

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

December 4, 2018

The Administrative Committee met at the SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor, Board Room, Baltimore, Maryland, beginning at 9:33 a.m.

The Trustees present included:

James Harkins, Chairman	Nancy K. Kopp
Theresa Lochte, Vice Chairman (via phone)	Marc Nicole (via phone)
Susanne Brogan	Richard Norman
Sheila Hill (presiding)	

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Melody Countess	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	Ken Reott
Michael Golden	Kim O’Keeffe	David Rongione
Ira Greenstein		Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

Other attendees included: Det./Sgt. Bryan Waser

Minutes            On a motion made by Ms. Hill and seconded by Mr. Norman the Administrative Committee approved the October 2, 2018 open session meeting minutes.

Administrative Appeal of Frank J. Principe, Jr.            Treasurer Kopp, for the record, advised the Committee that she personally knew both the Petitioner, Mr. Principe and Counsel for the Petitioner, Mr. Maloney, having served in the legislature with him, as well as, having been an opposing expert witness in the same litigation matter. Treasurer Kopp indicated that her personally knowing the parties would not hinder or bias her opinion in this matter.

Trustee Sheila Hill, introduced herself and reported that she would be chairing this portion of the meeting. Ms. Hill also reported that two Committee members, Chairman Jim Harkins and Committee member Susanne Brogan, are recusing themselves from this appeal. Ms. Hill informed the parties that Vice Chair Theresa Lochte and Committee member Marc Nicole were participating by telephone.

Timothy Maloney, Esquire and Frank J. Principe, Jr., appeared before the Administrative Committee, requesting that the Committee reject the Summary Decision of the Executive Director regarding Mr. Principe’s request that he be allowed to remain enrolled in the Employees’ Pension System (EPS) or in the alternative to receive full credit for the plan contributions and time served during the period in which he was enrolled in the EPS.

Mr. Maloney reported that Mr. Principe elected to join the Optional Retirement Program (ORP) as a result of this employment as a legislative liaison for Towson University in November 1997 and continued enrollment in the ORP in November 2002 when he became the Director of Government Relations for Towson University. In October 2010, Mr. Principe became a member of the EPS due to his employment with the Maryland Department of Transportation (MDOT). However, on February 16, 2015 when Mr. Principe applied for continued participation in the EPS as an exempt employee of the University of Maryland University College, the State Retirement Agency (SRA) rejected the application on the grounds that Mr. Principe’s

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UMUC position was ORP-eligible.

Mr. Maloney argued that in June 2006, Mr. Principe rolled-over the funds from his ORP account to Capital Bank & Trust. Mr. Maloney argued that, the roll-over of funds negated Mr. Principe's membership in the ORP and that Mr. Principe's enrollment in the EPS was proper as a matter of law. Mr. Maloney argued that the irrevocability of his enrollment in the ORP only remained in effect until he took the position at MDOT, which is not an ORP-eligible employer, or until he rolled-over his ORP funds.

Ms. Kathleen E. Wherthey, Assistant Attorney General, argued on behalf of the Agency. Ms. Wherthey argued that in November 1997, Mr. Principe in connection with his ORP-eligible employment with Towson University, completed a form that confirmed his election to participate in the ORP instead of the TPS and the System. That election form stated, in part, that "such option is final, binding and irrevocable as long as the individual is an employee of an institution of higher learning which permits such option" and the form bears Mr. Principe's notarized signature beneath that text.

Ms. Wherthey reported that in 2002 Mr. Principe completed an updated version of that form as a result of his position as Director of Government Relations at Towson University. Ms. Wherthey reported that Mr. Principe was later enrolled in the EPS as a result of his employment in 2010, with MDOT, a non-ORP eligible employer. However, in 2015, when Mr. Principe became employed with UMUC, an "employing institution" whose "eligible employees" may participate in the ORP, he was required, by law, to re-enroll in the ORP.

Former Art. 77 § 192(i), enacted by 1975 Laws of Maryland, Chapter 556, provides that "Any eligible employee electing to participate in an optional retirement program shall be ineligible for membership in the Teachers' Retirement System of the State of Maryland so long as he or she is employed in any other institution establishing an optional retirement program pursuant to this section. The employee shall participate in the optional retirement program of that institution." Ms. Wherthey argued that this requirement has remained in the law since that time.

