

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

September 5, 2017

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:31 a.m.

The Trustees present included:

Theresa Lochte, Vice Chairman, Presiding	Marc Nicole
Susanne Brogan (via phone)	Richard Norman
Sheila Hill	

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

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

Assistant Attorneys General present included: Rachel Cohen, Alex Harisiadis and Kathleen Wherthey

Other attendees included: Phillip Anthony

Minutes On a motion made by Mr. Nicole and seconded by Mr. Norman, the Administrative Committee approved the August 1, 2017 open session meeting minutes.

2018 Administrative Committee Meeting Dates On a motion made by Mr. Nicole and seconded by Mr. Norman, the Administrative Committee approved the 2018 Administrative Committee Meeting dates, as follows:

Tuesday, February 6, 2018	Tuesday, March 6, 2018
Tuesday, April 3, 2018	Tuesday, June 5, 2018
Tuesday, August 7, 2018	Tuesday, September 4, 2018
Tuesday, October 2, 2018	Tuesday, December 4, 2018

FY2019 Budget Proposal Mr. Kenderdine introduced the Agency’s Budget Request for Fiscal Year (FY) 2019.

Mr. Kenderdine noted typographical errors on page 1 of the budget proposal and stated that they would be changed prior to the proposal being submitted to the Board of Trustees.

Mr. Kenderdine reported that the Agency’s FY18 operational budget totaled \$34.8 million with 97% of the budget attributable to payroll, contractual obligations, fixed charges and communications, as is typical. The Department of Budget and Management (DBM) has given the Agency a FY19 budget target of \$34.8 million, which provides level funding from the previous year, inclusive of step increases for Agency personnel. The proposed budget being submitted to the Board, inclusive of “Over the Target” requests, is above the statutory cap, with a total budget of \$46.5 million.

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Mr. Kenderdine reported that the Agency is submitting, for the Board's consideration, the following five "Over the Target" requests for FY2019:

- Modernization of Business Process and Supporting Technology – (\$9.9 million). This request represents continued funding for the multi-year Phase III of the Maryland Pension Administration System (MPAS). This initiative is aimed at providing member services through a secure website, achieving business process improvements and enhanced/new technology to support them
- Benefits Administration Staffing – (\$187k). This request is to add four (4) new positions to bridge the gap until the business process re-engineering (MPAS III) is complete.
- Investment Division Staffing – (\$799k). This request is to add eight (8) new positions to address the sophistication, size and complexity of the investment portfolio, which has outpaced staffing levels.
- Investment Tax Agent – (\$250k). This request would enable the System to invest in emerging market stocks more efficiently and reclaim taxes that have been withheld by foreign countries.
- Investment Accounting Systems – (\$500k). This request is to satisfy the need to have a reliable, comprehensive and permanent source for historic data.

Mr. Nicole noted that, assuming the budget approved exceeds the current statutory cap for the Agency, the Agency would need to request a change to the law and asked if it would be on a temporary or permanent basis.

Mr. Kenderdine responded that the Agency would likely ask for the change to be on a temporary basis, perhaps to "sunset" after five (5) years in order to work through the MPAS III project.

Mr. Nicole asked how much staffing is project related.

Ira Greenstein, Chief Information Systems Officer, responded that \$4 million is contracted support, with network operations running the infrastructure, which will increase going forward. Mr. Greenstein further responded that of the nine (9) positions included in the over-the-target request, two (2) positions would be systems development related, two (2) would be for IT security, two (2) would be managing the new infrastructure and the other three (3) positions would be for analysts in the Business Operations Office.

Mr. Nicole asked if there were discussions about hosting using cloud-based services.

Mr. Greenstein responded that cloud-based services are an option, but no cloud services are associated with the MPAS III request at this time. However, there has been some discussion of using a cloud-based service for one component

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service, such as member authentication on a future secure member site.

Mr. Nicole asked if the proposal could contain a more detailed description of the requested investment positions and their duties, when the Agency submits it to the Department of Budget and Management.

Mr. Kenderdine responded in the affirmative.

Ms. Brogan asked if it would be more expensive to move to a cloud-based service.

