



# MARYLAND STATE RETIREMENT AGENCY

BUSINESS PLAN  
FISCAL YEAR 2013

FY13 Initiatives Approved on June 19, 2012

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# MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

## FISCAL 2013 BUSINESS PLAN

### INTRODUCTION

The Maryland State Retirement and Pension System's Business Plan for fiscal year 2013 was developed with the input of all senior staff and is presented by the Executive Director for approval by the Board of Trustees. The purpose of the Business Plan is to set out the key business initiatives continued from previous fiscal year(s) and the new initiatives to be undertaken in fiscal year 2013 that support the mission and goals of the Agency and the specific performance measures established by the Agency. The Business Plan has been developed in accordance with the Business Planning Policy adopted by the Board of Trustees, which requires that the Business Plan be reviewed and updated annually. This plan has been developed consistent with the System's Strategic Plan 2009-2014.

### DOCUMENT OVERVIEW

The Business Plan comprises four key sections:

**Section 1** states both the mission and vision of the Retirement System, which provide overarching guidance for the management of the Agency.

**Section 2** provides a brief overview of the Agency as a whole and of each of the key divisions within the Agency, and describes the various goals and performance measures established within the Agency to help ensure fulfillment of the Agency's Mission.

**Section 3** sets out the Agency's business plan initiatives. Each initiative is accompanied by a brief description of the initiative, the expected outcome, projected timeline, and linkage to the objectives of the Agency.

The Business Plan also contains appendices summarizing all business plan initiatives (A), as well as the Agency's long-term Strategic Plan (B).

## **SECTION 1: MISSION AND VISION STATEMENTS**

### **MISSION**

To administer the survivor, disability, and retirement benefits of the System's participants, and to ensure that sufficient assets are available to fund the benefits when due.

### **VISION**

A state that provides a fully-funded retirement system that is affordable to all participating employers and provides guaranteed adequate disability, survivor, and retirement benefits.

## **SECTION 2: AGENCY OVERVIEW, GOALS, AND PERFORMANCE MEASURES**

The Agency implements the objectives of the State Retirement and Pension System. The Executive Director's Office is responsible for the executive direction of the System including administrative and investment operational policy, legislative and legal liaison, financial affairs and communications. The Administrative Division is responsible for the payment of benefits, administration of employee contributions, and individual and group membership counseling. The Finance Division is responsible for accounting and financial reporting, budget administration, procurement, and human resources. The Investment Division is responsible for the management, control and investment of the System's Retirement Accumulation and Annuity Savings Funds. The External Affairs Division is responsible for managing all Agency interactions with the media, as well as communications with all system stakeholders. The System's stakeholders include members, retirees, member associations, State elected leaders, and Maryland taxpayers. The Internal Audit Division ensures Agency compliance with State laws, rules and regulations, as well as ensuring employer compliance with Agency reporting policies. The Information Systems Division is responsible for the design and implementation of new automated management information systems and for maintenance and enhancements of existing systems including the Maryland Pension Administration System (MPAS). The Project Management Office (PMO) is responsible for the design and implementation of the MPAS.

The Agency has established the following four broad goals in support of its Mission:

- Goal 1.** To prudently invest System assets in a well-diversified manner to optimize long-term returns while controlling risk through excellence in the execution of the investment objectives and strategies of the System.
- Goal 2.** To effectively communicate to all retirement plan participants the benefits provided by the System and to educate them about planning and preparing for all aspects of their defined benefit system.
- Goal 3.** To pay all retirement allowances provided by State pension law to the System's retirees and their beneficiaries in an accurate and timely manner.
- Goal 4.** To efficiently collect the required employer and employee contributions necessary to fund the System.

## **ADMINISTRATIVE DIVISION**

The Division administers 12 separate defined benefit pension systems (with 51 plans within the systems) covering over 246,000 active and deferred vested participants and approximately 130,223 pension annuitants whose pension benefit payments exceed \$2.6 billion annually. The Division, staffed by 106 permanent and contractual employees, consists of four major Units: Data Control, Benefits Processing, Member Services, and Special Projects.

### **Data Control Unit**

This Unit provides maintenance and control of 376,000 participants' and former participants' accounts and payee records maintained in a database master file. The Unit provides three separate, interrelated functions:

- 1. Employer Reporting Section** – collects, reconciles, and controls individual member pension payroll data submitted by more than 163 separate, independent payroll centers (employers). These centers cover over 6,627 individual employer payroll periods reported through 4.8 million individual transactions for 195,100 active plan participants. Other responsibilities include determination of Plan eligibility of new members (15,700 annual enrollments) updating 48,000 individual designations of beneficiaries; authorizing and calculating service credit adjustments for member purchase of additional pension credit (2,200 annual invoices), member leave of absence service credit adjustments (2,760 annually), membership account manual adjustments (164,000 annually), and military service applications (800 annually). The timeliness and accuracy of the membership data is critical as it is used to determine benefit eligibility, calculate the pension allowance and used for actuarial valuation for determining the State and local participating employer's contribution rates.
- 2. Production Control Section** – provides quality assurance for all mainframe processing and automated systems required for maintaining membership data elements, files, calculations, benefit payments and tax reporting compliance. This includes problem identification, documentation, development of potential solutions and testing requirements prior to providing final authorization to the Information Systems Division programmers to initiate the required automated systems program changes. The Section transfers data files to the Actuary for the purposes of the annual valuation, which is used for the determination of the State and local employer contribution rates; generates the data elements and files to create the 195,000 Personal Statement of Benefits provided annually to all active members; and

generates and controls the annual processing of the 1099-R payee tax documents (approximately 143,300 annually) and data files required by the federal and State taxing authorities. Additionally, approximately 9,300 notices are processed to former non-vested members regarding eligible refund of member funds.

- 3. Retired Life Section** – maintains, reconciles, and controls all data updated to the retiree database master file (approximately 130,000 annuity payment records); authorizes, reconciles and controls the processing of the monthly pension annuity payroll and benefit voucher disbursement process; generates the data required for the valuation determination of an employer's continuing withdrawal liability payment for employers that elect to withdraw from the Plan; and administers the review of the retiree's statutory earnings limitation provisions and calculation and determination of the resulting pension benefit allowance reductions (offsets). Annually, the section updates 7,500 pension payee address changes.

### **Benefits Processing Unit**

This Unit provides separate but interrelated functions in the processing of member requests for pension benefits:

- 1. Retirement Processing Section** – processes all member benefit estimate requests (annually 22,700 applications); determines pension benefit eligibility and processes all member retirement applications (10,500 annually), revises new pension allowances (4,100 revisions annually) due to the employer revision for unused employer-granted sick leave, an application at retirement to purchase additional service credit or a filing for military service credit, and other such adjustments; and generates manual vouchers for payment of retroactive benefits and benefit allowance adjustments due to account revisions.
- 2. Post Membership Payments Section** – processes all lump sum member and retiree death benefits and initiates survivor annuities (approximately 4,400 annually); determines beneficiary eligibility for benefits; calculates and manually issues death benefit payments and vouchers totaling \$17.1 million annually; manually calculates the tax information for all lump-sum death payments issued to the beneficiaries of deceased retirees; and calculates and generates all member contribution refunds and rollovers to qualified accounts (10,900 payments totaling \$43.6 million annually).

- 3. Reconciliations and Revisions Section** – issues replacement checks for Direct Deposit failures and lost/stale-dated benefit checks (approximately 1,000 payments annually); audits each accidental disability retiree account (approximately 115 annually) to determine and recover all simultaneously paid (overlapping) pension and workers' compensation benefits (annually 50 account recoveries); and authorizes the reduction of pension allowances in accordance with filed domestic relations orders, liens, levy's and other court orders.

## **Member Services Unit**

This Unit provides a multi-pronged communication program to inform plan participants of their retirement benefits, and provides for the evaluation and processing of all disability applications. This unit consists of:

- 1. Correspondence and Face-To-Face Counseling Section** – responds to written inquiries (approximately 6,800 letters and approximately 8,700 emails annually) received from members, former members, beneficiaries, retirees, employers, and others. Topics include benefit questions, complex pension issues, and resolution of members' individual problems. Staff (Counselors) in this Section meet one-on-one with members and retirees (3,800 annually) conducting sessions at the Agency and various other on-site locations throughout the State. Counselors participate in both Agency initiated group seminars as well as employer and employee organization sponsored seminars and programs (serving 6,500 annually).
- 2. Call Center Section** – provides telephone counseling and problem solving to participants and pension annuitants through telephone calls (approximately 117,900 calls responded to annually) with additional calls (approximately 128,800 annually) handled through the interactive voice response system (menu option system). The Section serves as the initial point of caller contact for clarification on retirement matters, response to questions, account problems, or non-receipt of pension checks.
- 3. Disability Section** – processes member claims for disability retirement (approximately 1,600 annually) through various administrative and medical review steps. This Section interacts with the Agency's medical boards, legal staff, member physicians and attorneys, and schedules independent medical examinations, as requested by the medical board in their determination regarding the member's eligibility for disability retirement.

