman or executive director to attend a meeting of the board or a standing committee as an observer.
6. New trustees shall, as soon as possible, and under the direction of the executive director, be:
  - a. Briefed on the history and background of the system and the State Retirement Agency;
  - b. Briefed on current issues before the Board;
  - c. Introduced to senior management;
  - d. Provided a tour of the system's offices;
  - e. Briefed on their fiduciary duties, conflict of interest guidelines, financial disclosure requirements and other pertinent laws and regulations; and
  - f. Provided with:
    - i. A Trustee Reference Manual (listed in Appendix 5);
    - ii. A copy of the Investment Policy Manual;
    - iii. A listing of upcoming, recommended educational opportunities; and
    - iv. Other relevant information and documentation deemed appropriate by the executive director or the chairman.
7. The executive director shall periodically review and, if necessary, update all orientation material and supply each trustee with those updates. A master copy of the Trustee Reference Manual shall be available for use by trustees at the agency's headquarters.

#### **Attendance at Conferences, Association Meetings & Courses**

8. The executive director shall maintain a list of recommended conferences and association meetings, based on the feedback of trustees and staff who have attended the conferences.
9. As part of the operating budget, the executive director shall make every effort to ensure the availability of resources for trustee education and equitable availability of conferences to all trustees.
10. A trustee, who wants to attend a conference or association meeting that is not on the recommended list of conferences and association meetings or take a related education course and wishes to be reimbursed by the State Retirement Agency for the tuition and related expenses of the meeting or course, must file a written request with the chairman and the executive director. If the request is approved, all travel arrangements shall be made by the executive director's designee in accordance with state policies set forth by the Department of Budget and Management. Reimbursement for tuition and related expenses shall be paid in accordance with the state policies set forth by the Department of Budget and Management.
  - a. The request must be submitted within a reasonable time before the scheduled conference, meeting or course for a decision to be made, preferably 30 business days in advance, and should include a copy of the program or syllabus, justification, duration and estimated costs as well as the benefits to board participation.
  - b. On receipt of each request, the executive director shall review the request to determine whether sufficient funds are available to support the request. If the request enables the trustee to better conduct the business of the Board of Trustees, better enables the trustee to perform his or her fiduciary duties and funds are available, the request shall be approved. Trustees may attend up to two conferences outside of Maryland or

Washington, D.C. each year. Trustees may attend one university-sponsored or similar certified educational course per term of office. The request shall be submitted to the chairman for approval. (SPP Article § 21-108(3)(ii))

- c. If the chairman denies a request for training submitted by a trustee, the executive director shall submit a report to the Administrative Committee that includes information on the basis for the chairman's denial of the request.

### **Reporting**

11. Attendees shall provide a brief assessment on the quality and relevance of each conference attended within thirty (30) calendar days of attendance and shall present the assessment to the board.
12. On a semi-annual basis, the executive director shall submit a report to the Department of Legislative Services on the required educational activities of the trustees.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
BOARD PERFORMANCE EVALUATION POLICY**

*Provide a process whereby the trustees may conduct self-analysis to ensure continuous improvement of the board's effectiveness.*

**POLICY GUIDELINES**

**Roles and Responsibilities**

1. The Administrative Committee shall oversee the implementation of this policy, including the approval of the Discussion Guide for the Performance Evaluation of the Board, and shall make recommendations to the board for addressing issues arising out of the evaluation process.

**Procedures**

2. The board performance evaluation shall be initiated by the Administrative Committee at least every other year, or sooner, if circumstances warrant.
3. When a board performance evaluation is undertaken, the Administrative Committee shall review the Discussion Guide and make modifications, as appropriate. The purpose of the Discussion Guide shall be to provide trustees with a framework for evaluating the performance of the board and for confidentially raising any concerns or suggestions trustees may have. The Discussion Guide must allow trustees to provide written comments or suggestions.
4. Copies of the Discussion Guide shall generally be distributed to each trustee in the second calendar quarter of the evaluation year.
5. Trustees shall be asked to complete the Discussion Guide and return it to the chairman of the Administrative Committee or designated third party within two weeks of receipt of the Guide.
6. The chairman of the Administrative Committee or designated third party shall prepare and present the summary report to the Administrative Committee by the close of the second calendar quarter of the evaluation year and shall facilitate discussion of the report by the committee. The meeting may be held in closed session.
7. At the next regularly scheduled meeting of the board, the chairman of the Administrative Committee or designated third party shall report to the board, in closed session, on the conclusions and recommendations of the Administrative Committee.
8. The results of any board discussions and resulting actions on the part of the board shall be recorded in the minutes of the board meeting.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
BOARD POLICY DEVELOPMENT PROCESS**