Mr. Greenstein responded that it could be more expensive to move to a cloud-based system. The typical cloud-based use case is when there are planned fluctuations in resource needs over time, and that situation does not apply here. Also, some cloud contracts have long-term hidden costs, such as when there are no provisions to take any data back from the cloud at contract termination.

Ms. Brogan asked if there were a sequence or hierarchy of process.

Mr. Greenstein responded yes, considerable thought has been given to what aspects of MPAS III are most important and which could proceed at a faster pace. For example, the Agency is ready to begin today with converting batch transactions to online update, with the Agency's staff first followed by members. The Agency could proceed even now with converting the production of benefits estimates in real-time, and also converting other transactions. Once that is complete, the Agency could begin work on a member portal, building infrastructure for portals, enabling employer related portals, monitoring workflow, and customer relationship management.

Ms. Lochte asked how long before members are able to access their accounts on-line.

Mr. Greenstein responded that the timeframe would depend on the budget in FY19 and FY20, but the second half of FY20 is realistic.

Mr. Kenderdine further confirmed that the Agency is looking to January, 2019 at the earliest, for members to begin accessing their accounts.

Ms. Lochte asked how much money has the System invested thus far on the MPAS project.

Mr. Greenstein responded approximately \$25 million so far, inclusive of MPAS I and MPAS II.

Mr. Nicole asked whether a project manager was hired yet.

Mr. Greenstein responded that the project manager is part of the business process re-engineering procurement for which interviews are now being held, with the third and final interviews scheduled for September 7, 2017.

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Mr. Nicole asked if the Department of Information Technology (DoIT) was a part of that process.

Mr. Greenstein responded in the affirmative.

Ms. Lochte asked if the Tax Agent being requested was an organization or individual.

Mr. Palmer responded that the Tax Agent would be an organization.

Ms. Lochte asked if the Investment Accounting System would have access to all historical data.

Mr. Palmer responded yes, that the historical data is available and State Street would provide us with those records.

On a motion made by Mr. Norman and seconded by Ms. Hill, the Administrative Committee approved, for recommendation to the Board of Trustees, the FY19 Budget Proposal. Mr. Nicole abstained.

Finance Reports

Ms. Melody Countess and Mr. Van Lewis presented the Administrative Expenses Report for the quarter ending June 30, 2017. Mr. Lewis reported that the Agency expended the entirety of its available appropriation, with the exception of unexpended healthcare costs, which had to be reverted. Mr. Lewis reported that the third quarter dashboard document had suggested an end-of-year surplus which was based on the assumption that there would not be a new custodial bank contract in place by fiscal-year-end. This is what transpired and the Agency redirected those resources to an investment consulting contract with Cutter/Funston Consulting, and the purchase of additional IT equipment and related software.

Mr. Lewis presented the MBE Performance Report for the quarter ending June 30, 2017. Mr. Lewis reported that MBE Performance was 27.20%, which is below the Administrative MBE performance goal of 29.0%.

Member Services
Update

Mr. Raitzyk reported that the Member Services unit was able to meet its performance goals for both the call abandonment rate and for the average call wait time for July 2017. The unit's call abandonment rate was 4.36% and the average speed of answer was 0:70.

On a motion made by Mr. Nicole and seconded by Mr. Norman, the Administrative Committee voted to meet in a Closed Session beginning at 10:39 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. reviewing the closed session Administrative Committee meeting minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function.

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CLOSED SESSION

The Trustees present included:

Theresa Lochte, Vice Chairman, Presiding	Marc Nicole
Susanne Brogan (via phone)	Richard Norman
Sheila Hill	

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

Melody Countess	Michelle Lowery	Dave Rongione
Anne Gawthrop	Kim O’Keeffe	Janet Sirkis
Angie Jenkins	Harvey Raitzyk	Toni Voglino
Van Lewis		

Assistant Attorneys General present included: Rachel Cohen, Alex Harisiadis and Kathleen Wherthey

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee returned to open session at 10:39 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

During closed session, the Administrative Committee discussed and took action on the following matters:

Closed Session Minutes	The Committee reviewed and approved the August 1, 2017 closed session minutes.
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 10:40 a.m.

Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board