

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2021

The Administrative Committee meeting convened, via video/audio conference call, beginning at 9:30 a.m.

The Committee Members present included:

Kenneth Haines, Chairman, Presiding	Jamaal Craddock
Richard Norman, Vice Chairman	Nancy Kopp
Linda Allen	Marc Nicole
Thomas Brandt	

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary

Greg Busch	Angie Jenkins	Ken Reott
Melody Countess	Van Lewis	David Rongione
Robert Diehl	Megan Myers	Janet Sirkis
Patricia Fitzhugh	Kim O’Keeffe	Scott Bolander (live stream)
Anne Gawthrop	Andy Palmer	
Michael Golden	Chandra Puranam	

Assistant Attorneys General present included: Rachel Cohen

Other attendees included: Megan Schutz (Treasurer’s Office)

Minutes On a motion made by Mr. Brandt and seconded by Mr. Norman, the Administrative Committee approved the August 3, 2021 open session meeting minutes.

FY23 Budget Mr. Noven, along with Van Lewis, Melody Countess, Ken Reott and Robert
Proposal Diehl presented the Agency’s Budget Request for Fiscal Year (FY) 2023.

Mr. Noven reported that staff is recommending a budget of \$26,911,108, which includes the Department of Budget and Management (DBM) budget target of \$26.8 million and a \$102k adjustment that Mr. Lewis has discussed with the DBM’s budget analyst.

Mr. Noven reported that the Agency’s proposed budget also makes three “over the target” requests as follows:

- Additional technology resources to support improved member service following the completion of MPAS. (\$984,091)

- Three (3) additional Benefits Administration regular positions. (\$190,496)

- Acquisition of “Workiva” Integrated Financial Reporting Software (\$190,000)

Treasurer Kopp asked for information on “Workiva” and how it interfaces with other agencies and what impact it will have on the Agency.

Ms. Countess responded that staff brought the idea of “Workiva” to the Committee and Board as part of the Agency’s Business Plan. The Workiva software, which is also used by the Comptroller’s Office, will not only assist staff

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2021

in preparing the Agency's annual financial report, but it will also streamline the process for preparing other reports that are provided, by the Agency, to the Comptroller's Office, Treasurer's office and other agencies such as the Maryland Department of Transportation.

Mr. Brandt commented that the information in the budget provides that, since 2012, the number of members have decreased by 1%, but the number of Agency employees have increased 20% over the same period and asked staff to elaborate on that subject.

Mr. Noven responded that most of the new positions were investment positions that resulted from the decision to manage more of the System assets.

Mr. Lewis agreed with Mr. Noven, commenting that majority of the increase is attributed to the Investment Division, with an increase of approximately 15 new positions over the last two years. Mr. Lewis also reported that 4-5 positions were added to the Benefits Administration and Information Technology Divisions, while several other positions were abolished over the same period.

Treasurer Kopp pointed out that the numbers in the budget proposal reflect current members and former members, not retirees, which the budget reports has increased by almost 28%.

Mr. Reott responded that retirees are usually more contact intensive than members and former members.

On a motion made by Mr. Brandt and seconded by Mr. Norman, the Administrative Committee approved, for recommendation to the Board of Trustees, the FY23 Budget Proposal, as presented. Mr. Nicole abstained.

Board Requested
Legislation

Ms. Gawthrop presented two legislative proposals recommended by staff for consideration by the Administrative Committee. Ms. Gawthrop recommended that the Administrative Committee recommend that the Board of Trustees present the following legislative proposals to the Joint Committee on Pensions (JCP), for the JCP's consideration to sponsor as legislation for the 2022 session.

Ms. Gawthrop reported that with the establishment of Chapters 727 and 728 in 2018, the Board was provided with the authority to determine and create positions necessary for carry out the professional investment functions of the Investment Division and to set their compensation, subject to provisions included in the legislation. Included in those bills are provisions that limit the amount by which compensation may be increased to no more than 10% each year for certain Investment Division positions. Additionally, that legislation also prohibits the Board from paying out any unpaid incentive compensation to the CIO or Investment Division staff after they separate from employment.

Ms. Gawthrop reported that since the enactment of Chapters 727 and 728, staff has found that these provisions have unintentionally created inequities among Investment Division staff and believes provisions of this legislation will inadvertently place Investment Division staff in a position where they will

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2021

ultimately have to choose between retirement and receiving financial incentives they have justifiably earned.

