



STATE RETIREMENT
and PENSION SYSTEM
of MARYLAND

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND

GOVERNANCE POLICIES

Adopted by Board of Trustees

December 19, 2003

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INTRODUCTION

BACKGROUND

1. The State Retirement and Pension System of Maryland (the “System”) is a unit of state government established under Division II of the State Personnel and Pensions Article, Annotated Code of Maryland (the “SPP Article”) and has the powers and privileges of a corporation. The System’s purpose is to provide benefits for the participants in the several systems specified in the Annotated Code. (SPP Article §21-101; §21-102)
2. The Board of Trustees of the System has the responsibility for the management, general administration, and proper operation of the several systems. (SPP Article §21-108)
3. The Trustees of the Board are fiduciaries, and as such are required to discharge their duties with respect to the System solely in the interest of, and for the exclusive purpose of providing benefits to, plan participants. Trustees are further expected to discharge their duties with the utmost honesty and integrity. (SPP Article §21-203)

PURPOSES

The Governance Policies and Charters are intended to:

1. Establish the manner in which the Board of Trustees of the System and its committees will conduct themselves so as to allow the Board to carry out its responsibilities as effectively and efficiently as possible, and in accordance with applicable law, including state ethics laws.
2. Facilitate effective communication between and among the Trustees, Agency staff, System participants, and external parties.
3. Establish guidelines by which service providers will be selected and retained.
4. Establishes Board expectations concerning routine reports it is to receive from various sources.
5. Help ensure that all policies adopted by and actions taken by the Board of Trustees are consistent with applicable law and the fiduciary duties of the Board and staff.

6. Establish the responsibilities of the Executive Director and the process by which the Executive Director will be evaluated.
7. Ensure that all Trustees are provided with adequate opportunity and assistance to acquire the knowledge they need to carry out their duties.
8. Provide a process whereby the Trustees may conduct self-analysis to ensure continuous improvement of the Board's effectiveness.
9. Further the objective that the Board's primary focus will be on setting direction and broad policy and on monitoring its implementation, and the Executive Director shall be fully accountable for the operational performance of the Agency.
10. Ensure that the System engages in a planning process to meet the needs of the System and communicates the Agency's resultant business plan throughout the organization.
11. Be subject to review and revision every three years.

**STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND
BOARD OPERATIONS POLICY**

Establish the manner in which the Board of Trustees of the System and its committees will conduct themselves so as to allow the Board to carry out its responsibilities as effectively and efficiently as possible, and in accordance with applicable law, including state ethics laws.

POLICY GUIDELINES

Officers

1. The Board will annually elect from its membership a Chair and a Vice Chair.
2. The Board will elect a Secretary of the Board who may be one of its members or may be the executive director. The Secretary shall have those duties set forth in Paragraph 4(a) of the Charter for the Executive Director.
3. The above officers will be elected at the first regular meeting in June of each year, and will serve for a term of one year.
4. The Chair will preside at all meetings of the Board. In the absence of the Chair, the Vice Chair will assume the duties of the Chair. In all matters pertaining to Board governance, the Chair shall act in consultation with the Vice Chair.
5. In the event that a vacancy should occur in the position of Vice Chair, for any reason, the Board will elect a successor for the balance of the unexpired term at its next regular meeting.

Committees

6. The standing committees of the Board will be as follows:
 - (a) Investment Committee (SPP Article §21-114)
 - (b) Administrative Committee
 - (c) Audit Committee
7. The Board will also maintain, under the Investment Committee, the following standing sub-committee(s):

