



## Maryland State Retirement and Pension System Charter for the Board

---

### INTRODUCTION

1. The management, general administration and proper operation of the Maryland State Retirement and Pension System (“System”) are vested in a Board of Trustees (“Board”) comprised of fifteen members, a combination of elected, appointed, and ex officio members. See State Personnel and Pensions (“SPP”) Article § 21-104; 21-108. The Secretary of the Department of Budget and Management, the State Comptroller, and the State Treasurer are the ex officio members of the Board. (SPP Article § 21-104)
2. The Board is responsible for establishing policy and overseeing the System while the Executive Director is responsible for implementing policy and managing the day-to-day operations. The Chief Investment Officer is responsible for the System’s investment performance.
3. To guide the Board in the administration of the System, the Board establishes a mission statement, and this charter sets out the role of the Board in carrying out the System’s mission.
4. All powers not expressly delegated to another person by law, regulation, contract, the Board’s governance charters or policies, the Investment Policy Manual, or other Board policies are reserved for the Board.

### DUTIES AND RESPONSIBILITIES

5. The Board shall meet monthly and may meet via electronic meeting. Meetings of the Board are subject to the Open Meetings Act.

### Fiduciary Duties

6. Each member of the Board and each member of the Board’s committees is a fiduciary.

7. The duties of each fiduciary shall be discharged as follows (SPP Article § 21-203):
  - a. Solely in the interest of the participants;
  - b. For the exclusive purpose of providing benefits to the participants and paying reasonable expenses in administering the System;
  - c. With the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of a like character and with like aims;
  - d. By diversifying the investments of the System so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so;
  - e. In accordance with the laws governing the System; and
  - f. In accordance with the documents governing the System.
8. Members of the Board shall jointly manage and control the System's assets, but may allocate specific responsibilities, obligations, or duties among the members of the Board, and may designate other persons to carry out the responsibilities of a fiduciary.
9. Each member of the Board and its committees shall use reasonable care in preventing another fiduciary from committing a breach.

## **Governance**

10. The Board shall adopt such regulations, Board rules and other policies as are necessary for the effective administration of the System, the management of the System's assets, and for the transaction of the System's business.
11. The Board shall approve the System's mission statement and long-range strategic plan, and request that adequate resources are in place to support them.
12. With respect to Board operations, the Board shall:
  - a. Approve charters describing the roles and responsibilities of the Board, the committees of the Board, the Chair and the Vice-Chair, the committee chairs and vice-chairs, the Executive Director, and the Chief Investment Officer, and amend said charters from time to time, as appropriate;

- b. Approve and amend, as necessary, any Board Governance Policies;
  - c. Ensure that the nominees for the public member positions on the Investment Committee have the statutorily required qualifications;
  - d. Approve the creation or disbanding of standing committees of the Board, with the exception of the Investment Committee and the Compensation and Staffing Committee;
  - e. Approve the creation of any ad hoc committees of the Board to fulfill a specific and time-limited purpose, and establish the committees' functions, roles, and responsibilities; and
  - f. Review the performance of the Board in accordance with the Board Performance Evaluation Policy.
13. Except for the Compensation and Staffing Committee, and subject to the statutory requirements regarding the composition of the Investment Committee, following recommendations by the Chair in consultation with the Vice-Chair, the Board shall appoint the chair, vice-chair and members of each standing and ad hoc committee.
14. Subject to the statutory requirements regarding the composition of the Compensation and Staffing Committee, the Chair of the Board shall appoint the chair, vice-chair and members of the Compensation and Staffing Committee.

## **Investments**

15. Subject to certain restrictions imposed by State law and its fiduciary duties, the Board has the full power to invest the assets of the System.
16. In carrying out its fiduciary duties with respect to the assets of the System, the Board shall:
- a. Consider and act on recommendations made by the Investment Committee, with respect to:
    - i. The investment programs, and
    - ii. Compliance of the investment programs with Board policies;
  - b. Adopt an Investment Policy Manual that details, at a minimum:

- i. The functions of the Investment Division of the Agency,
  - ii. The investment goals and objectives of the investment program,
  - iii. The policies that govern the selection and retention of investments,
  - iv. Asset allocation policy,
  - v. The policies that govern the selection and removal of investment managers, and
  - vi. Corporate governance policies;
- c. Review the appropriateness of, and compliance with, the provisions of the Investment Policy Manual;
  - d. Monitor the performance of the total fund, each asset category, and each investment manager of the System;
  - e. Review and monitor amounts authorized by the Chief Investment Officer for investment management services;
  - f. Review the performance of the General Investment Consultant;
  - g. Review a study of the relationship between the system's assets and liabilities performed at least every five years; and
  - h. Consider and act on asset allocation recommendations of the Chief Investment Officer, the General Investment Consultant, and the Investment Committee.
  - i. Consider and act on recommendations of the Chief Investment Officer, the General Investment Consultant, and the Investment Committee regarding performance benchmarks for each asset class and the total portfolio.
  - j. Consider appropriate corporate governance actions.