Compensation Levels. This legislation would grant the Board the authority to provide the staff of the Investment Division who have discretion over investment-related decisions, were employed prior to the passage of Chapters 727 and 728, and continue to receive compensation that is more than 10% below the midpoint of their respective salary ranges relative to the national midpoint, with not more than two one-time salary increases to be approved with the intent to move these individuals up to the midpoint of their respective salary ranges.

Treasurer Kopp asked if staff had discussed the proposed legislation with legislative staff.

Ms. Gawthrop responded yes, staff has discussed this with legislative staff who are favorable and understands the issue. However, staff has not yet met with the Chairs of the Joint Committee on Pensions, but plan to do so.

Ms. Gawthrop further responded that it was the legislative members appointed to the Objective Criteria Committee who had anticipated this issue.

On a motion made by Mr. Norman and seconded by Mr. Craddock, the Administrative Committee approved the legislative proposal as presented, for recommendation to the Board of Trustees.

Forfeiting Incentive Compensation at Retirement. This legislation would amend the provision to provide an exception for retirements of Investment Division staff. Staff believes this amendment could be structured similarly to provisions of law that address converting unused sick leave to service credit at the time of retirement. A similar provision could be added for Investment Division staff that provides that the individual will be entitled to receive any outstanding incentive compensation if the individual retires from State service on or before 30 days after ceasing employment with the Investment Division.

On a motion made by Mr. Brandt and seconded by Mr. Nicole, the Administrative Committee approved the legislative proposal as presented, for recommendation to the Board of Trustees.

Proposed
Amendments to
COMAR 22.01.11
– Employment of
a Retiree by a
Participating
Employer

Mr. Reott provided background information regarding COMAR 22.01.11 – Employment of a Retiree by a Participating Employer, reporting that this regulation had not been amended since 2010. Since that time, several statutes governing reemployment of retirees have steadily evolved. Therefore, staff is proposing to repeal the prior chapter and replace it with the extensively revised proposed chapter presented in the meeting book.

Ms. Myers reported on the following proposed amendments to COMAR 22.01.01:

COMAR 22.01.11.01 – has combined the form “Scope” and “Definition” sections

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2021

into a single section for better ease of administration and interpretation.

COMAR 22.01.11.02 clarifies the legally required bona-fide separation of service that characterizes a genuine retirement and details the general “45-day rule” prohibiting certain reemployment within 45 days after retirement.

COMAR 22.01.11.03 provides a more detailed and specific summary of how the Agency administers the reemployment earnings limitation than current regulations provide. Subsection A clarifies that the regulations in COMAR 22.01.11.03 apply only to those who are subject to an earnings limitation (and not, for example, to members of the State Police Retirement System). Subsections B and C clarify the reporting obligations of participating employers. Subsections D through G detail how the Agency administers the earnings limitation, including by applying a retirement allowance reduction and providing notice to affected retirees. These detailed provisions summarize the complex provisions affecting earnings limitation administration and help the Agency to explain its administration of the statutes to affected individuals.

COMAR 22.01.11.04 summarizes the Agency’s administration of benefit suspensions (rather than reductions) due to an individual’s reemployment with a participating employer. Subsection A confirms a long-standing Agency policy regarding the suspension of benefits of retirees holding the specified positions. Subsections B and C summarize the Agency’s suspension authority and the Agency’s obligations to recover any benefits overpaid due to delayed discovery or notice that a retiree’s allowance is subject to suspension.

COMAR 22.01.11.05 provides due process procedures for retirees adversely affected by imposition of an earnings limitation, suspension, or offset. Subsections A through D allow a retiree who would experience financial hardship from an allowance reduction or offset to request extension of the time-period of the reduction or offset by submitting a written request to the Executive Director. Subsections E and F establish a path for administrative review by the Executive Director, and potential administrative appeal, for individuals who contend that they should not be subject to an earnings limitation or allowance suspension at all.

COMAR 22.01.11.06 and 22.01.11.07 clarify the time periods during which the reemployment limitations do and do not apply.

On a motion made by Mr. Brandt and seconded by Treasurer Kopp, the Administrative Committee voted to recommend that the Board of Trustees vote to submit the proposed amendments to COMAR 22.01.11 to the Administrative, Executive, and Legislative Review Committee, and publish them for comment in the Maryland Register.