- 3. Employer Education and Training Section** – produces membership literature including production of pension benefit handbooks and manages the Pre-Retirement Seminar Program. In addition to its work aimed directly at plan participants, the Section also interacts and maintains certification, training, and continuing education programs for employer-based Retirement Coordinators (670 Retirement Coordinators).

### **Special Projects Unit**

This Unit provides the management and oversight of special Legislative and Agency programs. Projects include Early Incentive Retirement Programs offered by participating employers, complete administration (entirely a manual, but soon to be automated, process) of the Deferred Retirement Option Programs (DROP) enacted by the legislature for members of the Law Enforcement Officers and State Police Pension Systems; oversight and review of Agency issued surveys.

The Unit also reviews and conducts a general audit of each benefit payment voucher (benefits exceed \$2.6 billion annually) to ensure the vouchers' accuracy and the accuracy of each manually processed payment. Also, the Unit provides staff training covering benefit calculations and maintains the division's detailed calculation manual.

**Goal 1** To administer and process applications filed by employers and plan participants for enrollment, plan transfer options, purchases of additional service credit, additional credit for military service, and employer payroll reporting requirements.

#### **Data Control Performance Standards and Measurement Input:**

- Within 30 days of application receipt, review, process, and update membership enrollment applications.
  - Random sampling conducted and ongoing supervisory review.
- Within 30 days of application receipt, calculate, and invoice at least 90% of the Purchase of Service Credit Applications.
  - Tracking file maintained.
- Within 30 days of application receipt, review, process, and calculate at least 90% of Military Service Request Applications.
  - Random sampling conducted and ongoing supervisory review.

**Goal 2** To ensure the timely and accurate collection and posting of payroll data to ensure that the underlying data necessary for retirement calculations are available and correct.

#### **Data Control Performance Standards and Measurement Input:**

- At least 98% of the time, reconcile member transaction data updated to the master file to the system generated tabulation reports within 1 business day.
  - Tracking file maintained.
- Review all system-generated audit reports (cross-foot contribution audit report, unposted transaction report, and other system generated suspect reports) within 20 business days from date of system generation. Expand utilization of existing system generated reports to focus on resolution of systemic employer reporting discrepancies while also striving to correct each affected individual record account discrepancy.
  - Random sampling conducted and ongoing supervisory review.
- Reconcile the member enrollment master file to the General Ledger Annuity Savings Fund (ASF) balance by the 25<sup>th</sup> of the following month.
  - Random sampling conducted and ongoing supervisory review.
- Within 30 days of receipt, update 90% of employer reported data files (payroll validations).
  - Tracking file maintained.

### **Goal 3**

To track, process, validate, and reconcile all scheduled employer data covering employee contributions and other elements required for calculation of fiscal year service credit, benefit calculations, actuarial valuations, and employer contribution billings.

#### **Data Control Performance Standards and Measurement Input:**

- Enter employer-reported payroll into the PC tracking system and within 3 days of receipt forward at least 95% of the payroll data files to the Information Systems Division (ISD) for continued system processing.
  - Random sampling conducted and ongoing supervisory review.
- Reconcile employer reported payroll data to monies deposited and recorded in the general ledger's cash receipt listings within 15 business days of receipt.
  - Random sampling conducted and ongoing supervisory review.

### **Goal 4**

To coordinate employer reporting and communicate with retirees about pension earnings limitations, confirmation of wages received and notification of benefit allowance reductions.

#### **Data Control Performance Standards and Measurement Input:**

- Within 45 days of receipt of a participating employer's wage file, process, review, and determine potential employer wages paid in excess of a pensioner's statutory earnings limitation amount.

- Random sampling conducted and ongoing supervisory review.
- Tracking file maintained.
- By May 1<sup>st</sup>, process employer reported wages, review suspect accounts, and communicate with pensioners identified as exceeding earnings limitation.
  - Tracking file maintained.
- By the June board meeting, report to board the identified pension allowance reductions required under the service and disability earnings limitations provisions.
  - Manager oversight and review confirms appropriate actions.

**Goal 5**

To ensure that all daily automated retirement jobs are run timely and accurately and reconciled promptly.

**Data Control Performance Standards and Measurement Input:**

- At least 98% of the time data transactions updated to the master file are reconciled within one business day.
  - Random sampling conducted and ongoing supervisory review.
- At least eight banking days prior to the check date, process and fully reconcile the monthly pension payroll.
  - Random sampling conducted and ongoing supervisory review.
- Accurately pay at least 98% of system pension allowances ensuring allowances are computed in accordance with Federal and State pension and tax laws.
  - Tracking file maintained.
- Pay 100% of manual pension allowance benefits on time and accurately.
  - Random sampling conducted and ongoing supervisory review.
- Verify that all automated programs compute payment values in accordance with Federal and State pension and tax laws.
  - Random sampling conducted and ongoing supervisory review.

**Goal 6**

To facilitate the identification, documentation, and resolution of automated system issues and requirements through coordination with the Information Systems programmers. Initiate data processing requests for automated services, provide the proper level of quality assurance of modifications, provide adequate oversight regarding testing, and approve the final system changes and enhancements. Generate mass communication documents to retirees and participants.

**Data Control Performance Standards and Measurement Input:**

- By September 10<sup>th</sup>, process, verify calculations, and coordinate the issuance of the annual Personal Member Statements of Benefits.

- Tracking file maintained.
- By January 31<sup>st</sup>, process, verify tax reporting requirements and calculations, and coordinate the issuance of all 1099-R tax documents to payees.
  - Tracking file maintained.
- Within 5 business days, review, analyze, and document ‘user’ requests for automated system modifications.
  - Tracking file maintained.
- By August 1<sup>st</sup>, process, audit, and transfer extracted data files to the System’s actuary for performing the annual actuarial valuation.
  - Tracking file maintained.

## **Goal 7**

To provide effective communication to members and beneficiaries to assist them in securing the correct services and benefits.

### **Benefits Processing Performance Standards and Measurement Input:**

- Once notified of the death of a retiree or a member in active service, mail the appropriate claim forms to the beneficiary or to the administrator of the estate, within 5 days, 95% of the time.
  - Random sampling and ongoing supervisor review.
- Within 3 business days of receipt of the claim forms, return 95% of the incomplete or deficient beneficiary claim forms with a letter of explanation.
  - Random sampling and ongoing supervisor review.
- Within 30 days of receipt of Finance Division notice of outdated/outstanding benefit check payments (at least 6 months old), research the payment and send the payee a letter regarding the replacement or resolution of the outstanding payment.
  - Tracking system maintained with ongoing supervisory review.

## **Goal 8**

To provide for the accurate and timely issuance of benefits to members and beneficiaries.

### **Benefits Processing Performance Standards and Measurement Input:**

- For lump sum payments to beneficiaries, initiate 95% of the payments within 15 business days of the receipt of completed claim forms.
  - Random sampling and ongoing supervisor review.
- For joint life annuity allowance, initiate the payment in the same month for completed claim forms received by the 10<sup>th</sup> of the month. For completed claim forms received after the 10<sup>th</sup> of the month, commence payment at the end of the following month.

- Random sampling and ongoing supervisor review.
- Within three business days of receipt of notification of a Direct Deposit failure or the certification of a check “stop payment”, process at least 98% of the replacement checks.
  - Random sampling and ongoing supervisor review.
- For employment-terminated members, initiate 100% of the month-end refund payments for completed refund applications received by the 10<sup>th</sup> of the month. For completed refund applications received after the 10th of the month, issue payment at the end of the following month.
  - Tracking spreadsheet maintained with ongoing supervisory review.

## **Goal 9**

To provide clear, accurate, and timely benefit plan information through the counseling of plan participants via personal counseling sessions, the telephone, and correspondence.

### **Member Services Performance Standards and Measurement Input:**

- Limit the number of abandoned incoming telephone calls to 6.0% in FY2012.
  - Statistical reports generated through the Automatic Call Distribution System (ACD).
- Limit the waiting time for calls to be answered to 1 minute and 30 seconds in FY2012.
  - Statistical reports generated through the Automatic Call Distribution System (ACD).
- Achieve a 90% satisfaction rate for plan participants surveyed who contact Member Services.
  - Tracking System used to log surveys mailed and responding results.
- Answer 95% of all correspondence within 2 weeks of being received or send a letter explaining the causes for any delay beyond the 2-week turnaround time.
  - Manual tracking system maintained by Supervisor.
- Participate in conventions, benefit seminars, and special request events sponsored by participating employers and organizations.
  - Supervisor tracks attendance.
- Participate in 100 Pre-retirement Seminars.
  - Manager oversees Program and assigns counselor based upon contracted number of seminars.

## **Goal 10**

To provide the timely processing of all disability claims.