Ms. Wherthey further argued that several statutory provisions in effect in 2015 reflected and carried out the legislative intent. State Personnel and Pensions Art., § 30-302(b) plainly states that "[a]n eligible employee's election to participate in the [ORP] program is a one-time irrevocable election." SPP § 30-307(e) further confirms that "[a] participating employee is ineligible for membership in a retirement or pension system while the [ORP]-participating employee is employed in any eligible position by any employing institution." In addition, Ms. Wherthey argued that the State statutes dovetail with federal tax law, which prohibits "elective deferrals" to the System given its status as a governmental defined benefit plan under 26 U.S.C. § 401(a) of the Internal Revenue Code.

The Committee discussed and voted on this appeal in closed session.

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**CLOSED SESSION**

On a motion made by Mr. Norman and seconded by Ms. Hill, the Administrative Committee voted to meet in a Closed Session beginning at 10:05 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

- a) discussing an administrative appeal, pursuant to General Provisions Art., Section 3-103(a)(1)(iii), a quasi-judicial function.

The Trustees present included:

Theresa Lochte, Vice Chairman (via phone)	Nancy K. Kopp
Sheila Hill (presiding)	Richard Norman
Marc Nicole (via phone)	

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Melody Countess	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	Ken Reott
Michael Golden	Kim O'Keeffe	David Rongione
Ira Greenstein		Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Emily Spiering

On a motion made by Mr. Norman and seconded by Treasurer Kopp, the Administrative Committee returned to open session at 10:21 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

**OPEN SESSION**

The Trustees present included:

James Harkins, Chairman (presiding)	Marc Nicole (via phone)
Theresa Lochte, Vice Chairman (via phone)	Nancy K. Kopp
Sheila Hill	Richard Norman

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Melody Countess	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	Ken Reott
Michael Golden	Kim O'Keeffe	David Rongione
Ira Greenstein		Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

The Administrative Committee reported that during the closed session the Administrative Committee reviewed and decided on the following item:

Administrative Appeal of Frank J. Principe, Jr.	The Administrative Committee voted to adopt the Executive Director's recommended summary decision for recommendation to the Board of Trustees.
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**ADMINISTRATIVE COMMITTEE MINUTES  
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Administrative  
Appeal of  
Kenneth Dries

Mr. Dries personally appeared before the Administrative Committee, requesting that the Committee reject the Summary Decision of the Executive Director and grant his request that his retirement date be backdated to June 1, 2010, and not August 1, 2017 as determined by the System. Mr. Dries argued that when he met with a Retirement Counselor in 2012 to discuss his retirement options, he was informed that he could retire at any time and be paid a retroactive benefit. Mr. Dries indicated that it was not until 2017, when he submitted his retirement application that he was informed that his retirement date would be August 1, 2017 and not June 1, 2010. Mr. Dries argued that had he been informed that he would not receive a retroactive benefit and approximately \$40,000 of retirement benefits, he would have filed the retirement forms to receive his benefit sooner.

Ms. Kathleen E. Wherthey, Assistant Attorney General, argued on behalf of the Agency. Ms. Wherthey argued that in September 2002, Mr. Dries became a member of the Employees' Pension System (EPS) as a result of his employment as a Correctional Maintenance Officer, but that in 2006, his employment classification became eligible for enrollment in the Correctional Officers' Retirement System (CORS) and his record was transferred to CORS. Ms. Wherthey stated that CORS has a normal service retirement age of 55 with at least five years of eligibility service for a member who was enrolled before July 1, 2011. State Personnel and Pensions Art., § 25-401(a)(1).

In May 2010, payroll reporting ended for Mr. Dries, indicating that he had separated from employment. At that time, Mr. Dries was 60 years and 6 months old and had seven years and eight months of creditable and eligibility service and was therefore, eligible to retire from CORS. Ms. Wherthey argued that the Agency informed Mr. Dries, on several occasions, that he was eligible to retire and that to retire, he must complete the retirement forms and return them to the Agency as soon as possible. Ms. Wherthey argued that Mr. Dries did not submit retirement forms to the Agency until August 2017. SPP § 25-401(a)(1)(iv) provides that a member may retire with a normal service retirement if, on or before the date of retirement, the member is at least 55 years old and has at least five years of eligibility service credit, if the member is a member on or before June 30, 2011 and the member completes and submits a written application to the Board of Trustees stating the date when the member desires to retire.

Additionally, Ms. Wherthey argued that SPP § 25-402 provides that a former member may retire with a retirement allowance under § 25-401 of this subtitle on the first day of the month after the Board of Trustees receives a written application for retirement from the former member, and that a former member who retired under that section may not receive benefits for the period before the former member submits a completed application to the Board of Trustees. Therefore, the Agency correctly determined that Mr. Dries' retirement eligibility date is August 1, 2017.