## **Legal**

17. The Board shall:

- a. Consider and act on recommendations made by legal counsel concerning settlements or other legal proceedings involving the System; and

- b. Recommend legislation and adopt regulations that are consistent with the System's mission.

### **Benefits Administration and Member Services**

18. The Board shall:

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

### **Agency Operations**

19. The Board shall ensure that the State Retirement Agency's ("Agency") operations are managed effectively. In doing so, the Board shall:

- a. Approve the basic organizational structure of the Agency;
- b. Approve an annual business plan that is consistent with the Board's long-range strategic plan, and approve any updates thereto as deemed appropriate;
- c. Consider and act on an annual operating budget submission for the Agency, excluding amounts necessary for investment management services and the personnel and operational expenses of the Investment Division of the Agency, but including the establishment of management and staff positions and any supplemental budgets that may be necessary for the Agency, and authorize submission of the Agency's budget to the Governor for inclusion in the State budget;

- d. Consider and act on an annual operating budget for the personnel and operational expenses of the Investment Division of the Agency and any modifications thereto, including the establishment of management and staff positions, to be paid from the accumulation fund of each State System on a pro rata basis;
- e. Approve management's implementation of effective technologies and information systems to efficiently manage data, information, and records of the Agency;
- f. Approve selection of suitable office premises for the Agency's headquarters and any secondary offices;
- g. Confirm that the Agency has in place a disaster recovery plan and business continuity plan, and that each are regularly reviewed; and
- h. Confirm that the Agency has in place a crisis communications plan, and that the plan is regularly reviewed.

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

20. The Board shall:

- a. Meet with the System's pension actuary each year to discuss and approve the annual actuarial valuation and employer contribution rates;
- b. Certify to the Secretary of the Department of Budget and Management and to the Governor each year the rates for employer contributions;
- c. Ensure that an adequate system of internal control has been implemented and is in place to safeguard the assets of the System;
- d. Review the annual publication of the Annual Comprehensive Financial Report (ACFR), which includes the Independent Audit Report;
- e. Monitor Agency operations to help ensure that the ACFR and the Popular Annual Financial Report (PAFR) is published to the website annually.
- f. Oversee, through the Audit Committee, the internal and external audit functions;
- g. Review the actuarial experience of the System at least every five years and as appropriate, affirm existing, or adopt revised assumptions and methods; and

- h. Review the results of any actuarial audit conducted.

## **Human Resources**

### 21. The Board shall:

- a. Appoint the Executive Director, annually review performance and terminate if necessary;
- b. Determine the compensation of the Executive Director according to the State's Executive Pay Plan, and annually consider changes thereto;
- c. Approve or disapprove the recommendation of the Executive Director and Audit Committee concerning the hiring and/or termination of the System's chief internal auditor;
- d. Approve a succession plan that provides for continuity in senior management and other critical positions within the agency;
- e. Adopt objective criteria for setting the qualifications of the Chief Investment Officer;
- f. Following consideration of the recommendations of the Compensation and Staffing Committee, adopt objective criteria for setting the compensation of the Chief Investment Officer;
- g. Following consideration of the recommendations of the Investment Committee and the Compensation and Staffing Committee, adopt objective criteria for awarding financial incentives to the Chief Investment Officer;
- h. Review the objective criteria for setting qualifications, compensation and financial incentives at least once every five years.
- i. Subject to the restrictions set forth in SPP Article §21-118.1, and on the recommendation of the Executive Director and the Investment Committee in consultation with the Compensation and Staffing Committee as required, determine the qualifications and appointment, as well as compensation and leave, for the Chief Investment Officer;
- j. Authorize the Executive Director to terminate the appointment of the Chief Investment Officer, on the recommendation of either the Investment Committee or the Executive Director;

- k. Subject to the restrictions set forth in SPP Article § 21-122, on the recommendation of the Compensation and Staffing Committee, determine the type and number of positions necessary for carrying out the professional investment functions of the Investment Division, and the qualifications of positions within the Investment Division;
- l. Following consideration of the recommendations of the Compensation and Staffing Committee, adopt objective criteria for:
  - i. Setting compensation for positions within the Investment Division; and
  - ii. Awarding financial incentives for eligible positions within the Investment Division;

22. The Board may:

- a. Subject to the restrictions set forth in SPP Article § 21-118.1, and based only on the Board's objective criteria, establish and award financial incentives to the Chief Investment Officer; and
- b. Subject to the restrictions set forth in SPP Article § 21-122, and based only on the Board's objective criteria, establish and award financial incentives to eligible employees of the Investment Division.

### **Key Service Providers**

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

### **MONITORING AND REPORTING**

24. The Board shall:

- a. Establish policies for reporting and monitoring practices necessary to provide the Board with the information it requires to effectively oversee the administration of the System and meet the requirements of the SPP Article.
- b. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the Board and any recordings of

open session shall be open to public inspection in accordance with the Open Meetings Act.

- c. Receive approved minutes or a chair's meeting summary of all committee meetings during the following scheduled Board meeting.