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- (a) Real Estate Subcommittee.
8. The Investment Committee will be comprised of:
- (a) A representative of the Employees' Pension System or the Employees' Retirement System;
 - (b) A representative of the Teachers' Pension System or the Teachers' Retirement System;
 - (c) A representative of the State Police Retirement System;
 - (d) Three representatives from the public appointed by the Board, in accordance with the conditions set out in SPP Article §21-115(b)(2); and
 - (e) Other additional Board members as recommended by the Chair in consultation with the Vice Chair and approved by the Board (SPP Article §21-115).
9. The members, Chair and Vice Chair of each standing committee shall be established annually by Board resolution, upon the recommendation of the Chair in consultation with the Vice Chair, at the first regular meeting following the election of officers.
10. The Administrative Committee will be comprised of not less than five members.
11. The Audit Committee will be comprised of not less than three members.
12. The Real Estate Subcommittee will be comprised of not less than three members.
13. In making committee appointments, the Board and the Chair will consider continuity in committee membership, opportunities for the diversified experience of trustees, and requisite expertise.
14. The Board may approve the establishment of ad hoc committees in consultation with the Executive Director, provided that the responsibilities of the ad hoc committees do not overlap with those of any standing committee. The Chair will recommend to the Board for its approval the members, Chair, and Vice Chair of each ad hoc committee.
15. The Executive Director will prepare for Board approval a charter for each standing and ad hoc committee that provides a description of the committee's mandate and, in the case of ad hoc committees, a provision for disbanding the committee once it has fulfilled its mandate.
16. The Executive Director will ensure Board committees receive adequate support from staff.
17. In the event that a committee Chair is unable to complete his or her term, the Vice Chair will complete the term.
18. All actions taken by committees must be approved by the Board at a Board meeting unless the committee's charter provides that the committee may take action on specified matters.

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Board Meetings

19. Board meetings will be held at least six times each year, and according to an annual schedule adopted by the Board and published in the minutes of the Board. Timely notice of Board meetings shall be provided to the public, in accordance with State Government Article (“SG Article”) §10-506.
20. The annual schedule may be modified by the Board as necessary, and timely notice of such changes must be provided to trustees and the public in accordance with SG Article §10-506.
21. Special meetings may be called by the Chair or by any five trustees by providing reasonable advance notice to each trustee and to the public in accordance with SG Article §10-506. A call for a special meeting must state the business to be considered, and the time, date and place of the meeting.

Committee Meetings

22. Each standing committee will establish a projected schedule of meetings for the fiscal year. The times and locations of such meetings will be determined by the committee, and timely notice is to be provided to the public in accordance with SG Article §10-506.
23. A committee Chair, in consultation with the Executive Director, may cancel or reschedule a meeting if it is apparent that there will not be a quorum or if it is deemed that there is insufficient business to warrant a meeting. Attempts will be made to provide all committee members and the public with at least one week’s notice of cancellation of any meeting.
24. If neither the committee Chair nor Vice Chair is present at a committee meeting, the remaining committee members may appoint a Chair from among themselves for the meeting.
25. Ad hoc committee meetings shall be scheduled, as needed, by the Chair of the committee in question. Timely notice of the meetings shall be given to the ad hoc committee members.

Agendas and Meeting Materials

26. The Executive Director or his designee, in co-operation with the Chair and committee Chairs, will prepare and distribute a written agenda for all regular meetings of the Board and standing committees.
27. The agenda and related materials for Board and standing committee meetings will generally be distributed to trustees at least seven (7) calendar days in advance of the meeting. Members of the public wishing to obtain copies of the materials may do so to the extent and in the manner the materials are available under the Maryland Public Information Act.
28. Items may be placed on the Board agenda, prior to the meeting, by any of the following means:

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- (a) By the Chair;
- (b) By the Executive Director;
- (c) By standing or ad hoc committee recommendation; and
- (d) By initiation of any trustee, through the Chair, and at the discretion of the Chair.

Quorum and Voting

- 29. With respect to Board meetings, a majority of the trustees then serving on the Board is a quorum for:
 - (a) The transaction of any business;
 - (b) The exercise of any power; or
 - (c) The performance of any duty authorized or imposed by law. (SPP Article §21-106(b)).
- 30. With respect to committee meetings, a majority of committee members then serving on the committee in question represents a quorum.
- 31. Each trustee is entitled to one vote on the Board (SPP Article §21-106(a)). Trustees may not vote by proxy, with the exception of the Treasurer who may designate a deputy treasurer.
- 32. Each Committee member is entitled to one vote on the committees on which they serve, but may not vote by proxy, with the exception of the Treasurer who may designate a deputy treasurer.