The Committee discussed and voted on this appeal in closed session.

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**CLOSED SESSION**

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee voted to meet in a Closed Session beginning at 10:47 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

- a) discussing an administrative appeal, pursuant to General Provisions Art., Section 3-103(a)(1)(iii), a quasi-judicial function.

The Trustees present included:

James Harkins, Chairman (presiding)	Marc Nicole (via phone)
Theresa Lochte, Vice Chairman (via phone)	Nancy K. Kopp
Susanne Brogan	Richard Norman
Sheila Hill	

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Melody Countess	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	Ken Reott
Michael Golden	Kim O'Keeffe	David Rongione
Ira Greenstein		Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Emily Spiering

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee returned to open session at 11:12 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

**OPEN SESSION**

The Trustees present included:

James Harkins, Chairman (presiding)	Marc Nicole (via phone)
Theresa Lochte, Vice Chairman (via phone)	Nancy K. Kopp
Susanne Brogan	Richard Norman
Sheila Hill	

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Melody Countess	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	Ken Reott
Michael Golden	Kim O'Keeffe	David Rongione
Ira Greenstein		Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

The Administrative Committee reported that during the closed session the Administrative Committee reviewed and decided on the following item:

Administrative Appeal of Kenneth Dries	The Administrative Committee voted to recommend rejecting the Executive Director's recommended summary decision and will recommend to the Board of Trustees that the appeal be granted.
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2019  
Administrative  
Committee  
Meeting Dates

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee approved the 2019 Administrative Committee Meeting dates, as follows:

Tuesday, February 5, 2019	Tuesday, March 5, 2019
Tuesday, April 2, 2019	Tuesday, June 4, 2019
Tuesday, August 6, 2019	Tuesday, September 3, 2019
Tuesday, October 1, 2019	Tuesday, December 3, 2019

Review of the  
Objective Criteria  
Committee's  
(OCC)  
Governance  
Charter

Mr. Kenderdine reported that the Objective Criteria Committee (OCC) had, at its November meeting, approved the language presented to them, by staff, for the Governance Charter. After that meeting of the OCC, and further discussion, edits were made to the draft charter which are reflected by strike-outs or capitalized language in the version presented for the Administrative Committee's consideration.

Ms. Brogan noted that the draft overlooked certain relevant statutory provisions, specifically, the language related to eligibility for cost of living and step increases for investment division positions that do not involve discretion over investment-related decisions.

Mr. Kenderdine reported that all charters are brought through the Administrative Committee. Once the OCC charter is approved, as amended, it will go to the Board of Trustees for final approval, and the updated charter will be shared with the OCC.

On a motion made by Ms. Brogan and seconded by Ms. Hill, the Administrative Committee approved the Objective Criteria Committee's Governance Charter, as presented, for recommendation to the Board of Trustees.

Review of the  
Criteria for the  
Executive  
Director's  
Evaluation

The Administrative Committee reviewed the evaluation criteria for the Executive Director for the performance period January 16, 2018 through January 15, 2019.

Mr. Harkins commented that he reviewed the criteria and that it appeared to be the same as used in previous years.

Mr. Kenderdine responded in the affirmative.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee approved the Executive Director evaluation criteria for recommendation to the Board of Trustees.

Finance Reports  
– Quarter Ending  
09/30/18

Ms. Melody Countess presented to the Committee the Administrative Expense Report Dashboard, which provided an overview of the how the Agency expended or encumbered 21.16% of the appropriation through the first quarter of FY2018.

APPROPRIATION EXPENDED/ENCUMBERED	21.16%
REGULAR SALARIES	18.97%
CONTRACTUAL PAYROLL AND TECHNICAL SUPPORT	21.88%
COMMUNICATIONS (INCLUDES POSTAGE)	36.06%
TRAVEL	29.13%

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VEHICLE COSTS	23.01%
CONTRACTUAL SERVICES (including equipment leasing & building maintenance)	20.88%
SUPPLIES	51.20%
EQUIPMENT PURCHASES	17.81%
RENT AND INSURANCE	35.89%
DUES, SUBSCRIPTIONS AND LICENSES	08.60%

Mr. Norman requested that the Administrative Expenses schedule be made larger for easier reading.

Mr. Lewis responded that staff is currently working on a new format for presenting that document.

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Mr. Lewis presented the MBE Performance Report for the quarter ending September 30, 2018. The report showed that the MBE performance was 53.76%. Mr. Lewis reported that the higher percentage in the first quarter was due to contracts being awarded to MBE participants for the MPAS project.