*Further the objective that the board's primary focus will be on setting direction and broad policy and on monitoring its implementation, and the executive director shall be fully accountable for the operational performance of the agency.*

**GUIDELINES**

**Policy Development**

1. The process of developing a board policy shall be initiated by the executive director or by an action of the board.
2. In determining whether a particular issue warrants a board policy, the board shall consider whether the issue satisfies the following criteria:
  - a. The issue may have a significant impact on the system's ability to meet its mission;
  - b. The issue is expected to recur or continue indefinitely; and
  - c. The issue is an operational issue and, hence, the responsibility of the executive director.
3. The board shall not adopt any policy without first ensuring that the policy has been thoroughly analyzed by staff and appropriate advisors and the analysis has been explained to the board.
4. Board policies should be written in a format consistent with all other policies in effect.
5. Where a committee has been assigned responsibility for developing a board policy, it shall consider the executive director's proposed policy, and provide a recommendation to the board for approval.
6. Governance policies, board regulations and the Investment Policy Manual shall be maintained in up-to-date form in a single volume or series of volumes within the State Retirement Agency's offices, and shall be accessible to trustees, staff and members of the public, in print and electronic form.

**Policy Compliance**

7. As a general rule, the board shall comply with all board policies. Should the board take an action contrary to an approved policy, it shall record in the board minutes the specific rationale for deviating from the policy. At such time, the board shall also request that the executive director review the need to amend the policy.

**Policy Review**

8. All policies shall be formally reviewed on a regularly scheduled basis; however, if a trustee, board committee, advisor or the executive director believes that a particular policy requires review in advance of the scheduled review, they may recommend to the board that such a review be initiated.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
OPERATIONAL PLANNING POLICY**

***Ensure that the system engages in a planning process to meet the needs of the system and communicates the agency's resultant business plan throughout the organization.***

**POLICY GUIDELINES**

**Roles and Responsibilities**

1. The executive director shall:
  - a. Identify business risks, opportunities, and needs;
  - b. Identify and prioritize business plan initiatives; and
  - c. Recommend to the board the mission and long-range strategic and annual business plans and any amendments thereto.
  
2. The board shall:
  - a. Provide management with input on the mission and long-range strategic and annual business plans;
  - b. Approve the mission and long-range strategic and annual business plans and request that adequate resources are in place to support them; and
  - c. Monitor the implementation of the long-range strategic and annual business plans.

**The Planning Process**

3. During the fourth quarter of each fiscal year, the executive director shall complete a business planning analysis of the agency and shall by the close of the fiscal year, submit to the board a report on this analysis. At a minimum, the analysis and report shall include:
  - a. A review of the progress made in implementing the previous year's business plan.
  - b. An analysis of the continued appropriateness of the mission, which shall include a consideration of the following issues:
    - i. The agency's constituents and their relative priority;
    - ii. The alignment between the agency's current operations and capabilities and potential changes in benefit design;
    - iii. The level of service excellence the agency aims to provide to participants; and
    - iv. The role the agency shall play in communicating with the governor and state legislature in their decisions regarding plan design.
  - c. An assessment as to whether the agency is positioned to achieve its mission, including an assessment of issues such as:
    - i. Investments and funding;
    - ii. Member services and benefits administration;
    - iii. Human resources;
    - iv. Information systems;
    - v. Financial operations;

- vi. Governance; and
  - vii. Communications.
- d. Confirmation of the need to continue addressing existing business plan initiatives and identification of any new business plan initiatives to be undertaken.
  - e. Recommended new business initiatives, including at a minimum:
    - i. Rationale for undertaking the initiative, including benefits, impact, and consequences of not undertaking the initiative;
    - ii. Timelines for completion;
    - iii. Assignment of responsibilities for implementation;
    - iv. Budget implications;
    - v. Affirmation that the initiatives are aligned with the long-range strategic plan; and
    - vi. Provisions for reporting to the board.
4. The executive director shall conduct a long-range strategic planning process with the full engagement of the trustees and staff of the agency. This process shall result in a plan which sets forth an analysis of the environment in which the agency operates, including the agency's strengths, weaknesses, opportunities and threats. The plan shall set forth long-range goals for the agency, as well as the objectives that must be achieved in meeting those goals. The plan shall identify the assignment of responsibilities, methods for reporting progress against the plan, and timeframes for the completion of each goal. The executive director and trustees shall review progress against the long-range strategic plan by the close of the fiscal year and simultaneous with the analysis of the previous year's annual business plan. Modifications to the long-range plan shall, if necessary, be made at that time, thus maintaining a perpetually long-range perspective of agency development.