Attendance

- 33. Each Trustee shall attend at least 80% of the monthly Board meetings. An excused absence may be granted by any officer of the Board for illness or family emergency, and such absence shall not be considered an absence for purposes of meeting this requirement. (SPP Article § 21-104 (e)).
- 34. When trustees are unable to attend a meeting of the Board or a committee, they will notify the Executive Director as soon as possible to help ensure that a quorum will be achieved.
- 35. If personal attendance is impractical, an individual trustee may attend public Board or committee meetings via telecommunications.
- 36. Trustees may attend meetings of committees of the Board as observers, but only committee members may vote on matters before the committee.

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Rules of Order

37. Meetings of the Board and all of its committees shall be governed by a modified form of Robert's Rules of Order (see appendix #1).

Agenda

38. There shall be an open session agenda publicly available.

Executive Session

39. The Board and its committees may conduct business in executive session, which will be closed to the public, for the purpose of 1) conducting a function enumerated in SG Article §10-503, or 2) considering those matters enumerated in SG Article §10-508(a), and in accordance with the conditions prescribed in SG Article §10-508(b) - (d), which include:
- (a) A majority of Board or committee members must vote in the affirmative to conduct business in executive session;
 - (b) Before a public body meets in executive session, the presiding officer will:
 - (i) Conduct a recorded vote on the closing of the session; and
 - (ii) Make a written statement of the reason for closing the meeting, including a citation of the authority under SG Article §10-508, and a listing of the topics to be discussed. The written statement shall be a matter of public record.
 - (c) If a person other than a Board member objects in writing to the closing of a session, the Board will send a copy of the written statement to the State Open Meetings Law Compliance Board, in accordance with SG Article §10-508(d)(3).

Public Comment

40. Members of the public may record the meetings, and may videotape, televise, photograph, or broadcast meetings in accordance with the requirements set forth in the System's regulations.
41. The Board will provide the public an opportunity to address the Board or standing committee at each meeting on any item under its jurisdiction. Members of the public wishing to address the Board shall arrange to do so through the office of the Executive Director at least seven days in advance of the meeting. The duration of any address by a member of the public will be limited at the discretion of the presiding officer. The duration of the public comment session for any one meeting shall not exceed 20 minutes. The Board shall not be required to respond to any public comment.

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Minutes

42. Secretary will prepare the minutes of all Board meetings, recording therein the time and place of each meeting, the names of members present, each item considered, and the actions of the Board giving the ayes, nays and abstentions upon all votes, except where the action is unanimous, and sufficient other details concerning any actions taken. When requested, a member's statement and/or vote on board actions will be recorded. The Executive Director, generally, will present the minutes for approval at the next regular Board meeting.
43. Minutes of committee meetings will be similarly prepared by the Executive Director or his designee and submitted to the Committee for approval.
44. The minutes as approved by the Board and signed by the Secretary will be preserved as a part of the permanent record of the Board, and will be open to public inspection.

POLICY HISTORY

45. This policy was adopted by the Board on [month, day, year].

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BOARD COMMUNICATIONS POLICY

Facilitate effective communication between and among the Trustees, Agency staff, System participants, and external parties.

POLICY GUIDELINES

Communication Among Trustees

1. The Board will carry out its activities in the spirit of open governance and in accordance with relevant law. The Board may conduct certain business in executive (closed) session in accordance with the provisions of the “Open Meetings Act”.
2. Trustees will communicate in an open, straightforward, timely and constructive manner during meetings of the Board and committees.

Trustee Communication with System Participants

3. Trustees will be aware of the risk of communicating inaccurate information to plan members, and the potential exposure to liability and possible harm to a member that may result from such miscommunications. Trustees will mitigate this risk by refraining from providing specific advice, counsel or education with respect to the rights or benefits a member may be entitled to under the SPP Article.
4. In the event a plan member requests that a trustee provide explicit advice with respect to System policy on benefits, the trustee will assist the plan member by referring the plan member to the Executive Director or his designee or by having the Executive Director or his designee contact the member. The Trustee shall be informed of the outcome.

Trustee Communication with the System Management

5. Trustees will direct questions regarding any aspect of the System’s operations to the Executive Director or appropriate senior staff member.
6. Requests for information that require a significant expenditure of staff time or the use of external resources should:
 - a) Be directed to the Executive Director;
 - b) Be consistent with the policy role of the Board; and

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- c) Be formally requested at a Board or committee meeting.
- 7. In the spirit of open communication, individual trustees will share any information pertinent to the Agency with the Executive Director in a timely manner. The Executive Director will similarly share with the Board any information pertinent to the Board in a timely manner.
- 8. The Executive Director will ensure that information that has been requested by the Board or by individual trustees is made available to all trustees as appropriate.