Member Services  
Update

Mr. Raitzyk reported that the Member Services unit was unable to meet its goals for the call abandonment rate and average call wait time for the month of October 2018. The unit's call abandonment rate was 9.90% and the average speed of answer was 166 seconds for the month of October. Mr. Raitzyk reported that below normal staffing levels and increased call volume of more than 5,000 calls contributed to the unit missing its goals for the month.

Ms. Hill asked for the favorable comments regarding counselor service, is there a reward or acknowledgement given to the employee.

Mr. Raitzyk responded that the unit Supervisors have regular meetings with staff and that information would be relayed to the employee at that time. Mr. Raitzyk further responded that the reverse would happen, as well; if a negative comment was provided regarding a counselor, the Supervisor would meet with the employee to address those concerns.

Ms. Brogan asked about the suggestions to improve service section and the survey response concerning offering information in many languages.

Mr. Kenderdine responded that the Agency is able to provide a translator if a member requests that service.

Mr. Raitzyk further responded that there is a Retirement Counselor in the member services unit that speaks fluent Spanish.

Business Plan  
Status Report

Mr. Kenderdine provided the Administrative Committee with an update to the Business Plan, focusing specifically on the following topics:

1. Review and Revision of Code of Maryland Regulations:
  - SRA continues to be engaged in the State "Regulatory Review & Evaluation" process in which every eight years, State agencies

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determine whether their regulations “are necessary for the public interest, continue to be supported by statutory authority and judicial opinion, or are appropriate for amendment or repeal.” Staff will be bringing recommendations for regulatory changes to the Board as updates are completed.

Mr. Kenderdine reported that the last regulations that were reviewed and approved for submission to the AELR Committee, was the Transfer of Membership to the Pension System regulations. The Retire/Rehire regulations are the next to be presented to the Committee and Board.

2. MPAS 3 – Business Process Re-engineering

- The Agency has begun the process of determining and procuring the additional technologies. Customer Relationship Management (CRM), Microsoft Dynamics 365 and Member Document Storage (MDS) are the software packages that will be acquired and built to integrate imaging and voice systems, increase functionality, improved communications and greater member/retiree and employer access to their data. Additionally the Agency is on target to launch the Member Self-service Portal (P2) with a Go-Live date of September 2, 2019.

3. MSRA Public Website

- Contract was awarded to Digital Deployment, Inc. in February 2018. New site has been built. SRA staff who have responsibility for placing and maintaining content have been trained. Now working on migrating current site content and organizing it to align with new site design. Launch date moved one month to January 2019.

Mr. Golden reported that in early January he plans to circulate to all Trustees, the link to the new website “sandbox”, allowing Trustees to examine and use the site before it goes live.

4. Investment Staff Compensation Criteria

- Consultant hired; OCC appointed and has held two meetings.

Mr. Kenderdine further reported that the OCC’s third and final meeting is scheduled for December 17, 2018 and any recommendations from that meeting will be brought to the Board in January.

Board Work Plan  
Annual Checklist

Mr. Kenderdine provided the Administrative Committee with the Board work plan annual checklist for calendar year 2018. Mr. Kenderdine reported that the checklist represents the dominant pieces of business and serves as the means of following what needs to be completed.

Ms. Brogan commented that the checklist is a useful tool.

Mr. Kenderdine responded affirmatively, reporting that the tool stemmed from when the Board’s charters and policies were first established, in 2003.



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Experience Study      The Administrative Committee was provided with the work plan for conducting the  
Work Plan              System's next Experience Study.

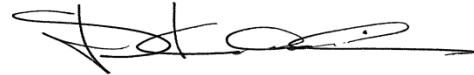
Mr. Kenderdine reported that the work plan may be adjusted as staff and Gabriel Roeder Smith, the System's actuary, move forward with the study. An experience study is required, by law, to be performed at least every 5 years, but the System has been doing so every four years.

Mr. Kenderdine reported that the experience study will be based on FYs 2015 through 2018 and will examine the current demographic and economic assumptions for adjustments.

Mr. Kenderdine further reported that the assumed rate of return as a key economic assumption, will be included in the study. As the Committee is aware, the assumed rate was reduced from 7.55% to 7.45% during FY2016-FY2018. Mr. Kenderdine indicated that there will need to be an appointment of an Ad Hoc Committee for this part of the study as was done for the most recent reduction of the rate.

Adjournment            There being no further business before the Committee, on a motion made by Ms. Hill and seconded by Mr. Norman, the meeting adjourned at 11:49 a.m.

Respectfully submitted,



R. Dean Kenderdine,  
Secretary to the Board