### **Planning Sessions**

- 5. In approving the long-range strategic and annual business plans, the board shall be satisfied that the plans are reasonable and support the strategic direction of the system. Agency staff shall receive copies of the plans.
- 6. Once the long-range strategic and annual business plans are approved, the board shall refrain from adding additional initiatives for either plan unless the necessary additional management time and budget requirements can be made available.
- 7. Should management determine that changing circumstances shall not allow it to meet a particular initiative, the board shall be informed in a timely manner and the business plan shall be adjusted accordingly.

## MARYLAND STATE RETIREMENT GOVERNANCE POLICIES

### APPENDICES

APPENDIX	REFERENCE LOCATION	TITLE
Appendix 1	Board Operations Policy	<ul style="list-style-type: none"><li>• Modified “Robert’s Rules of Order”</li></ul>
Appendix 2	Monitoring and Reporting Policy	<ul style="list-style-type: none"><li>• Routine Reports</li></ul>
Appendix 3	Code of Conduct	<ul style="list-style-type: none"><li>• State Ethics Law Concerning Gifts</li></ul>
Appendix 4	Board Education Policy	<ul style="list-style-type: none"><li>• Specific Pension Related Training Topics</li></ul>
Appendix 5	Board Education Policy	<ul style="list-style-type: none"><li>• Trustee Reference Manual</li></ul>

## APPENDIX 1

### MODIFIED “ROBERT’S RULES OF ORDER”

What is parliamentary procedure? It is a set of rules for conduct at meetings that allows everyone to be heard and to make decisions without confusion.

Why is parliamentary procedure important? Because it’s a time-tested method of conducting business at meetings and public gatherings. It can be adapted to fit the needs of any organization. Today, Robert’s Rules of Order newly revised is the basic handbook of operation for most clubs, organizations and other groups. So it’s important that everyone know these basic rules!

Organizations using parliamentary procedure usually follow a fixed order of business. Below is a typical example:

1. Call to order.
2. Roll call of members present.
3. Reading of minutes of last meeting.
4. Officers’ reports.
5. Committee reports.
6. Special orders--Important business previously designated for consideration at this meeting.
7. Unfinished business.
8. New business.
9. Announcements.
10. Adjournment.

The method used by members to express themselves is in the form of moving motions. A motion is a proposal that the entire membership take action or a stand on an issue. Individual members can:

- a) Call to order.
- b) Second motions.
- c) Debate motions.
- d) Vote on motions.

There are four basic types of motions:

*Main Motions:* The purpose of a main motion is to introduce items to the membership for their consideration. They cannot be made when any other motion is on the floor, and yield to privileged, subsidiary, and incidental motions.

*Subsidiary Motions:* Their purpose is to change or affect how a main motion is handled, and is voted on before a main motion.

*Privileged Motions:* Their purpose is to bring up items that are urgent about special or important matters unrelated to pending business.

*Incidental Motions:* Their purpose is to provide a means of questioning procedure concerning other motions and must be considered before the other motion.

### How are motions presented?

- Obtain the floor.
- Wait until the last speaker has finished.
- Rise and address the chairman by saying, “Mr. Chairman, or Mr. President.”
- Wait until the chairman recognizes you.
- Make your motion. Speak in a clear and concise manner. Always state a motion affirmatively. Say, “I move that we ...” rather than, “I move that we do not...” Avoid personalities and stay on your subject.
- Wait for someone to second your motion. Another member will second your motion or the chairman will call for a second. If there is no second to your motion it is lost.
- The chairman states your motion. The chairman will say, “It has been moved and seconded that we...” thus placing your motion before the membership for consideration and action. The membership then either debates your motion, or may move directly to a vote.
- Once your motion is presented to the membership by the chairman it becomes “assembly property,” and cannot be changed by you without the consent of the members.