**Member Services Performance Standards and Measurement Input:**

- Review new claims for a terminal condition within one business day of receipt.
  - Daily supervisory review.
- Review completeness of new claims for eligibility to apply for disability retirement and request missing information within 15 business days of receipt of claim.
  - Routine supervisory review.
- Schedule completed claims immediately for next medical board.
  - Routine supervisory review.
- Prepare weekly medical board agenda of claims.
  - Weekly supervisory review.
- Correspond with claimants, attorneys, and employers within seven business days of medical board's request for information.
  - Weekly supervisory review.
- Schedule all independent medical examinations within seven business days of the medical board meeting.
  - Weekly supervisory review.
- Evaluate all requests for reconsideration of disability claim within five business days of receipt.
  - Routine supervisory review of summary case reports.

**Goal 11**

To inform plan participants through printed and website documents as well as the training and oversight of participating employers' retirement coordinators.

**Member Services Performance Standards and Measurement Input:**

- Provide educational seminars for uncertified retirement coordinators and conduct bi-annual certifications.
  - Schedule fall and spring sessions.
- Conduct annual general information sessions for all retirement coordinators.
  - Tracking file and ongoing supervisory review.
- Conduct orientation meetings with new coordinators to their responsibilities and meet individually with retirement coordinators on an as needed basis to answer questions and correct misconceptions.
  - Ongoing supervisory review.
- Oversee the Pre-retirement seminar program.
  - Education and Training Manager assists in the oversight of the vendor program and reviews participant program evaluation forms.

- Achieve an 85% certification rate of all Retirement Coordinators in fiscal year 2012 to ensure that plan participants are effectively assisted at the employer level in the timely and accurate filing of retirement forms.
  - Tracking system maintained.

**Goal 12**

To provide services to DROP participants and plan participants subject to the Internal Revenue Code Section 415 benefit limitation.

**Special Projects Performance Standards and Measurement Input:**

- Within 15 days of receipt of DROP application, send acceptance notice to the employer and the employee.
  - Tracking system maintained.
- Within five business days of application receipt, return incomplete or rejected DROP applications.
  - Tracking system maintained.
- By August 15<sup>th</sup>, manually calculate, prepare, and issue DROP statements of account balances to current program participants (267 retirees).
  - Tracking system maintained.
- Within five business days of receipt of member request, prepare the 415 IRC reduced benefit estimate for review and audit by the Administrator or designee, and subsequent review by the System actuary for actual calculation and certification.
  - Manager manually compares estimate notice date to the application filing date.
- Manually prepare all DROP tax and account balance statements within five days of a participant's early termination request or within two months prior to the DROP termination date for all others.
  - Tracking system maintained and statements released.

**Goal 13**

To survey participants and annuitants regarding services provided.

**Special Projects Performance Standards and Measurement Input:**

- Solicit survey responses from members, beneficiaries, and retirees covering a wide range of administrative services (Retirement Estimate Survey, New Retiree Survey, and Purchase of Service Survey). The responses are collected, summarized, and analyzed to provide valuable feedback used for strategic planning purposes.
  - Tracking System maintained.
  - Reported to Administrative Committee

**Goal 14**

To promote accurate and timely processing of manual payment vouchers including preparation and the review of all manual vouchers.

**Special Projects Performance Standards and Measurement Input:**

1. Pay within 15 days of DROP termination date, all completed applications for lump sum Deferred Retirement Option Program (DROP) balances.
  - Manual payment vouchers produced and reviewed.
2. Pay 98% of automated system pension allowances accurately computed in accordance with the Federal and State pension and tax laws. Pay 100% of manually calculated payments accurately computed.
  - Review each payment voucher.
3. Within two business days, complete existing reviews and audits of automated payment allowances (\$3,000 monthly payment threshold is reached); all manual voucher payments; all automated system retroactive benefit payment calculations; all automated refunds over \$10,000 and all automated active deceased payments.
  - Voucher tracking log maintained.

# **INVESTMENT DIVISION**

The Investment Division has investment management responsibilities for \$37 billion of assets (as of June 30, 2011) held in trust for the members and beneficiaries of the Maryland State Retirement and Pension System.

The Investment Division, with support from the System's investment consultants, recommends asset allocation, provides oversight of external managers in all asset classes, and implements Board initiatives.

## **Investment Division Goals & Performance Measures**

**Goal 1** Allocate assets strategically to maximize surplus and manage risk over a long-term horizon.

### **Asset Allocation Performance Standards and Measurement Input:**

- On a month-to-month basis, maintain allocations within the Board of Trustees' strategic asset allocation ranges.
- Present to the Board at least quarterly an overview of total Plan performance and individual manager performance.
  - Deliverables tracking system maintained by staff.

**Goal 2** Control risks through monitoring of external managers.

### **Risk Control Performance Standards and Measurement Input:**

- Monitor for manager guideline violations, initiate discussions with manager, assess the impact and develop a plan for resolution that will bring the manager into compliance with the guidelines.
  - Staff currently utilizes Charles River compliance monitoring software.
- Perform full due diligence on each manager as outlined in the System's Investment Policy Manual.
  - Staff and consultants conduct due diligence activities in accordance with the System's Investment Policy Manual.
  - Manager meeting tracking system maintained by staff.
- Utilize Risk Budget system in public manager monitoring and allocation decisions.
  - System maintained and updated regularly by staff.

**Goal 3** Implementation of Board initiatives.

**Board Initiative Performance Standards and Measurement Input:**

- Maintain up-to-date list of investment-related deliverables required to implement Board policies, procedures and initiatives.
  - Deliverables tracking system maintained by staff.

**Goal 4** Build credibility within the industry and gain understanding of best practices.

**Best Practice Performance Standards and Measurement Input:**

- Provide staff with opportunities to attend and/or speak at leading industry conferences.
  - Staff proactively identifies leading conferences in its annual budget submission.
  - Executive Director's permission is required for out-of-state travel (insures that staff is attending 'best of breed' conferences and programs).
- Actively participate in CII, NASIO, NASIP and other organizations serving institutional investors.
  - Staff includes conferences and programs conducted by CII, NASIO, NASIP and other organizations serving institutional investors in its annual budget submission.

# **FINANCE DIVISION**

The mission of the Finance Division is to safeguard and ensure fiscal responsibility and accountability of the assets entrusted to the Maryland State Retirement and Pension Trust Fund and to also provide comprehensive finance and administrative support of the Systems' operations and overall mission and fiduciary responsibility to administer the benefits of the System's participants. The range of the comprehensive support services are provided by the following four division units – Financial Accounting Operations, Budget and Contracts, Human Resources, and Office services.

## **FINANCE DIVISION PERFORMANCE GOALS AND STANDARDS**

**Goal 1** To accurately collect, control and deposit all System revenues in a timely manner.

**Fiscal Operations & Reporting Performance Standard and Measures:**

Receipts will be deposited on the same day of receipt.

- Random sampling conducted and ongoing supervisory review.

**Goal 2** To properly and accurately process all authorized disbursements to participants, employees and vendors, in accordance with applicable laws, rules and regulations, when such amounts become due and payable.

**Fiscal Operations & Reporting Performance Standard and Measures:**

Upon proper approval, applicable disbursements to participants, employees and vendors will be processed for payment within 24 hours of receipt of an approved disbursement request.

- Random sampling conducted and ongoing supervisory review.

**Goal 3** To ensure, through accurate, consistent and diligent administration of the Agency's various bank account balances, that sufficient liquidity is regularly maintained to cover current and reasonably projected expenditures while maximizing the funds available for daily investment.

**General Accounting Performance Standard and Measures:**

Cash reconciliations and projections shall be prepared and reconciled within 15 business days following the end of the month.

- Random sampling conducted and ongoing supervisory review.

**Goal 4** To properly, consistently and accurately generate, document and record authorized financial transactions in accordance with Generally Accepted Accounting

Principles to facilitate:

1. timely and accurate completion and distribution of monthly system and fund general ledgers.
2. timely and accurate preparation of the Agency's annual financial statements and Comprehensive Annual Financial Report.
3. proper accountability for all financial transactions by, between and among the Agency's various funds and systems.
4. material compliance with all relevant financial reporting rules established by the Government Finance Officer Association as requirements for receipt of the annual *Certificate of Achievement for Excellence in Financial Reporting*.

**Fiscal Operations & Reporting Performance Standard and Measures:**

General Ledgers and Fund Ledgers will be closed within 15 business days following the end of the month.

- Month end close tracking file maintained.

**Fiscal Operations & Reporting Performance Standard and Measures:**

The Agency's annual financial statements and CAFR, which includes the annual financial statements, will be published by December 15th following the previous fiscal year-end.

- Year end close tacking file maintained.

**Fiscal Operations & Reporting Performance Standard and Measures:**

General Ledger and Fund Ledger financial transactions will be closed within 15 business days following the end of the month.

- Month end close tracking file maintained.