Finance Reports
Quarter Ending
June 30, 2021

Ms. Countess and Mr. Lewis presented the Administrative Expenses report for the quarter ending June 30, 2021. Ms. Countess reported that the Agency expended 96.26% of its available appropriation, with a year-end surplus of approximately \$1 million.

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2021

Mr. Lewis reported that of the \$1 million surplus, \$319,757 represents unexpended healthcare costs that must be reverted at year-end, reducing the Agency year-end surplus to \$694,725.

Mr. Lewis reported that the following items contributed to the year-end surplus:

- Regular Personnel Savings - \$279k
- Contractual P/R & Tech Support – \$229k
- Communications – \$252k
- Travel – \$98k
- Contractual Services – \$434k.

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Mr. Lewis presented the MBE Performance Report for the quarter ending June 30, 2021. Mr. Lewis reported that MBE performance was 38.86%, exceeding the overall minimum MBE performance goal of 29.0%.

Treasurer Kopp commented that the numbers looked good and with the progress of the MPAS system, the numbers may be better in the future.

Mr. Brandt asked with the internal management of assets, if the Investment Division could assist with the numbers of MBE participation.

Mr. Palmer responded that the Investment Division follows the same procurement and MBE processes as the Agency, utilizing the Maryland Marketplace for vendors who may provide the services being sought.

Treasurer Kopp asked if the Committee should ask to have an analyst report from the Investment Division on its MBE performance, like the report being presented today on the Agency’s performance.

Mr. Palmer responded that the Investment Division presents the GOMA report to the Investment Committee on an annual basis and could share that report with the Committee.

Member Services Update

Mr. Reott provided a Member Services update, reporting that the most recent monthly numbers were better than last fiscal year with a call abandonment rate of 11.13% and an average call wait time of 194 seconds, still slightly above the goal, but better than last fiscal year.

Mr. Reott indicated that the report shows that the Member Services Unit received 10,785 total calls in July 2021, slightly below the last fiscal year of 12,527. Mr. Reott commented that he believes that the decrease in the number of phone calls is a result of the *mySRPS* member portal starting to have the effect staff was anticipated it would have.

Ms. Allen asked how many Retirement Benefit Specialists handle incoming calls.

Mr. Reott reported that there are 10 specialists answering calls daily. He also reported that there are 18 specialists in the Member Services unit handling correspondence and meeting with members virtually or in-person, as well.

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2021

CLOSED SESSION

On a motion made by Mr. Brandt and seconded by Treasurer Kopp, the Administrative Committee voted to meet in a closed session, via video/audio conference call, beginning at 10:31 a.m., for the purposes of:

- a) reviewing the August 3, 2021 closed session Administrative Committee meeting minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function and General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosure about a particular proceeding or matter, namely, General Provisions Art., § 3-306(c)(3)(ii), requiring that minutes of a closed session be sealed and not be open for public inspection;

The Committee Members present included:

Kenneth Haines, Chairman, Presiding	Thomas Brandt
Richard Norman, Vice Chairman	Jamaal Craddock
Linda Allen	Nancy Kopp

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary

Greg Busch	Michael Golden	Andy Palmer
Melody Countess	Angie Jenkins	Chandra Puranam
Robert Diehl	Van Lewis	Ken Reott
Patricia Fitzhugh	Megan Myers	David Rongione
Anne Gawthrop	Kim O'Keeffe	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

Other attendees included: Megan Schutz (Treasurer's Office)

On a motion made by Treasurer Kopp and seconded by Mr. Norman, the Administrative Committee returned to open session, via video/audio conference call, beginning at 10:32 a.m.

OPEN SESSION

The Committee Members present included:

Kenneth Haines, Chairman, Presiding	Thomas Brandt
Richard Norman, Vice Chairman	Jamaal Craddock
Linda Allen	Nancy Kopp

Agency Staff members attending included: Martin Noven, Executive Director/Board Secretary

Greg Busch	Angie Jenkins	Ken Reott
Melody Countess	Van Lewis	David Rongione
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Assistant Attorneys General present included: Rachel Cohen

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

September 3, 2021

Other attendees included: Megan Schutz (Treasurer's Office)

The Administrative Committee, during the closed session, acted upon the following item:

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| Minutes | The Committee reviewed and approved the August 3, 2021 closed session Administrative Committee meeting minutes. |
| Adjournment | There being no further business before the Committee, on a motion made by Mr. Norman and seconded by Mr. Brandt, the meeting adjourned at 10:32 a.m. |

Respectfully submitted,



Martin Noven,
Secretary to the Board