



MARYLAND STATE RETIREMENT AGENCY

BUSINESS PLAN
FISCAL YEAR 2014

FY14 Initiatives Approved on June 18, 2013

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MARYLAND STATE RETIREMENT AND PENSION SYSTEMS

FISCAL 2014 BUSINESS PLAN

INTRODUCTION

The Maryland State Retirement and Pension System's Business Plan for fiscal year 2014 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 2014 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 244,000 active and deferred vested participants and approximately 132,500 pension annuitants whose pension benefit payments exceed \$2.8 billion annually. The Division, staffed by 110 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 376,600 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 166 separate, independent payroll centers (employers). These centers cover over 6,700 individual employer payroll periods reported through 4.7 million individual transactions for 193,000 active plan participants. Other responsibilities include determination of Plan eligibility of new members (16,400 annual enrollments) updating 48,300 individual designations of beneficiaries; authorizing and calculating service credit adjustments for member purchase of additional pension credit (1,600 annual invoices), member leave of absence service credit adjustments (3,700 annually), membership account manual adjustments (164,700 annually), and military service applications (600 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 189,700 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 146,900 annually) and data files required by the federal and State taxing authorities. Additionally, approximately 5,900 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 132,500 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 8,000 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 16,000 applications); determines pension benefit eligibility and processes all member retirement applications (7,500 annually), revises new pension allowances (3,800 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 3,600 annually); determines beneficiary eligibility for benefits; calculates and manually issues death benefit payments and vouchers totaling \$17.9 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 (11,400 payments totaling \$30.4 million annually).

- 3. Reconciliations and Revisions Section** – issues replacement checks for Direct Deposit failures and lost/stale-dated benefit checks (approximately 500 payments annually); audits each accidental disability retiree account (approximately 100 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 7,200 letters and approximately 2,900 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 (2,255 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 105,500 calls responded to annually) with additional calls (approximately 94,600 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 1,500 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.

- 4. Employer Education and Training Section** – produces membership literature 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 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 \$2.8 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 25th 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 1st, 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 10th, process, verify calculations, and coordinate the issuance of the annual Personal Member Statements of Benefits.
 - Tracking file maintained.
- By January 31st, 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 1st, 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 10th of the month. For completed claim forms received after the 10th 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 10th 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 FY2014.
 - Statistical reports generated through the Automatic Call Distribution System (ACD).
- Limit the waiting time for calls to be answered to 1 minute and 45 seconds in FY2014.
 - 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 15th, 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, 2012) 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 accurately bill and collect annual required employer contributions from all Participating Governmental Units.

- Annual employer contribution billings are to be issued on or before December 1st and contributions collected on or before December 31st.
- Tracking conducted and maintained by PGU billing staff and supervisor.

Goal 3 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 4 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 5

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 31st following the close of the previous fiscal year-end.

- Year-end close tracking file maintained.

Goal 6 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 7 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 8 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 9 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 10 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 11 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 12

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 2014 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). In the past 5 years, although Information Systems staffing has been reduced by 2 resources, the number of data technology devices under management has more than doubled, the Division has

absorbed responsibility for all voice technology (previously handled in Procurement) and a considerably expanded portfolio of business applications (e.g., MPAS, The SRA Café and intranet functions, DROP Automation, MD Time, etc.) and information security protections, and the Division created and runs (in extended hours) an MPAS Computer Operations and Print function that had previously been handled entirely by the Annapolis Data Center (for a \$600,000 additional fee previously charged to the Agency).

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, logging 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, the Board of Trustees, 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 and trustees 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 Information Systems' 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, barcode indexing and data capture of various 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. Systems Development also monitors and maintains the Agency's database management technology, used to support most Agency systems (including MPAS), and is currently examining the Agency's options to migrate applications to the latest release of that technology to facilitate substantive improvements and operational benefits.

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, tools for secure file transfer between the Agency and its employers and business partners, 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 consultants, 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.

Last, Information Systems develops and conducts information security related educational sessions for all Agency staff (most recently in April 2013), sometimes sharing its knowledge with other public pension systems at national conferences, and the Division drafts security-related terms and conditions for incorporation into Agency contracts to enforce on third parties equivalent or better protections as the Agency demands of itself.

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 to 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, all within available resources. 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.

In FY2014, the PMO anticipates receiving authorization from the Department of Budget and Management for its reorganization request, whereby the PMO and the Data Control Division's Production Control Unit will formally combine into a single unit. This strategic reorganization is being requested: to provide organizational depth; due to the similarity and overlap of responsibilities as they relate to the Agency's change management of our automated processing system (Maryland Pension Administration System (MPAS)); in recognition of the limited personnel resources with extensive knowledge in both the Agency's business practices and MPAS; and to best align the Agency's limited personnel resources with the PMO objectives of managing business change that includes on-going modifications to MPAS as part of operations and maintenance activities.