**Fiscal Operations & Reporting Performance Standard and Measures:**

An application for the annual Certificate of Achievement for Excellence in Financial Reporting shall be completed and submitted on or before December 31<sup>st</sup> following the close of the previous fiscal year-end.

- Year end close tracking file maintained.

**Goal 5**

To cost effectively procure (in compliance with applicable laws, rules and regulations) those goods and services authorized and necessary for the efficient

conduct of Agency operations.

**Budget and Contracts Performance Standard and Measures:**

All requests for procurements shall be processed for funding within 24 hours of receipt by CFO for approval.

- Random sampling conducted and ongoing supervisory review.

**Goal 6**

To ensure, through diligent budget preparation, administration and analysis, that adequate funding is timely requested and, to the extent practical, obtained for all authorized Agency operations.

**Budget and Contracts Performance Standard and Measures:**

The annual funding request for the upcoming fiscal year's Agency operating budget will be submitted to the Department of Budget and Management (DBM) for approval on or before the required deadline as stipulated by DBM.

- Agency budget submission schedule assigned by DBM.

**Goal 7**

To provide effective human resource management through deliverance of progressive, responsive, and results-oriented services.

**Human Resources Performance Standard and Measures:**

The Agency staff shall be provided effective human resource management through delivery of services within 72 hours of inquiry.

Random sampling conducted and ongoing supervisory review.

**Goal 8**

To provide professional, relevant and useful advice, guidance, training, and direction on human resource matters to all Agency staff.

**Human Resources Performance Standard and Measures:**

Agency staff shall be provided professional guidance, training, and direction on human resource matters within 24 hours of inquiry.

- Random inquiries of staff conducted and ongoing supervisory review.

**Goal 9**

To maintain accurate and reliable employee data files and record tracking mechanisms.

**Human Resources Performance Standard and Measures:**

Employee records will be created, updated and/or filed within 5 working days of receipt by Human Resources.

- Random sampling conducted and ongoing supervisory review.

**Goal 10** To provide efficient and comprehensive mail services including mail distribution, check recordation, centralized copying, and office space maintenance support.

**Office Services Performance Standards and Measurement Input:**

Ensure sufficient stock for distribution of SRA forms for employers and participants.

- Monthly inventory audit performed.

Authorize approval of payment of all invoices within five business days.

- Supervisor reviews and approves for payment; General Accounting monitors approval dates.

Deliver to the Document Imaging Section by 10:30 a.m. all incoming mail received by 8:00 a.m.

- Document Imaging Supervisor monitors on a daily basis.

Forward to the appropriate party all mail received by 3:00 p.m. Processing includes any special handling requirements for certified mail, bulk mailing and overnight mail delivery.

- Supervisor monitors on a daily basis.

Track and monitor the mailing of the monthly benefit checks and advices to ensure 100% delivery to the Post Office. Keep senior management informed as to mail delivery status, while also taking immediate actions to resolve any concerns or potential problems.

- Tracking system maintained by supervisor and director.

Forward 100% of checks received by 8.00 a.m. to the Finance Division for deposit by no later than 12:30 p.m.

- Supervisor monitors on a daily basis.

Process all outgoing checks that are printed in the Check Processing Room by 3:00 p.m. and mail via U.S. Postal Service by 4:00 p.m.

- Supervisor monitors on a daily basis.

**Goal 11** Operate and maintain an efficient document storage and electronic imaging system.

**Office Services Performance Standards and Measurement Input:**

Monitor and track Agency's records stored at the offsite storage facility, as well as effectively monitor storage cost.

- Supervisor reviews on a monthly basis for proper billing and inventory.

Image, index, and distribute all incoming and outgoing documents the same day as the day received. All documents are imaged and indexed to member accounts for folder inquiry.

- Supervisor monitors on a daily basis.

Accurately index at least 98% of the imaged documents.

- Periodic review and audit to ensure accuracy of indexed documents.

## **INFORMATION SYSTEMS DIVISION**

The Information Systems Division develops, operates, and maintains the systems and technologies used throughout the Agency. This encompasses enterprise-wide applications and applications unique to a specific division, and operating on platforms at the Agency's secure Baltimore Data Center and the Agency's Annapolis disaster recovery processing site, along with State-wide applications hosted at the Annapolis Data Center and shared within the State. The Agency's technology environment also encompasses numerous tools that operate "behind the scenes" to reduce the business risk of running the Agency, including Internet firewalls, leak protection safeguards over sensitive data, sophisticated tools to monitor activities within the networks to protect against unauthorized use, and various tools to protect against network-borne viruses or "malware" that can attack the Agency's infrastructure.

The Agency utilizes many technology platforms including desktop workstations, an extensive Windows server-based network infrastructure, a storage area network for specialized access to Agency data, information archiving and backup hardware and software, Agency voice technology (central switch with call center functionality, wiring, wireless devices, and desk telephone stations), and the shared mainframe at the Annapolis Data Center. Information Systems also manages the Agency's voice messaging system, which integrates with its data network-based messaging system, which in turn is synchronized with the Agency's mobile communications (BlackBerry) devices. Last, Information Systems manages the interactive voice response platform and provides it with extracted data from pension administration databases, for access by members.

The Agency's technical computing environment has grown increasingly complex over the past decade, matching the demands of the organization. Information Systems maintains the Agency's high-speed local area network (LAN) and several small internal wireless LANs connecting to its local computer center. The Windows server farm and critical network communications components are housed in the Agency's Baltimore Data Center (SunTrust Building). The Agency uses networkMaryland to provide wide-area network (WAN) connectivity to the Annapolis Data Center, other Maryland State facilities, and the Internet. The Internet connection is used to reach Agency business partners, pension system customers (employers), as well as pension system members (active and retired employees). The Agency retains a few point-to-point connections to other outside services (mostly financial management/investment services). Last, the Agency expects a high level of reliability and service from its technology platforms; Information Systems develops and maintains Disaster Recovery services (data, hardware, software, and connectivity) with the Agency's off-site backup Data Center co-located with the State's Annapolis Data Center, and with an off-site secured backup storage facility in

Westminster, MD.

The Agency takes specific additional steps to bolster procedures and protections associated with handling and transferring sensitive and confidential information, both within and outside the Agency. These include safeguards to protect information in its exchange with business partners. The Information Systems Division continues to bring available technology to the Agency to further enhance this function, including controls over downloading files to removable storage devices (e.g., disks and USB plug-in drives) and commercial tools to protect data interchange. Together, these actions enhance what is already one of the better-protected networked computing environments within the State, further assuring the Board of Trustees and membership of the Agency's commitment to safeguard information resources.

The Chief Information Systems Officer (CISO) is responsible for the performance of Division personnel and the Agency's technology assets. The CISO's responsibilities include information systems policy, standards and practices; staffing and organizational structure; budgets and strategic planning; daily operations; and continuous adaptation and development of information systems technologies, data, and processes, leveraging them to enhance the Agency's overall service delivery to its various constituents (internal and external). The CISO also acts as the Agency's representative to the Maryland Statewide Information Technology Advisory Council (ITAC), and as technical interface with the Agency's Participating Governmental Units (PGUs), other State Agencies, as well as the Board of Trustees (BOT). To maintain currency in technology and best-practices, in general and within the public retirement community, the CISO actively participates in both regional Chief Information Officer organizations and with the Public Retirement Information Systems Management (PRISM) association. In all these roles, the CISO is joined by the Deputy CISO, whose responsibilities include directly managing daily I.S. operations for the Agency.

The Division consists of four (4) major units – Pension Systems Operations, Network Operations, Systems Development, and Information Security / Quality – that are tasked with broad and diverse responsibilities. As Fiscal Year 2013 begins, staffing for the Division is comprised of 20 State permanent employees, 2 temporary data entry personnel, and supplemental data entry personnel as needed through the “Maryland Works” program. In addition, to support systems development and maintenance, the Division has 3 contractor resources (through 2014) to maintain and support MPAS, and 2 contractor resources to maintain and support other application systems at the Agency (through 2014); this systems development contractor complement represents a reduction of 3 headcount from FY2012 levels.

## **Pension Systems Operations Unit**

This unit is responsible for operation and support of those systems that are used by the Agency's Pension Administration function. The Pension Systems Operations unit works closely with many operating units of the Pension Administration Division. The unit receives and prepares data, submits and controls computer processing, and receives and distributes reports.

The Maryland Pension Administration System (MPAS) became Pension Administration's "system of record" in Fiscal Year 2011. MPAS operates on a server-based platform located within the Agency's Baltimore Data Center, with a backup set of equipment and synchronized databases located at the Agency's Annapolis site. Pension Systems Operations handles job submission and monitoring, troubleshooting of any operational issues with the job streams or the processing environment (hardware, operating systems, software utilities for assembling job runs and handling data, etc.), and a full-function print and distribution operation. Consequently, Pension Systems Operations has working hours of approximately 6:30 AM to 5:00 PM weekdays, which can vary based on workload, also providing first-line monitoring of overnight processing and some processing over weekends and holidays.