Trustee Communication with External Parties

- 9. The Executive Director or the Chair or their designee will serve as the spokesperson for the System, unless the Board designates the Chair or another member of the Board to serve as spokesperson on a specified issue. The following guidelines will apply with respect to the spokesperson:
 - a) If time permits, the spokesperson will address sensitive, high profile issues with as many members of the Board as possible, prior to engaging in external communications. At a minimum, the Chairman and Vice Chairman should be contacted.
 - b) To the extent possible, in situations where Board policy concerning an issue has not been established, the Board or an appropriate committee will meet to discuss the issue prior to the spokesperson's engaging in external communications.
- 10. When asked to be interviewed or otherwise approached by the media for substantive information concerning the affairs of the System, trustees will generally refer the matter to the Executive Director or spokesperson, and in no event will make commitments on behalf of the Board or the System.
- 11. In their external communications, trustees will:
 - a. Speak on behalf of the Board only when explicitly authorized to do so by the Board;
 - b. Respectfully indicate when they are representing a personal position, opinion, or analysis, whether the same or different from a Board-approved position, and clearly indicate that their position, opinion, or analysis does not represent the official position of the Board or is in opposition to the position of the Board; and
 - c. Indicate if they are speaking in a capacity other than that of a member of the Board.
- 12. Trustees may indicate publicly that they disagree with a policy or decision of the Board, but will do so respectfully and will abide by the policy or decision to the extent this is consistent with their fiduciary duties.

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13. Communications by trustees, when acting in their capacity as trustees, should be consistent with their fiduciary duty to represent the interests of all System participants.
14. Written press releases concerning the business of the System will be the responsibility of the Executive Director and will clearly and accurately reflect the provisions of the SPP Article and the policies of the Board. The Executive Director will submit to the Chair and the Vice Chair for approval all press releases of a sensitive or high profile nature, or pertaining to Board policy. Such press releases will be shared with the Board prior to their release.
15. To ensure the accuracy of materials prepared by trustees for publication or general distribution, which are related to the affairs of the System, and to ensure that the System is not inadvertently placed at risk, trustees agree to provide such material to the Executive Director, or his or her designee, for review prior to distribution or publication.

POLICY HISTORY

16. The Board adopted this policy on [Month, Day, Year].

SERVICE PROVIDER SELECTION POLICY

Establish guidelines by which service providers will be selected and retained.

ROLES AND RESPONSIBILITIES

1. The role of the Board with respect to the selection of service providers is to:
 - a) Ensure appropriate policies and processes are in place to assist the Board and staff in making prudent and sound selection decisions in accordance with applicable state procurement laws.
 - b) Monitor compliance with such policies and processes; and
 - c) Select and/or ratify the hiring and termination of the following Key Service Providers:
 - (i) Actuary;
 - (ii) General investment consultant;
 - (iii) Consultants for the alternative investment and real estate portfolios;
 - (iv) Investment managers;
 - (v) General partners;
 - (vi) Transition managers;
 - (vii) Consultants retained for matters pertaining to the Executive Director;
 - (viii) Consultants retained for matters pertaining to governance;
 - (ix) Custodian banks;
 - (x) Actuarial auditor; and
 - (xi) Optional Retirement Plan consultant.
2. The function of the Executive Director and staff is: (a) with respect to the selection of all service providers, to perform search, evaluation and due diligence activities, to provide a summary of each procurement to the Board, as appropriate, and to monitor the work of each service provider; and (b) with respect to all service providers other than Named Service Providers, appoint service providers.

THE SEARCH PROCESS

General Guidelines

3. All service providers will be subject to a level of due diligence that reflects a level of rigor that is commensurate with the importance and materiality of the service in question.
4. The Executive Director or his or her designee will consider as broad a universe of qualified service providers as is practical and reasonable given budgetary, staffing, time and other relevant constraints.