### Expanding on your motion

The time for you to speak in favor of your motion is at this point in time, rather than at the time you present it. The mover is always allowed to speak first. All comments and debate must be directed to the chairman. Keep to the time limit for speaking that has been established. The mover may speak again only after other speakers are finished, unless called upon by the chairman.

### Putting the question to the membership

The chairman asks, “Are you ready to vote on the question?” If there is no more discussion, a vote is taken. On a motion to move the previous question may be adapted.

### Voting on a motion

The method of vote on any motion depends on the situation and the by-laws of policy of your organization. There are five methods used to vote by most organizations, they are:

1. *By Voice* – The chairman asks those in favor to say, “aye,” those opposed to say “no.” Any member may move for an exact count.
2. *By Roll Call* – Each member answers “yes” or “no” as his or her name is called. This method is used when a record of each person’s vote is required.
3. *By General Consent* – When a motion is not likely to be opposed, the chairman says, “If there is no objection...” The membership shows agreement by their silence, however if one member says, “I object,” the item must be put to a vote.
4. *By Division* – This is a slight verification of a voice vote. It does not require a count unless the chairman so desires. Members raise their hands or stand.
5. *By Ballot* – Members write their vote on a slip of paper. This method is used when secrecy is desired.

There are two other motions that are commonly used that relate to voting:

6. *Motion to Table* – This motion is often used in the attempt to “kill” a motion. The option is always present, however, to “take from the table,” for reconsideration by the membership.
7. *Motion to Postpone Indefinitely* – This is often used as a means of parliamentary strategy and allows opponents of motion to test their strength without an actual vote being taken. Also, debate is once again open on the main motion.

### Reconsidering a motion

Motion to reconsider a board action may only be brought by a board member who voted on the prevailing side when the matter was first considered by the board. A board member who cannot move to reconsider can briefly state reasons for wishing that a reconsideration should be moved, provided no debate ensues. The request for reconsideration of previous board action must include in detail any information not previously considered. The motion may be seconded by any board member.

### Conclusion

Parliamentary procedure is the best way to get things done at your meetings, but it will only work if you use it properly. To summarize:

- Allow motions that are in order.
- Have members obtain the floor properly.
- Speak clearly and concisely.
- Obey the rules of debate.
- Most importantly, be courteous.

**APPENDIX 2**

**ROUTINE REPORTS**

**GOVERNANCE REPORTS**

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
1. Board Performance Evaluation	Every other year	Administrative Committee	Summarizes the results of the board's performance self-evaluation, including follow-up actions.
2. Executive Director Evaluation	Annually	Administrative Committee	Summarizes the performance assessment of the executive director.
3. Governance Report	Triennially	Executive Director	A summary confirmation of compliance with charters and policies of the board.
4. Trustee Education Report	Semi-annually	Executive Director	Summarizes the activities of the board with respect to education pursuant to SPP § 21-108.
5. Summary Report on Filing of State Ethics Disclosure Forms	Annually	Trustees	Summarizes affirmation by trustees that they have filed appropriate reports.

## INVESTMENT & FUNDING REPORTS

Report Name	Frequency	Presented By	Description and Purpose of Report
6. Investment Performance	Quarterly	Staff and Investment Consultant	Report on investment performance for total fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and using attribution analysis.
7. Report on Brokerage Commissions	Quarterly (by law)	Staff	Reports the costs of the system's trading activities.
8. Proxy Voting	Annually	Staff	Confirms compliance with the board's proxy voting policy, and summarizes how the system exercised its voting rights in public companies.
9. Actuarial Valuation	Annually	Actuary	Summarizes the results of the actuarial valuation for the plan, together with any recommendations.
10. Asset Liability Study	At least every three years	Staff, Investment Consultant, and Actuary	A study of the relationship between the system's assets and liabilities to determine the appropriateness of the system's asset allocation policy.
11. Actuarial Experience Study	At least every five years	Actuary	Reviews the appropriate long-term economic assumptions such as investment return and wage and price inflation, and demographic assumptions such as disability rates and mortality rates.
12. Actuarial Audit	At least every five years and always with the first valuation completed by a newly hired actuary	Actuarial Auditor	An independent review of the validity of the analyses and methodologies used in preparing the system's actuarial valuation.