In addition, in the past two years, the role of Pension Systems Operations has expanded to include answering Help Desk calls, providing "tier 1" support to Agency staff when possible, and referring other calls to the Network Operations Help Desk technical staff.

## **Network Operations Unit**

Responsibilities of this unit include daily operation and support of the Agency's computing infrastructure, and Network Operations maintains an Information Systems Help Desk that serves as a "single point of contact" for Agency staff, business partners, and vendors for technology-related services. Network Operations fulfills four roles within the Information Systems Division: desktop support, data and voice network operations and support, network management, and Internet / external / remote connectivity. Support activities are complex due to the multitude of hardware platforms used throughout the Agency. The Network Operations Unit works closely with the Annapolis Data Center and networkMaryland to assure reliable connectivity, coordinated operations schedules, compliance with standards, effective security (over both applications and data), etc. The unit supports all local computing platforms which are housed at the Agency's site in Baltimore, the Agency's remote business office at 45 Calvert Street in Annapolis, backup and recovery processing at the Agency's Annapolis site, and remote computing by staff using Internet-based connections, in addition to the growing wireless and mobile computing needs on laptops, BlackBerry, and other devices. Voice technology managed by Network Operations includes the Agency's telephone switch, automated call distribution,

call recording, and interactive voice response components. The Agency's Baltimore Data Center incorporates power control, battery back-up, supplemental air conditioning, fire suppression, and additional physical security monitoring equipment and alerts. Network Operations staff on-call coverage is operational 24 hours a day, 7 days a week.

Network Operations is involved in many moves/adds/changes to the Agency's desktop/server computing systems as well as daily maintenance and troubleshooting. The unit also supports enterprise-wide messaging applications (e-mail, Internet, voice), anti-virus and similar protections, the Agency's Internet firewall hardware, information security related devices, and office software products (Microsoft Office Suites, Adobe, etc). The Help Desk is directly engaged in roll-outs of new applications and upgrades to existing applications.

### **Systems Development Unit**

This unit is responsible for both development and support of business applications and information systems processes. In its support role, the unit monitors the performance of existing applications (including the Agency's significant indexed document image repository), troubleshoots system interruptions, makes feature/function changes as requested by end-users and the State (executive and legislative branches), and makes technology changes required by changes in hardware, operating system software, network technology, and/or commercial off-the-shelf software (COTS) vendors. Typically, the unit works with client groups to identify opportunities to apply technologies to business challenges. The goal of this unit is to improve the Agency's operational performance, create new/improved services, reduce operating costs, and comply with legislative, executive, or regulatory mandates. The unit forms "projects" which proceed through a development life-cycle (analyze, research, estimate, plan, build/buy, design, develop, test, implement, support). To achieve its mission, the unit uses standard systems architectures, uniform processes, standard database structures, application design standards, and development tools.

Another important role of Systems Development is to build and maintain web services for the Agency encompassing the Agency's public Internet site, the secured Board of Trustees Internet portal, and secured Internet sites and utilities for use by employers, pension administration-related vendors, and members (active and retired). Systems Development also developed the Agency's internal-use Intranet site, the "SRA Café," and continues to expand its use to support the Agency's diverse business and workflow needs. These currently include numerous useful links to external resources, a Procurement tracking system, a Human Resources component (manuals, performance evaluation tracking, employment and termination, etc.), an online Member Services manual, a workflow application to

support member request tracking and response, and a Legislation Tracking section, in addition to Intranet use for managing Systems Development's own projects. Systems Development also developed an SRA Café section to support Investments work flow and information sharing, and plans to expand previous business unit support.

Last, Systems Development initiated the "Enterprise Database" that houses source data, supporting an automated Deferred Retirement Option Plan (DROP) application and the upcoming secure member portal to the Agency's information resources and forms, encompassing reprints of 1099Rs and Personal Statements of Benefits, capture of electronic funds transfer / direct deposit data and forms from members, secure messaging between members and Member Services, and various other barcoded forms to facilitate image scanning of received documents.

Systems Development maintains the ever-increasing inventory of existing Agency application systems, also encompassing Folder Inquiry (document imaging and indexing), various commercial software packages, and payroll uploads from PGUs along with expanding secure file exchanges.

Last, since the Maryland Pension Administration System uses the same technology as other Agency systems, Systems Development has unified the Agency's systems maintenance and development standards, conforming to industry and State of Maryland guidelines and methodologies.

### **Information Security and Quality Unit**

The Information Security and Quality Unit provides an independent security and quality assurance function for the Information Systems Division and the Agency. Its scope includes daily and ongoing review of Information Systems functions and all computer systems and computing platforms used by the Agency. It provides for independent operation and oversight of access control procedures, security products (including Internet firewall rules, security event management and analysis, and data leak protection rules at both the server and workstation levels), "third-party" review of changes made to the Agency's application systems to verify that all modifications are authorized, and standards for information security management. It establishes and conducts security initiatives and risk assessments to help assure that Agency computer applications, data, and technology infrastructure are properly protected. The Security and Quality Unit addresses industry and Maryland Statewide compliance standards and mandates. It develops and maintains the Agency's technology Disaster Recovery program, as well as coordinates and responds to audits (internal/external) and other assessments of MSRA's platforms, applications, networks, etc. By bringing risk management disciplines to MSRA Information Systems and the Agency, Security and Quality interfaces regularly with the Agency's

Internal Audit group, external independent financial and specialized technology auditors, and State legislative auditors and takes the lead on devising and implementing resolutions to an evolving set of risk assessment and compliance standards within which the Agency must operate.

In FY2012, the Information Security and Quality Unit oversaw independent (contractor) external penetration testing of both the Baltimore and Annapolis environments, application security testing of the Board Portal and Secure Member and Employer Authentication, and assessment of the Agency's information security program and staff compliance, in addition to regularly scheduled audits. These independent tests re-affirmed the general efficacy of the Agency's technology-related security, while identifying areas where resources, configurations, policies, and programs might be improved.

## **PERFORMANCE GOALS AND STANDARDS**

The Agency's Information Systems Division has two fundamental operating goals:

- Goal 1** To provide the Agency with data, voice, and video technology that meets the needs, and exceeds the expectations, of Agency management, the Board of Trustees, and other constituencies served.
  
- Goal 2** To plan and execute initiatives that improve the Agency's business operations, supporting the Agency's Strategic and Business Plans, each major Division's goals and objectives, the annual Maryland State IT Master Plan (along with a subordinate Agency IT Master Plan and Major IT Development Projects), and the annual Agency budget.

The Information Systems Division has consistently achieved the first goal, delivering high resource availability to the Agency and the public, with very limited unplanned service disruptions. I.S. staff aim to be attentive to technology performance, to identify and resolve problems before adverse situations arise, and remain ahead of the curve when identifying technology components that are nearing the end of their respective useful lives or termination of product vendor support. When any given service has been disrupted, whether planned maintenance or unplanned, which occasions have been relatively brief and controlled, Information Systems has communicated with Agency staff throughout the outage.

Information Systems continues to strive to take a leading role in bringing creative and proven technology applications to the Agency, enabling improvements to Agency service effectiveness and efficiency, security, and reliability, and thereby achieving the second goal commensurate with resources available. As the Agency and its constituents, internal and external, continue to expand their own use of

technology in their personal and professional lives, and as the Agency's technology resources continue to expand in volume and sophistication, the Information Systems Division intends to support the Agency's goals through judicious application of modern technology and techniques and delivery of beneficial, predictable, consistent, secure, and efficient service.

## **PROJECT MANAGEMENT OFFICE (PMO)**

The Project Management Office (PMO) is a vehicle of senior management to coordinate cross-divisional projects involving significant business change and to guide them to successful completion. The PMO develops, maintains, and monitors project management standards, policies, and procedures. Services include strategic planning, project management, risk management, organizational change management, business process analysis, education and training, and management reporting.

The Maryland Pension Administration System (MPAS) is currently the sole project assigned by the Agency and managed by the PMO. MPAS consists of multiple steps of which MPAS-1 was the first. The MPAS-1 Project modernized the underlying technologies that support the Agency pension administration business processes, so that the new technology platform can eventually be converted into an online, real-time (*when applicable*) system for use internally by staff, and also extended out to members over the Internet. The MPAS-1 Project also addresses the limitations of its predecessor Legacy Pension System (LPS) that make it difficult, risky, and time-consuming to implement major changes required by pension law changes.

Specifically, the MPAS-1 Project achieved the following goals:

1. Implemented an agile technology architecture that can adapt more easily to changes in business requirements, and
2. Recreated the existing LPS functions in the new architecture.

After the 4-year effort, MPAS became the Agency's system-of-record for pension administration, replacing the LPS around August 2010. Since MPAS's data resides in a modern, relational database, the data in LPS's "flat files" have been completely re-architected for MPAS. These records represent over 30 years of transactions.