Key Service Providers (Paragraphs 5-8 apply to Key Service Providers only)

5. Prior to conducting a search for a Key Service Provider, the Executive Director or his or her designee, will present a work plan to the Board or a designated committee of the Board that, at a minimum, contains the following:
 - a) The type of service provider being sought and why;
 - b) The objectives to be met and selection criteria to be used and their relative importance;
 - c) An estimated timeline for completion of the search process;
 - d) A description of the search methodology that is deemed most appropriate and cost effective in the particular circumstances, and that addresses such issues as:
 - (i) Whether a search consultant is to be used;
 - (ii) The due diligence efforts to be undertaken;
 - (iii) The solicitation method to be used (RFP, IFB, etc.), with supporting rationale and a copy of the solicitation document.
6. The Executive Director or his or her designee will provide the Board or a designated committee of the Board with periodic reports on the status of all search processes involving Key Service Providers.
7. For those Key Service Provider procurements exempt from State procurement law, the Executive Director shall submit at least two candidates to the Board for consideration and possible interviews.

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8. When candidates are submitted to the Board for consideration, the Executive Director or his designee will provide a report to the Board or a designated committee of the Board, containing at a minimum:
 - a) The one recommended service provider and the rationale for the recommendation;
 - b) Confirmation that the Executive Director or his designee complied with the work plan or an explanation of any deviations from the work plan;
 - c) A summary of the Evaluation Committee's findings;
 - d) A description of performance expectations and a time horizon for evaluation;
 - e) Identification of the contract monitor; and
 - f) A description of the expected performance monitoring and reporting efforts to be carried out with respect to the service provider.

CONTRACTS

MONITORING AND REPORTING

9. The Executive Director, or his or her designee as permitted by law, will negotiate and execute all agreements in connection with service providers retained by the System. All contracts will be reviewed by counsel as to form and legal sufficiency prior to execution, as required by law. The Executive Director will inform the Board of all major contracts, including those that require Board of Public Works approval.
10. All service providers will be subject to regular monitoring of performance and periodic reviews, as appropriate, throughout the term of their contracts. Criteria for review may include, among others, performance expectations, service quality, competitiveness of fees and accuracy of assumptions.
11. The Executive Director will report regularly to the Board on monitoring efforts, identifying any material issues or actions taken in a timely fashion. This will include informing the Board of all reviews scheduled for the coming year.
12. All reporting and monitoring provisions contained in this policy serve as minimum requirements. If more stringent requirements have been established, either by applicable law or within other policies of the Agency, such requirements will prevail.

POLICY HISTORY

13. The Board adopted this policy on [Month, Day, Year].

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MONITORING AND REPORTING POLICY

Establishes Board expectations concerning routine reports it is to receive from various sources.

GUIDELINES

General

1. A system of routine reporting will be developed to address the performance of the System and compliance with policies and other requirements of the System.

Benchmarks

2. Performance benchmarks and success criteria should be specified in advance.
3. Performance benchmarks established to assess the performance of the Agency will be:
 - a) Objective and unambiguous;
 - b) Measurable; and
 - c) Achievable.
4. Performance of the investment program will be assessed in accordance with policies contained in the Investment Operations Manual.
5. Subject to the availability of appropriations, a performance assessment of the Agency's benefit administration function will be conducted periodically by an independent third party.

Routine Reporting

6. Subject to the availability of appropriations, the Board will be provided the routine reports outlined in Appendix 2 on a frequency also set out in Appendix 2.

POLICY HISTORY

7. The Board adopted this policy on [Month, Day, Year].

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**RETIREMENT AND PENSION SYSTEM OF MARYLAND
CODE OF CONDUCT**

Help ensure that all policies adopted by and actions taken by the Board of Trustees are consistent with applicable law and the fiduciary duties of the Board and staff.

GUIDELINES

1. Trustees shall 1) conduct themselves with decorum, integrity, and professionalism in all aspects of their Board duties and in their relations with fellow trustees, staff, service providers, and other constituents and, 2) actively prepare for each meeting by thoroughly reading all meeting materials in advance and, 3) abide by all other policies of the Board.
2. Trustees agree to abide by the laws pertaining to the System and the Board, particularly the:
 - (i) System's Governing Legislation (State Personnel and Pensions Article);
 - (ii) State Open Meetings Act (State Government Article, Title 10, Subtitle 5);
 - (iii) State Ethics Laws (State Government Article, Title 15); and
 - (iv) State Procurement Laws (State Finance and Procurement Article, Division II).