**ADMINISTRATION AND OPERATIONS REPORTS**

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
13. Annual Business Plan Status Report	Mid-year	Staff	Summarizes the status of the annual business plan.
14. Administrative Expense Report	Quarterly Administrative Committee Meeting	Staff	Summarizes the actual spending against the operating budget, including explanations for material variances.
15. Financial Audit	Annually	Audit Committee	Reports the financial status of the system, in accordance with generally accepted government accounting principles.
16. Comprehensive Annual Financial Report	Annually Staff		Reports on the operations and activities of the plan during the last fiscal year. The financial statements shall be part of the annual report and indicate the financial position of the plan.

**OTHER REPORTS**

<b>Report Name</b>	<b>Frequency</b>	<b>Presented By</b>	<b>Description and Purpose of Report</b>
17. Executive Director's	Each Board meeting	Executive Director	Updates the board on significant matters.
18. Market and Portfolio Update	Each Board meeting	Investment Committee Chairman	Updates the board on significant investment matters.
19. Legislative Update	As needed	Staff	Updates the board on significant legislative development, proposals, or changes affecting the system.
20. Litigation Report	As needed	Staff	Updates the board on significant legal development affecting the system, and on ongoing litigation.
21. Benefits Division	As needed	Staff	Review of significant issues regarding activity within the Benefits Division.

### APPENDIX 3

#### STATE ETHICS LAW CONCERNING GIFTS

##### SOLICITATION AND ACCEPTANCE OF GIFTS

###### § 15-505. Solicitation or acceptance of gifts or honoraria.

(a) *Gift solicitation prohibited.* –

(1) An official or employee may not solicit any gift.

(2) An official may not directly solicit or facilitate the solicitation of a gift, on behalf of another person, from an individual regulated lobbyist described in § 15-701(a)(1) of this title.

(b) *Gift acceptance prohibited – Generally.* – Except as provided in subsection (c) of this section, an official or employee may not knowingly accept a gift, directly or indirectly, from any entity that the official or employee knows or has reason to know:

(1) does or seeks to do any business of any kind, regardless of amount, with the official's or employee's governmental unit;

(2) engages in an activity that is regulated or controlled by the official's or employee's governmental unit;

(3) has a financial interest that may be affected substantially and materially, in a manner distinguishable from the public generally, by the performance or nonperformance of the official's or employee's official duties; or

(4) is a regulated lobbyist with respect to matters within the jurisdiction of the official or employee.

(c) *Exceptions.* –

(1) Notwithstanding subsection (b) of this section, an official or employee may accept a gift specified in paragraph (2) of this subsection unless:

(i) the gift would tend to impair the impartiality and independent judgment of the official or employee; or

(ii) as to a gift of significant value:

1. the gift would give the appearance of impairing the impartiality and independent judgment of the official or employee; or

2. the official or employee believes or has reason to believe that the gift is designed to impair the impartiality and independent judgment of the official or employee.

(2) Subject to paragraph (1) of this subsection, subsection (b) of this section does not apply to:

- (i)
  1. except for officials of the Legislative Branch, meals or beverages received and consumed by the official or employee in the presence of the donor or sponsoring entity;
  2. for officials of the Legislative Branch, food or beverages received and consumed by the official in the presence of the donor or sponsoring entity as part of a meal or reception, to which were invited all members of a legislative unit;
  3. for a member of the General Assembly, food or beverages received from a donor or sponsoring entity, other than an individual regulated lobbyist described in § 15-701(a)(1) of this title, during a period when the General Assembly is not in session, at a location that is within a county that contains the member's district, provided that the donor or sponsoring entity is located within a county that contains the member's district; or
  4. for a member of the General Assembly, food or beverages received at the time and geographic location of a meeting of a legislative organization for which the member's presiding officer has approved the member's attendance at State expense;
- (ii) ceremonial gifts or awards of insignificant monetary value;
- (iii) except for a State official of the Executive or Legislative Branch, unsolicited gifts of nominal value;
- (iv) as to a State official of the Executive or Legislative Branch, unsolicited gifts that are not meals or alcoholic beverages and that do not exceed \$20 in cost, from a regulated lobbyist;
- (v) trivial gifts of informational value;
- (vi) in return for participation on a panel or a speaking engagement at a meeting, reasonable expenses for food, travel, lodging, or scheduled entertainment of the official or employee if the expenses are associated with the meeting, except that, if such expenses for a State official of the Legislative or Executive Branch are to be paid by a regulated lobbyist and are anticipated to exceed \$500, the official shall notify the appropriate advisory body before attending the meeting;
- (vii) as to a member of the General Assembly, reasonable expenses for food, travel, lodging, or scheduled entertainment to attend a legislative conference that has been approved by the member's presiding officer;
- (viii) tickets or free admission extended to an elected constitutional officer from the person sponsoring or conducting the event, as a courtesy or ceremony to the office, to attend a charitable, cultural, or political event;
- (ix) a specific gift or class of gifts exempted from subsection (b) of this section by the Ethics Commission upon a written finding that:
  1. acceptance of the gift or class of gifts would not be detrimental to the impartial conduct of government; and
  2. the gift is purely personal and private in nature;
- (x) a gift from:

1. an individual related to the official or employee by blood or marriage; or
2. any other individual who is a member of the household of the official or employee; or

(xi) to the extent provided in subsection (d) of this section, honoraria.

(d) *Honoraria.* –

(1) Except as provided in subsection (c)(2)(vi) of this section, a State official of the Legislative Branch may not accept an honorarium.

(2) Except as provided in paragraph (1) of this subsection and subject to subsection (c)(1) of this section, an official or employee may accept an honorarium if:

(i) the honorarium is limited to reasonable expenses for the official's meals, travel, and lodging, and reasonable and verifiable expenses for care of a child or dependent adult, that are actually incurred;

(ii) the honorarium consists of gifts described in subsection (c)(2)(ii) through (iv) of this section; or

(iii) the official or employee is a faculty member of a State institution of higher education who does not hold another position as an official that precludes receiving the honorarium.

(3) Other than as allowed by paragraph (2) of this subsection, an honorarium may not be accepted, even if permitted by subsection (c)(1) of this section, if:

(i) the payor of the honorarium has an interest that may be affected substantially and materially, in a manner distinguishable from the public generally, by the performance or nonperformance of the official's or employee's official duties; and

(ii) the offering of the honorarium is related in any way to the official's or employee's official position.

(d-1) *Certain gifts prohibited under State Finance and Procurement Article.* – An official or employee may not accept a gift that is prohibited under § 13-211 of the State Finance and Procurement Article.

(e) *Exemptions from prohibitions.* – By regulation, the Ethics commission may define further exemptions from this section as may be necessary.

## APPENDIX 4

### SPECIFIC PENSION-RELATED TRAINING TOPICS

The following is a list of pension-related education topics that relate to each of the general topic areas listed in paragraph 2 of the Education Policy.

The list is intended to provide guidance to trustees in identifying appropriate topics for the development of their knowledge and understanding of pension matters. The list is intended as a guideline only, and is not exhaustive:

#### **Regulatory and Legal Issues**

- System Governing Legislation
- State Ethics Laws
- State Open Meetings Act
- Tax law and plan qualification features
- Non-tax legal requirements

#### **Governance and Fiduciary Duty**

- Fiduciary duty
  - Roles of the sponsor, administrator, Management and service providers
  - Basics of trust law
- Effective decision-making
  - Robert's Rules of Order

#### **Benefits Design and Administration**

- Defined benefit plan features
- Risks inherent in Benefits Administration
- Basic administrative operations and processes
- Disability issues

#### **Actuarial Policies and Funding**

- Role of the actuary
- Actuarial process
- Funding policy
- Asset/liability management

#### **Technology**

- Management Information Systems
- Technology risk

#### **Investment Policy and Asset Allocation**

- Asset classes and their characteristics
- Historical risk and returns
- Investment risk management
- Diversification and asset allocation
- Active versus passive management
- Performance measurement

#### **Financial and Accounting Standards and Practice**

## **APPENDIX 5**

### **TRUSTEE REFERENCE MANUAL**

A Trustee Reference Manual shall include the following materials:

- a) Relevant sections of the system's governing legislation (State Personnel and Pension Article, Titles 20 and 21),
- b) Relevant sections of the state ethics laws and the state Open Meetings Act,
- c) Copies of board governance policies and charters,
- d) Organizational chart,
- e) Names phone numbers, and email addresses of trustees, the executive director, and senior executives,
- f) Listing of current committee assignments,
- g) Listing of current service providers,
- h) Glossary of key pension administration terms and definitions, and
- i) Most recent Comprehensive Annual Financial Report.

It is the responsibility of trustees to maintain their Trustee Reference Manuals, by ensuring that they contain the most up-to-date materials. A master copy of the Trustee Reference Manual will be available for use by trustees at the agency's offices and on the Board Portal.