Since implementing MPAS as part of the MPAS-1 effort around August 2010, during FY2011 and FY2012, the PMO worked with the Administrative Division's Production Control Unit to "stabilize" the MPAS-1 code, and to implement significant modifications to the Agency's automated processing systems related to the "Pension Reform" changes enacted by the Legislature that were effective 7/1/2011. Pension reform change activities are expected to be complete at 6/30/2012, with any residual work activity completed as part of the Agency's Operations and Maintenance activities.

Due to the need to stabilize the initial MPAS-1 code implementation, and to address the significant pension reform changes, the earlier planned “Improve Data Quality” activities that were to begin following fiscal year-end file close-out in mid-July 2010, were deferred. However, now that the pension reform activities are scheduled for and nearing completion by June 30, 2012, the PMO is ready to move forward with the next phase of MPAS-2 “Improve Data Quality” activities, starting with development of a detailed project scope and progressing through subsequent phases of team development / contracting, design, automated and manual data cleansing, and ultimately opening the cleansed data to members and staff. The MPAS-2 Project is expected to take multiple years to complete.

Following MPAS-2, the Agency plans to initiate a business re-engineering of the Administration organization, which may include major enhancements to the MPAS system itself to convert it from a batch-oriented system to one that is characterized by more online, real-time update and processing for certain functionality. This third phase Business Re-Engineering (MPAS-3) will also take multiple years to complete.

The PMO goals associated with projects it manages are:

**Goal 1** Formalize the execution of project cost management

**PMO Performance Standards and Measurement Input:**

- Provide consistency to the management of costs for projects
  - Establish a Cost Management Plan
  - Include the Cost Management Plan as part of the Project Management Plan (PMP)
  - Execute the Cost Management Plan

**Goal 2** Formalize the execution of project schedule management

**PMO Performance Standards and Measurement Input:**

- Provide consistency to the management of the project schedule
  - Establish a Plan for Project Scheduling
  - Include the Project Scheduling Plan as part of the Project Management Plan (PMP)
  - Execute the Project Scheduling Plan

**Goal 3** Improve the execution of project risk management

**PMO Performance Standards and Measurement Input:**

- Provide consistency to the management of risks for projects
  - Review and revise the Risk Management Plan
  - Execute the improved, revised Risk Management Plan

**Goal 4** Improve the execution of project quality assurance and process improvement

**PMO Performance Standards and Measurement Input:**

- Provide consistency to the management of quality assurance and process improvement for projects
  - Review and revise the Quality Assurance / Process Improvement Management Plan
  - Execute the improved, revised Quality Assurance / Process Improvement Management Plan

In summary, the PMO activities planned for FY2013 are to:

- (MPAS-2 – Improve Data Quality) Work with the Towson University’s Center for Applied Information Technology to develop a Request for Proposal to be issued during the latter part of FY2013 defining the scope of work to be performed as part of the MPAS-2 “Improve Data Quality” data cleansing activities.
- Additionally, other PMO activities planned for FY2013 are to:
  - Collaboratively work with the Administrative Division’s Production Control Unit to support on-going MPAS operations and maintenance activities including anticipated stabilization of the significant logic changes associated with the legislatively enacted pension reform changes.

Collaboratively work with the Administrative Division’s Production Control Unit to support on-going MPAS operations and maintenance activities; including the analysis of legislation passed during the FY2012 legislative session culminating in the modification of MPAS functionality to address the legislative changes; and to implement changes to the Agency’s tax reporting programs resulting from an advice of tax counsel regarding the taxability of accidental disability retirement benefits. Specifically, based on the advice of prior tax counsel the Agency, since 1995 has been reporting the entire accidental disability retiree allowance as non-taxable. However, current tax counsel in consultation with the Internal Revenue Service (IRS) has now determined that the portion of the retirement allowance based on the retiree’s employee contributions is subject to taxation following applicable IRS tax recovery methods.

# **INTERNAL AUDIT DIVISION**

The mission of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the System's operations. It assists the System in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.

The objectives of the Division's auditing services are to provide independent assurance to the Audit Committee that:

- System assets are safeguarded from fraud, waste, and abuse;
- Operational effectiveness and efficiency is enhanced; and
- Compliance is maintained with prescribed laws, rules, regulations, Board of Trustee, State of Maryland, and Agency policies, and where appropriate, industry best practices.

## **Goals & Performance Measures**

**Goal 1** To provide a wide range of quality independent internal auditing services for the Audit Committee, and consulting services for Agency management.

## **Performance Standards & Measures**

An annual Audit Plan will be prepared for FY 2013, based upon an Agency-wide risk assessment completed during FY 2011. The risk assessment is updated on an annual basis to reflect program changes, new initiatives, and other revisions. The Plan will address business risks in priority order, with a target of addressing all significant risks by the end of FY 2014.

The annual Audit Plan will include:

- Reviews of internal controls to insure that System assets are safeguarded from fraud, waste, and abuse; and
- Reviews for compliance with prescribed laws, rules, regulations, Board of Trustee, State of Maryland, and Agency policies, and, where appropriate, industry best practices.

The annual Audit Plan will also allocate audit resources to effectively address unscheduled audits and special reviews, as directed by the Audit Committee.

A total of 80% of available audit resources will be allocated toward accomplishing the Audit Plan.

**Goal 2** To maintain an internal quality assurance program for the Internal Audit Division.

**Performance Standards & Measures**

The Internal Audit Division will maintain a quality assurance program, which will help ensure that audits are performed in compliance with Government Auditing Standards.

An internal review of the audit documentation for each selected audit, review, special project, etc., will be performed by a member of the Internal Audit Division who was not directly involved in the project. The reviewer will compare the work product to applicable standards, and then provide instructions for correcting deficiencies, or make suggestions for improvement. The reviewer will formally document the steps followed in the review process. Documentation will include a standardized internal quality assurance checklist, developed by the Internal Audit Division. Evidence of internal quality assurance reviews will be made available to third-party reviewers, as appropriate.

As required by standards, every three years the Internal Audit Division will have an external peer review, to determine if audits were performed in compliance with Government Auditing Standards. The results of the peer review will be made available to the members of the Audit Committee.

A total of 5% of available audit resources will be allocated toward maintaining the quality assurance program.

**Goal 3.** To maintain a dynamic, team-oriented environment that encourages personal and professional growth, and challenges and rewards internal audit staff for reaching their full potential.

**Performance Standards & Measures**

The FY 2013 annual Audit Plan will allocate forty (40) hours per internal auditor for continuing professional education and development. The Internal Audit Division performs audits in compliance with Government Auditing Standards, which require all auditors to obtain 80 hours of continuing professional education every two years. Training may be provided through attendance at conferences, conventions, seminars, and other formal training sponsored by professional financial management and audit organizations.

A total of 5% of available audit resources will be allocated toward implementing an employee development program.

**Goal 4** To perform independent compliance assessments of local government employers' (LGE) enrollment and reporting practices.

**Performance Standards & Measures**

All local government employers with employees who participate in the System will be audited within a three-year business cycle. During calendar year 2012, we will use the services of an independent public accounting firm to audit approximately one-third of the 148 local government employers.

We will provide a formal presentation of LGE audit results to the Audit Committee, and forward copies of all resulting audit reports to Retirement Administration for follow-up procedures.

A total of 10% of our available audit resources will be allocated to the planning, coordination, direction, controlling, and monitoring of the LGE audits.

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## **EXTERNAL AFFAIRS DIVISION**

Established in February 2010, the External Affairs Division manages all agency communications with the retirement and pension system's stakeholders. These include the system's responsibilities with the Maryland General Assembly and the news media as well as communications with the system's members, retirees, member associations, and Maryland taxpayers. External Affairs is responsible for providing timely and accurate information to all stakeholders as to the goals and policies of the Board of Trustees, the functions and procedures of the State Retirement Agency, and the rights and benefits of the systems that comprise the State Retirement and Pension System.

Overall, the External Affairs Division is responsible for:

- Directing and managing the agency's communications functions by overseeing the adoption of effective and efficient processes, standards, and styles;
- Preparation of system legislative proposals approved by the Board of Trustees for presentation to the Joint Committee on Pensions;
- Representation of the system before the Maryland General Assembly, providing accurate and detailed information in support of or opposition to pension legislation;
- Assistance to agency staff in the development and implementation of regulations as well as the revision of existing regulations;
- Advising the Executive Director's Office with analysis and development of legislative proposals and other major policies affecting the agency and its programs;
- Providing information and advocacy of issues to members of the Legislature;
- Support of the executive, legislative and judicial branches of State government by providing accurate and timely responses to constituent inquiries and complaints related to rights and benefits;
- Performing writing and graphic design functions to produce agency forms, newsletters, brochures, handbooks, presentations, illustrations and other communications vehicles for both internal and external audiences;
- Developing and maintaining a rapport with reporters covering agency issues;
- Improving Web site access, presentation, and reliability for accurate and relevant information;
- Working with Member Services in writing, designing, printing and distributing informed, useful, and appropriate materials (i.e. *Retiree News & Notes*, *The Mentor* and the agency Web site);
- Production of membership literature including production of pension benefit handbooks;

- Technical assistance to local governmental units, both those that participate in the system and those considering participation;
- Coordinate and monitor the participation/withdrawal process of governmental units into the Employees' Contributory Pension System and the Law Enforcement Pension System;
- Serve as information resource to the State Retirement Agency, and other agencies, in providing clear and accurate information to staff on pension law (State and federal) impacting on the system, as well as Board of Trustee regulations;
- Determine eligibility for special retirement benefits involving elected and appointed officials and unclassified employees; and
- Coordinating special projects as assigned by the Executive Director.