ENFORCEMENT PROVISIONS

3. The Chair, in presiding over meetings of the Board, will enforce and attempt to rectify any breaches of this Code that may occur during meetings of the Board. Similarly, Committee chairs shall do the same during meetings of the committee.
4. A trustee who is aware of any possible breach of the agreement set forth in Paragraph #2 above shall disclose the information regarding the breach to the Chair and Vice Chair in a signed written statement within 6 months of the day on which he knew of the breach. The Chair and Vice Chair, in consultation with the Maryland Attorney General's Office, shall consider the disclosure and take whatever action they determine to be appropriate under the law and circumstances of the disclosure.
5. In the case of disclosure of any breach of the agreement involving the Chair, the report should be made to the Vice Chair and the Executive Director. In the case of disclosure of any breach of the agreement involving the Vice Chair, the report should be made to the Chair

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and the Executive Director. The same procedures should be followed as set forth in Paragraphs 4 above.

POLICY HISTORY

6. The Board adopted this policy on [day, month, year].

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND
EXECUTIVE DIRECTOR PERFORMANCE EVALUATION POLICY

Establish the responsibilities of the Executive Director and the process by which the Executive Director will be evaluated.

PRINCIPLES

1. The primary responsibility of the Executive Director is the effective management of the operations of the System. Accordingly, the performance of the operations constitutes the most relevant measure of his or her performance, and should weigh heavily in his or her performance evaluation.
2. The Executive Director is responsible for the performance of all senior executives and the staff of the Agency.
3. The Executive Director's evaluation process and its results should be shared with all trustees and the Executive Director.

POLICY GUIDELINES

Administrative Committee

4. The Administrative Committee will facilitate the evaluation of the performance of the Executive Director, in accordance with this policy.

Evaluation Criteria and Forms

5. In November of each year, the Executive Director will recommend to the Administrative Committee a set of criteria and/or objectives to be used in evaluating the Executive Director's performance over the upcoming calendar year.
6. In considering the proposed criteria, the Administrative Committee will ensure that the criteria:
 - a) Are objective in nature and, for the most part, measurable.
 - b) Pertain to outcomes over which the Executive Director has a reasonable degree of control.

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7. The performance evaluation criteria will fall into one of four broad categories:
 - a) Achievement of performance targets established for the Agency as a whole;
 - b) Implementation of the business plan;
 - c) Leadership and related qualities;
 - d) Other criteria that reflect special events or circumstances that may arise in a given year.
8. The Administrative Committee, in consultation with the Executive Director, will assign a weight to each of the evaluation criteria established.
9. In order to assist the Board in assessing the performance of the Executive Director relative to the evaluation criteria, the Executive Director will annually recommend to the Administrative Committee a performance evaluation form including specific questions and guidelines, as well as sufficient space for trustees to provide general comments.

Performance Assessment

10. In January, trustees will be provided copies of the performance criteria and objectives and the Evaluation Form pertaining to the evaluation of the Executive Director's performance in the prior year. To assist trustees in completing the Evaluation Form, the Executive Director will provide the Board with an Executive Director Self-Assessment containing a review of his/her own performance and any supporting data or background information. The Self-Assessment will address those criteria and objectives agreed to by the Administrative Committee. The Self-Assessment may also cover additional accomplishments achieved during the year.
11. Trustees will be allowed two weeks to complete and return the Evaluation Form directly to the Chair of the Administrative Committee or a designated third party.
12. The Chair of the Administrative Committee will ensure that the results of all Evaluation Forms are tabulated and summarized on a confidential basis.
13. The Administrative Committee will discuss the Self-Assessment, the results of the Evaluation Forms, and any other related matters with the Executive Director. The committee may request additional information from the Chief Internal Auditor. This meeting shall be held in executive session.

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14. The Chair of the Administrative Committee will prepare a Performance Report, summarizing the committee's assessment and providing specific guidance for the Executive Director concerning improvement opportunities.
15. At the February meeting of the Board, the Administrative Committee Chair will present the Board a Summary of the Performance Report for review, discussion, and approval. The Executive Director will participate in the meeting, and the meeting shall be held in executive session.