The Maryland Pension Administration System (MPAS) is currently the sole major 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's pension administration automated 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 addressed 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" were completely re-architected for MPAS. These data records represent over 35 years of transactions.

Since implementing MPAS as part of the MPAS-1 effort around August 2010, during FY2011 and continuing through FY2013, the PMO worked with the Administrative Division's Production Control Unit and programmers 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 were completed in FY2012, with residual work activity completed as part of the Agency's Operations and Maintenance activities in FY2013.

Due to the need to stabilize the initial MPAS-1 code implementation, and to address the significant pension reform changes, the earlier planned MPAS "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 complete, and the MPAS program code has proven itself to be relatively stable, the PMO is ready to move forward with the next phase of MPAS-2A "Improve Data Quality" activities. In FY2013 the PMO, in consultation with senior management drafted a preliminary project scope focusing on the linking, flagging and/or cleansing of the most critical data elements affecting an individuals' retirement (service and salary). In FY2014 the PMO plans to work with programmer resources progressing through subsequent phases of team development / contracting, design, analysis, automated with anticipated limited - if any manual data cleansing, and ultimately opening the flagged and/or cleansed data to members and staff as part of a to be determined later MPAS-2B phase. The MPAS-2A and MPAS-2B Project phases are expected to take multiple years to complete.

Following completion of MPAS-2A and MPAS-2B phases, the Agency plans to evaluate existing business and automated system processes, initiating a business re-engineering of the Administration organization as deemed desirable and feasible, 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 FY2014 are to:

- (MPAS-2 – Improve Data Quality) Work with the programmers to execute the draft preliminary scope of work to be performed as part of the MPAS-2 “Improve Data Quality” data cleansing activities. An essential component of this plan is the Agency’s ability to accurately associate/link records for individuals’ with multiple employment records for automated flagging and/or cleansing of historical data values.

- Additionally, other PMO activities planned for FY2014 are:
 - The combined PMO and Administrative Division's Production Control Unit will continue to support on-going MPAS operations and maintenance activities including the following known program modifications that will require significant effort to complete:
 - Continuation of stabilization of the significant logic changes associated with the legislatively enacted pension reform changes.
 - Modifications to the Agency's Interest Workbook (Job PRCJ265A – DP Request #2715) to resolve deficiencies identified during review of the FY2012 production run.
 - Modifications to the Agency's reporting of membership valuation data to the Actuary (Job PRCJ435A – DP Request #2709) to resolve deficiencies identified during review of the FY2012 production run, and expand the reconciliation process to account for monetary, service and salary data provided to the actuary for managing of this critical data used for determining plan funding requirements.
 - Modifications to the Agency's tax programs for calendar year 2013 (Job PRCJ285A, etc. – DP Request #2664) regarding the taxability of accidental disability retirement payments, and distribution codes reported on annual IRS Form 1099-R resulting from an advice of tax counsel. 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. Additionally, tax counsel determined that the Agency must report on separate Form 1099-R's payments made to retirees prior to, and upon reaching age 59 ½ under different distribution codes (2 or 7).
 - Redesign of the Agency's automated processes for managing Domestic Relation Order (DRO) accounts whereby the Court has assigned a portion of a retiree's benefit allowance to an Alternate Payee. Under the current design, the Agency creates a separate payment record for the Alternate Payee that is not associated back to the original retiree that has resulted in overpayments to the Alternate Payee at the death of the original retiree. Preliminary redesign plans are to treat DRO's similar to lien payments as a deduction from the retiree's gross

allowance, with adjustment to issue separate payments and tax reporting to the Alternate Payee(s).

- Various other Administrative Division programming requirements under consideration including but not limited to:
 - Refund program redesign to address on-going problems.
 - Refund Cancel & Re-credit program redesign to address on-going problems.
 - More fully automate the Agency's process for identifying and contacting individual's eligible for retirement, and automating the age 70 ½ lump sum payments made to individuals.
 - Create transactions to change MPAS fields for which no transaction currently exist (i.e. Balance Employer Pickup).
 - Expansion of the Agency's "900" list functionality to include identification and comparison of service credit values as maintained on the database's membership versus retirement components.
 - Development and expansion of the Agency's database to support retiree offsets for earnings limitation administration, overpayment of pensions, and workers compensation.
 - Automate existing manual processes (i.e. certain deceased retiree payments).
- Currently under discussion is the Agency's strategy for replacing or upgrading its business rules engine (ILOG and IBM product) resulting from the vendor's obsolescence of the product and support. ILOG is currently an integral component of MPAS used in various functional areas including but not limited to the calculation of retirement benefits, interest, cost of living adjustments, Personal Statement of Benefit calculations, and various other miscellaneous jobs. The Agency's preliminary determination is that due to cost concerns, and the functional purpose it serves, the Agency will replace the ILOG component functionality with common .NET program code, eliminating the rules engine component of MPAS.