### **External Affairs Division Goals**

1. Provide timely legislative policy analysis, services, strategies and information to the agency and Board of Trustees.
2. Keep SRA employees informed of the latest news and information concerning the agency.
3. Serve as liaison for the agency and Board of Trustees with the Legislature, Governor's Office, Congress and constituent groups.
4. Proactively inform the news media of the agency's policies, personnel, investment program, and results.
5. Provide 24/7 access to the media to assist in the coverage of agency activities and programs, consistent with prudent disclosure.
6. Produce effective communications materials for all retirement plan participants to inform them about the benefits provided by the system and to educate them about planning and preparing for all aspects of their future retirement.
7. Adhere to schedule for approving and finalizing publication of any new or amended regulation adopted by the Board of Trustees.
8. Respond to correspondence within the mandatory time frames established by the Governor and Lt. Governor's correspondence groups; for other correspondence, respond within five workdays. All responses are to provide pertinent, accurate and detailed information, indicating referrals or appeal rights as needed.
9. Respond to requests from SRA staff within 24 hours for information on laws, regulations, benefits, etc.

10. Establish e-mail contact with interested employer within 24 hours of receipt of request for data on participation in the system, and follow up by issuing detailed information on membership in the appropriate system(s) (the Employees' Pension System and/or the Law Enforcement Officers' Pension System) within 3 workdays from receipt of the employer's request. Follow-up data from the agency or the actuary also is to be issued within 3 days of receipt.

# **SECTION 3**

## **AGENCY INITIATIVES**

## **EXECUTIVE OFFICE - BUSINESS PLAN INITIATIVES**

### **Project 12EX01: BUSINESS CONTINUITY PLAN – VIRTUAL OFFICE CAPACITY UPDATED NARRATIVE**

**Project Description:** In the development of the SRA Business Continuity Plan, it was determined that an adequate option for alternative space does not exist, should the Agency’s current space be rendered uninhabitable for a multiple-month period of time. As reported previously by the Executive Director, it is his intent to develop a plan whereby the Agency can, in the event of a disaster, maintain complete functionality through a comprehensive “virtual office capacity.”

Following up on a study conducted in 2012 along with planning by the Agency’s business continuity steering committee, senior management of the Agency will develop a prioritized strategy for further advancing the Agency toward having a virtual office capacity in the event of a disaster. Elements of this strategy may include:

1. key personnel working from home;
2. designing and implementing an emergency voice solution, to complement the existing IT disaster recovery capabilities. Such a solution could provide SRA with flexibility required during an emergency beyond basic telephone services, potentially including call distribution, interactive voice response, voicemail, and electronic mail integration capabilities.

The following three scenarios may be considered: 1) a minimal “disaster recovery” focused solution in Annapolis only to support emergency operations, 2) a larger scale implementation at SRA to replace existing voice and telephone capabilities, which are proprietary and have reached end-of-life, and 3) a cloud-based offering that might support either or both implementation scenarios above;

3. redesigning certain work flows and retaining outside resources to implement an “Imaging In-Box” for incoming paperwork from employers and members. SRA currently relies on a mail vendor to process and deliver mail to SRA offices, where internal staff scans incoming documents as needed. During an emergency, this vendor’s services might be expanded, to also scan member and employer documents, and then hold and/or forward mail to a remote emergency operations location. SRA would develop a simple custom software solution that would permit virtual office workers to access scanned documents from home;
4. continued progress on implementing and expanding use of a secure member and employer self-service solution.

**Expected Outcome:** A completed master plan for developing virtual office capacity for critical SRA operations.

**Timing:** For the additional planning and prioritized strategy, June 2013.

**Link to Goals:** This initiative links to all Agency goals as it will support the Agency's capacity to pay benefits, manage investments, collect and account for contributions, and communicate with all System stakeholders.

**Budget Implications:** Planning will be completed using existing resources during FY2013. Additional resources likely will be needed in future budgets to implement elements of the actual business continuity solution.

## EXECUTIVE OFFICE/PROJECT MANAGEMENT OFFICE BUSINESS PLAN INITIATIVES

### **Project 09PM02: PLAN TO IMPROVE DATA INTEGRITY (“MPAS-2”) UPDATED NARRATIVE**

**Project Description:** In FY2013, the Agency plans to develop the scope of services, and subsequently seek funding, to initiate a major project to improve the integrity of member data supporting the Maryland Pension Administration System (MPAS). This is the first in a two-step process to obtain funding – first to develop the scope of work, and then to pursue the major project itself. Currently, the MPAS database contains inconsistencies and errors, along with missing certain data, resulting from nearly four decades of data collection from employers and members. Following the development of the MPAS system, which became the Agency’s system-of-record in FY11, the Agency planned to “cleanse” the database.

Services to be scoped during the planning stage may include automated and manual efforts to perform the cleansing, and development of application software that will mitigate against introducing future inconsistencies, errors, and omissions, along with software that may be used securely by members to access and use their respective data in self-service mode.

The Agency is contracting with Towson University’s Center for Applied Information Technology to assist in developing a scope of work, in a time frame to support a request for funding beginning with the FY2014 budget submission. This scope will be incorporated into procurements to be issued once the major project is approved.

**Expected Outcome:** Two deliverables will come from this effort: (1) a scope of services that will define the content and limits of efforts to improve data integrity, along with acceptance criteria, and (2) cost estimates for the major project to be used in budget submissions for future years.

**Timing:** Cost estimates to be completed by September 2012 and scope documents to be completed by November 2012.

**Link to Goals:** Improvement of data integrity, along with opening of a functional member self-service portal with access to Agency data, have long been goals of the Agency. This initiative supports both these goals.

**Budget Implications:** Funding for the planning process was included in the Agency FY2012 budget and is being encumbered into FY2013 to complete this initiative.

## **ADMINISTRATION DIVISION - BUSINESS PLAN INITIATIVES**

### **Project 13AD01: DESIGN AND IMPLEMENTATION OF ADMINISTRATIVE PROCEDURE PORTAL SITE**

**Project Description:** Design and implementation of a portal site to store approved operating procedures, calculation manuals, and other relevant shared documents. These documents will be managed using the SharePoint application which provides customizable read/write capabilities, version control, and documentation of edit/approval workflows.

As part of the design and implementation of the Administrative Procedure Portal Site, all administrative operating procedures, manuals, and other relevant shared documents will undergo a comprehensive internal review.

**Expected Outcome:** This initiative will improve internal access to shared information (procedures, calculation manuals, etc.) utilized by staff in the performance of their duties. In addition, it will also improve document control by transitioning from physical documents to online documents utilizing version control and workflows.

**Timing:** July 1, 2012 to December 31, 2013

**Link to Goals:** This initiative supports the Agency's goal to pay all retirement allowances in an accurate and timely manner.

**Budget Implications:** This initiative will be completed with existing resources and should result in no additional costs to the Agency.

## ADMINISTRATION & FINANCE DIVISIONS - BUSINESS PLAN INITIATIVES

### Project 13AD/FI02: DEVELOP EDUCATIONAL WEBINARS

**Project Description:** The purpose of this initiative is to design 3-5 minute webinars on multiple identified topics to allow our members, retirees, employers and Retirement Coordinators to view them at their leisure. Videos would be hosted by a third-party Internet service provider, as with existing videos, and the Agency will post links to these webinars on the Agency's public website.

Currently, the Member Services Division educates our membership base and Retirement Coordinators by:

- Answering questions over the telephone;
- Recorded messages regarding "hot topics" on the Interactive Voice Recording;
- Responding to written inquiries either by e-mail or through written correspondence;
- Meeting one-on-one with members and retirees in counseling sessions either in the Baltimore office or in regional counseling sessions throughout the state;
- Presenting 100 Pre-Retirement Seminars each fiscal year;
- Conducting "special request" Pre-Retirement Seminars to accommodate County Boards of Education or other Agencies;
- Attending benefit fairs, conventions, Supplemental Retirement's financial planning seminars or other venues for educating State Employees on retirement benefits (for example, the Savings Expo);
- Updating our website with important notifications (e.g., Frequently Asked Questions);
- Distribution of newsletters - *The Mentor* and *Retiree News and Notes*;
- E-mailing Retirement Coordinator Bulletins
- Providing training manuals/guides to Retirement Coordinators; updating member Plan Handbooks.

In addition, the Finance Division has the need to provide information to the Participating Governmental Units, specifically their directors of finance and/or treasurers, and in some instances personnel officers/retirement coordinators, accountants, and contractual actuaries. Webinars could be designed in order to conduct such outreach on topics including:

- New entrant process
- Withdrawal process
- Billing; employer contribution and administrative fee
- Impacts of statutory changes
- Financial reporting requirements

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**Expected Outcome:** For Benefits Administration, this initiative will result in the expansion of communication channels used for outreach to our membership as well as to our Retirement Coordinators. Through the analysis of our call dispositions, we are able to identify the aspects of retirement that generate the highest volume of questions from our membership. For example, the three topics listed below (disability, reemployment, and options) account for almost 15% of questions asked in phone conversations. In addition, audit findings suggest topics of needed re-enforcement for our Retirement Coordinators.

Our proposed topics include:

- Leave of Absence (Retirement Coordinators)
- Reporting Unused Sick Leave (Retirement Coordinators)
- Disability Retirement – Overview
- Disability Retirement – How to File
- Reemployment After Retirement
- Choosing an Allowance Option
- Retirement Coordinator Basics 1-2-3

In addition, the initiative will provide a channel of communication that lends itself to introductory/orientation topics. Two proposed topics include:

### Welcome to the Employees' and Teachers' Pension System

Members prior to 07/01/11

Members on or after 07/01/11

Members must register to attend the Pre-Retirement Seminars. In fact, they will not be enrolled if they are outside of 8 years from retirement. We have fielded many requests to attend from members outside this window, and posting this seminar in webinar format will expand our outreach with this educational tool for retirement planning.

### Pre-Retirement Seminar

The addition of webinars to our existing educational resources/tools will achieve the following benefits:

- Increased productivity by Retirement Benefits Specialists by allowing them to refer callers to a webinar for additional information regarding specific questions.
- Ability to track the number of times each webinar is viewed, i.e. “hits”.
- Allows members or Retirement Coordinators the ability to view a PowerPoint presentation and listen to detailed explanation of

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complex issues as many times as needed for comprehension.

- Webinars can be added to the website library on an as-needed basis.
- Webinars can be easily updated due to legislation changes, etc. to insure that their content remain current.

For the Finance Division, this initiative will enable the PGU liaison staff within the division to proactively communicate relevant and frequently requested information to existing and/or potential new participating governmental units on topics that are relevant to employer participation, such as:

- Becoming a PGU
- Withdrawing as a PGU
- Summary of Impact of Legislation Changes on PGUs
- Pension Accounting and Reporting Changes
- PGU Actuarial Valuation Process “101”
- Financial Obligations of Participating and Withdrawn PGUs: Employer Contributions

The additions of such webinars will provide the following benefits some of which are similar to those identified by Administration Division:

- Increased productivity for the PGU liaison staff by being able to refer PGUs to a webinar for basic information and frequently asked questions
- Tracking mechanism for topics of great interest to the PGU community.
- Enables members to be able to have a reference document in addition to the presentation that they can refer to as often as needed.
- Shorten the time frame of the new entrant and withdrawal processes as a result of providing and explanation of the process and employer requirements in advance of the process rather than during.

**Timing:** December 31, 2012

**Link to Goals:** This initiative is directly linked to the Agency’s goal in support of its Mission to effectively communicate with all retirement plan participants. In addition, we will increase our communication channels for Retirement Coordinators.

**Budget Implications:** With the webinars being produced internally, this initiative should result in minimal additional cost.

## **INTERNAL AUDIT DIVISION - BUSINESS PLAN INITIATIVES**

### **Project 13IA01: DEVELOP AN AUDIT CLIENT SURVEY**

**Project Description:** The Internal Audit Division will develop an audit client survey that is to be provided to the audit client concluding each audit. The survey will be designed to elicit feedback from the audit client regarding the audit process and the performance of the Internal Audit Division during the audit. Each survey response will be reviewed by management, discussed with the audit client if necessary and assessed for possible audit process improvements.

**Expected Outcome:** The audit client survey will allow the audit client to express concerns or positive aspects regarding the audit process. The feedback provided in the survey will allow the Internal Audit Division to improve upon the audit process and to better serve the Agency.

**Timing:** To be completed by December 31, 2012.

**Link to Goals:** The Internal Audit Division's goal is to provide a wide range of quality independent internal auditing services for the Audit Committee and consulting services for Management. An audit client survey performed after each audit will help ensure the Internal Audit Division is providing quality audit services to the Agency and where improvements in the audit process can be made.

**Budget Implications:** No additional budget resources will be required for this initiative.

## **EXTERNAL AFFAIRS DIVISION - BUSINESS PLAN INITIATIVES**

### **Project 13EA01: ELECTRONIC FORM CONVERSION**

**Project Description:** Working in concert with Information Systems, External Affairs will convert the most-used and requested online forms into electronically fillable versions for the convenience of our members. A bar code will also be added to each document to help with identification and indexing of the forms by Office Services.

**Expected Outcome:** Customer satisfaction should improve since this upgrade will make it easier for our members to complete agency forms. Furthermore, the accuracy of data entry should improve as a result of increased legibility that would be expected of forms submitted using this enhancement.

**Timing:** To be completed by December 31, 2012.

**Link to Goals:** The initiative furthers External Affairs' efforts to produce effective communications materials for all retirement plan participants.

**Budget Implications:** Will be accomplished using existing resources.

Project Number	Initiatives	Division	Completion Date	Disposition
<b><i>Completed Business Initiatives</i></b>				
09AD05	Automation of Tracking Systems: Automation of DROP	Administrative Division	Jan-12	Is currently in parallel testing of the program. Go live 7/1/12
12AD02	Implementation of major changes to the pension plan and state retiree health benefit subsidy program - HB72 Budget Reconciliation and Financing Act of 2011	Administrative Division	Sep-12	COMPLETED Phase I, Phase II Phase III to be complete June 2012
11EA01	Communications Audit	External Affairs Division	Oct-12	COMPLETED
12EA01	SRA Staff Picture Directory	External Affairs Division	Jun-12	COMPLETED
12EA02	Daily Electronic News Clipping Service	External Affairs Division	Dec-12	COMPLETED
12EA03	Form Library	External Affairs Division	Dec-12	COMPLETED
12IS01	Initiate disaster recovery site testing	Information Systems Division	Mar-12	COMPLETED
09IA01	Develop a policies and procedures manual for the Internal Audit unit	Internal Audit Division	Jul-12	COMPLETED
11IA03	Develop a waste, fraud and abuse webpage	Internal Audit Division	Mar-12	COMPLETED
12IA01	External Peer Review	Internal Audit Division	Jul-12	COMPLETED
12IA02	Develop a follow-up program related to audit findings	Internal Audit Division	Dec-12	COMPLETED
<b><i>New &amp; On-going Business Initiatives</i></b>				
12AD01	Audit the implemented Maryland Pension Administration System (MPAS) through expanded system testing of daily work	Administrative Division	Sep-12	Ongoing. 500+ data processing change requests since 8/1/10. Will continue thru pension reform implementation
10EX02	Business Continuity Plan (COOP)	Executive Division	Dec-12	Plan complete; dependent upon business reforms (Project 12EX01) to allow comprehensive telecommute option.
12EX01	Business Continuity Plan Virtual Office Capacity	Executive Division	Jun-12	
11FI01	Office space expansion request/ lease renewal	Finance Division	Jul-12	New space for Investment Division to be secured by July 2012

11IS01	Revision of Revenue Control Transmittals and PGU Payroll Reporting, Phase 1	Information Systems Division	Jul-12	To be completed December 2012
11IS03	Increase functionality of secure member internet portal	Information Systems Division	Jun-12	Programming complete for user authentication, 1099R, PSB reprinting; other functions being added. To be completed December 2012
12IV01	Centralized file management system	Investment Division	Jul-12	On hold pending resolution of space needs (Project 11FI01)
09PM02	MPAS-2 Project - Improve Data Integrity - Scoping	Project Management Office	12-Nov	Project had been deferred
13IA01	Audit Client Survey	Internal Audit Division	12-Dec	
13AD01	Administrative Procedure Portal	Administrative Division	13-Dec	
13AD/FI02	Develop Educational Webinars	Administrative & Finance Divisions	Dec-12	
13EA01	Electronic Form Conversion	External Affairs Division	12-Dec	
13AD02	Educational Webinars	Administrative and Finance Divisions	12-Dec	
11EA04	Educational Programs for Participating Governmental Units (PGUs)	External Affairs Division	12-Dec	Incorporated into new Educational Webinar initiative (Project 13AD/FI02)
11FI02	Microfilm conversion project	Finance Division	Deferred	