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 2014, based upon an Agency-wide risk assessment completed during FY 2011. The risk assessment is completed every three years and will be completed again in FY 2014. The annual audit 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 a sample of performed audits will be performed by a member of the Internal Audit Division who was not directly involved in the audit. 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 2014 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 2013, we will use the services of an independent public accounting firm to audit approximately one-third of the 146 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 Benefits 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.

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 through 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;
- Establishing and maintaining an SRA presence on social networking sites, such as Facebook, Twitter and YouTube;

- 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. Inform SRA employees 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

ADMINISTRATION & FINANCE DIVISIONS - BUSINESS PLAN INITIATIVES

Project 13AD/FI02: DEVELOP EDUCATIONAL WEBINARS UPDATED NARRATIVE

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

ADMINISTRATION & FINANCE DIVISIONS - BUSINESS PLAN INITIATIVES

- Impacts of statutory changes
- Financial reporting requirements

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.

Webinars were created and made available for viewing on the following topics during FY13:

- 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
- Welcome to the Employees’ and Teachers’ Pension System for Members prior to 07/01/11
- Welcome to the Employees’ and Teachers’ Pension System for Members on or after 07/01/11

The next webinars to be created and made available for viewing will be the Agency’s Pre-Retirement Seminars. These hour long seminars will be broken into sections for more convenient viewing and cover topics relevant to all members looking to retire within the next several years.

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 complex issues as many times as needed for comprehension.
- Webinars can be added to the website library on an as-needed

ADMINISTRATION & FINANCE DIVISIONS - BUSINESS PLAN INITIATIVES

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, 2013

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.

ADMINISTRATION DIVISION - BUSINESS PLAN INITIATIVES

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

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 July 1, 2014

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 DIVISION - BUSINESS PLAN INITIATIVES

Project 14AD01: IMPLEMENTATION OF CHANGES TO TAX REPORTING PROCESSES AND ASSOCIATED MPAS PROGRAMS

Project Description: The Division has identified several changes required to our internal processes and associated MPAS programs related to the reporting of payments to payees on the Internal Revenue Service's 1099-R tax document. Working in conjunction with the Legal Division and the Project Management Office, the Administration Division will review internal processes and procedures and modify and test MPAS programs associated with tax (1099-R) reporting.

Expected Outcome: This initiative will improve the efficiency and effectiveness of the Division's internal processes and procedures in capturing and maintaining the data which impacts tax (1099-R) reporting, and improve the presentation/communication of this information to the payees and the Internal Revenue Service.

Timing: July 1, 2013 to December 31, 2013

Link to Goals: This initiative supports the Agency's goal to effectively communicate to plan participants the benefits provide to them by the System.

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

ADMINISTRATION DIVISION - BUSINESS PLAN INITIATIVES

Project 14AD02: ANALYSIS AND RE-ENGINEERING OF PROCESSING AND ADMINISTRATION OF DOMESTIC RELATION ORDERS WITHIN MPAS

Project Description: In the development of MPAS, the processes and programs to administer Domestic Relation Orders (DROs) were largely replicated from the Legacy system. While this was consistent with the overall methodology of the MPAS project, due to the structural differences between the Legacy system and MPAS, Administration Division and Project Management Office staff believe that there is more effective and efficient way to administer DROs in the MPAS environment. This project will thoroughly analyze the administration of DROs in the Division's processes and procedures, and modify MPAS programs to accommodate the most effective and efficient administration of DROs.

Expected Outcome: This initiative will improve control over the administration of DROs, reduce the risk of possible overpayments, and ensure that payments made to the retiree and the alternate payee are accurate. Additionally, this initiative should improve the efficiency of the Division through further automation of the processes associated with administering DROs.

Timing: July 1, 2013 to December 31, 2014

Link to Goals: This initiative will directly support 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 DIVISION - BUSINESS PLAN INITIATIVES

Project 14AD03: UPDATE DIVISION CALCULATION MANUALS

Project Description: The Division has created several calculation manuals over the past years, including: Retirement and Death Benefit Payments, Purchase of Service, 1099-R Reporting and Taxes, Refund Payments, Annuity Savings Fund, and Cost of Living Adjustments. The calculation manuals are designed as reference tools for staff in the performance of their duties. While efforts are made to keep this manuals up-to-date as changes occur to the System (e.g. legislative changes to benefits), staff will conduct a comprehensive review of all of the calculation manuals to validate that they are complete and accurate.

Expected Outcome: This initiative will result in complete and accurate calculation manuals being available to all staff members in support of their daily duties. The calculation manuals will be made available on the Division's Portal Site.

Timing: July 1, 2013 to June 30, 2014

Link to Goals: This initiative will directly support 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 DIVISION - BUSINESS PLAN INITIATIVES

Project 14AD04: REVIEW AND REVISION OF CODE OF MARYLAND REGULATIONS

Project Description: This initiative will involve a comprehensive review of the regulations affecting the operations of the Administration Division. Staff will review each regulation to ensure that the Division's internal operations and processes are consistent with the regulation and provide complete and accurate information to the public.

Expected Outcome: Updated regulations will be presented to the Administrative Committee and Board of Trustees throughout FY14 and then after Administrative, Executive, and Legislative Review, published in the Code of Maryland Regulations

Timing: July 1, 2013 to June 30, 2014

Link to Goals: This initiative will directly support the Agency's goal 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.

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

INTERNAL AUDIT DIVISION - BUSINESS PLAN INITIATIVES

Project 14IA01: RISK ASSESSMENT OF AGENCY OPERATIONS

Project Description: The risk assessment of agency operations is designed to obtain an understanding of the performed processes or activities within the Agency, understand the risks associated with each process or activity and assign a risk rating to each identified process. The objective of the risk assessment is to allocate Internal Audit resources to the processes or activities with the highest risk rating. The Internal Audit Division performed a risk assessment of Agency operations in 2008, 2011 and plans to perform the project again in 2014.

The project will include obtaining feedback from Agency management and the Audit Committee regarding performed processes at the Agency and any associated risks. Internal Audit will evaluate each identified process based on the five risk categories of fraud, reputational, financial, operational and compliance risk, assigning a risk rating based upon probability and impact of the associated risks. The assigned risk rating for each process will be used to formulate the annual audit plan for the Internal Audit Division, allocating audit hours to the processes with the highest risk rating.

The risk assessment will include the Benefits Administration, Finance, Information Systems, and External Affairs Divisions and related departments as well as the Project Management Office. The risk assessment of the Investment Division is performed separately in a co-sourcing arrangement with an outside consultant.

Expected Outcome: The performance of a risk assessment of Agency will create a mechanism for identifying and rating risks associated with the Agency and allocating audit resources appropriately.

Timing: To be completed by June 30, 2014.

Link to Goals: The Internal Audit Division's goal is to provide a wide range of quality independent internal audit services for the Audit Committee and consulting services for Agency management. The performance of a risk assessment allows the Internal Audit Division to perform this goal more efficiently by concentrating audit resources high risk areas.

Budget Implications: No additional monetary budget resources will be required for this initiative as the project will be performed using existing staff resources.

Project Number	Initiatives	Division	Completion Date	Disposition
Completed Business Initiatives				
09AD05	Automation of Tracking Systems: Automation of DROP	Administrative Division	Jan-12	COMPLETED
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
13IA01	Audit Client Survey	Internal Audit Division	12-Dec	COMPLETED
13EA01	Electronic Form Conversion	External Affairs Division	Dec-12	COMPLETED
New & On-going Business Initiatives				
12AD01	Audit the implemented Maryland Pension Administration System (MPAS) through expanded system testing of daily work	Administrative Division	Dec-13	Ongoing. Staff continues to request minor data processing changes.
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	Assessment of recovery telephone system need complete. Preparing RFI.
11FI01	Office space expansion request/ lease renewal	Finance Division	Jul-12	Decision made to address space needs with FY14 procurement of full agency needs.
11IS01	Revision of Revenue Control Transmittals and PGU Payroll Reporting, Phase 1	Information Systems Division	Jul-12	Internal testing; testing at field level to begin early FY2014
11IS03	Increase functionality of secure member internet portal	Information Systems Division	Jun-12	Initial programming complete; Requirements established by Agency for longer term functionality. Development will be on-going from this point forward.
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	Project Management Office	Nov-12	Project to commence July 2013
13AD01	Administrative Procedure Portal	Administrative Division	Jul-14	Ongoing
13AD/FI02	Educational Webinars	Administrative & Finance Divisions	Dec-13	Ongoing – 9 Webinars released in FY2013; 2 Webinars to be released in Early FY2014

14AD01	Implementation of Changes to Tax Reporting Processes and Associated MPAS Programs	Administrative Division	Dec-13	
14AD02	Analysis and Re-Engineering of Processing and Administration of Domestic Relation Orders within MPAS	Administrative Division	Dec-14	
14AD03	Update Division Calculation Manuals	Administrative Division	Jun-14	
14AD04	Review and Revision of Code of Maryland Regulations	Administrative Division	Jun-14	
14IA01	Risk Assessment of Agency Operations	Internal Audit Division	Jun-14	