Evaluation Results and Materials

16. A copy of the Summary of the Performance Report will be maintained in the Executive Director's personnel file. The completed Evaluation Forms will be destroyed within 60 days of the completion of the evaluation process.

POLICY HISTORY

17. The Board adopted this policy on [Month, Day, Year].

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BOARD EDUCATION POLICY

Ensure that all Trustees are provided with adequate opportunity and assistance to acquire the knowledge they need to carry out their duties.

POLICY GUIDELINES

General Provisions

1. Trustees agree to develop and maintain an adequate level of knowledge and understanding of relevant issues pertaining to the administration of the System throughout their terms on the Board.
2. Trustees agree to pursue appropriate education across a range of pension-related areas, rather than limiting their education to particular areas. The Executive Director shall annually prepare and submit to the Board of Trustees, an education and conference plan tied to the System's budget. The general topic areas to be pursued include:
 - a. Governance and fiduciary duty;
 - b. Investment policy and asset allocation;
 - c. Benefits administration;
 - d. Actuarial policies and funding;
 - e. Technology; and
 - f. Regulatory and legal issues.

Specific topics within these general areas are identified in Appendix 3, for reference purposes.

3. Trustees will meet the following minimum goals:
 - a. To secure, over time, a meaningful level of understanding in each of the topic areas listed in paragraph 2 above by attending conferences that contain at least five (5) hours of educational content. Trustees are encouraged to attend conferences, on occasion, that address pension topics other than investments.

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- b. To annually participate in at least eight (8) hours annually of investment and fiduciary training, including training on fiduciary conduct and Board governance, at the State Retirement Agency, conducted by an entity not affiliated with any external investment manager for the System SPP Article § 21-108 (a) 3.

Orientation Program

4. A formal orientation program, covering the general topic areas outlined in paragraph 2 above, will be developed by the Executive Director for the benefit of new trustees.
5. Prior to attending their first meeting of the Board as a trustee, new trustees will be invited by the Chairman or Executive Director to attend a meeting of the Board or a standing committee as an observer.
6. New trustees will, as soon as possible, and under the direction of the Executive Director:
 - a. Be briefed on the history and background of the System and the State Retirement Agency;
 - b. Be briefed on current issues before the Board;
 - c. Be introduced to members of Agency senior management;
 - d. Be provided a tour of the System offices;
 - e. Be briefed on their fiduciary duties, conflict of interest guidelines, and other pertinent laws and regulations;
 - f. Be provided with:
 - (i) A Trustee Reference Manual (listed in Appendix 4).
 - (ii) A copy of the Investment Operations Manual.
 - (iii) A listing of upcoming recommended educational opportunities.
 - (iv) Other relevant information and documentation deemed appropriate by the Executive Director or the Chairman.
7. The Executive Director will provide, as appropriate, a series of in-house orientation seminars for the benefit of new trustees, within six months of the first day of the trustee's term. Seminars may immediately precede or follow Board meetings. Although intended for new trustees, any trustee may attend.

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8. The Executive Director will review and, if necessary, update all orientation material and supply each trustee with those updates. A master copy of the Trustee Reference Manual will be available for use by trustees at the Agency's offices.

In-house educational retreats

9. At least once per year, the Executive Director will arrange an educational retreat for the benefit of all trustees. The Executive Director will canvass the Board to identify topics of interest. The seminar may be appended to a regular Board meeting or organized as a stand-alone session.

Attendance at Conferences & Association Meetings

10. The Executive Director will maintain a list of recommended conferences and association meetings, based on the feedback of trustees and staff who have attended specific conferences.
11. The Executive Director will prepare an annual education budget designed to ensure equitable availability of conferences to all trustees.

Reporting

12. Attendees will complete a brief assessment on the quality and relevance of each conference attended. On an annual basis, the Executive Director will review these assessments and update the list of recommended conferences as appropriate.
13. On an annual basis, the Executive Director will submit a report to the Board on the educational activities of the Board.

POLICY HISTORY

14. The Board adopted this policy on [Month, Day, Year].

**STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND
BOARD PERFORMANCE EVALUATION POLICY**

*Provide a process whereby the Trustees may
conduct self-analysis to ensure continuous
improvement of the Board's effectiveness.*

GUIDELINES

Roles & Responsibilities

1. The Administrative Committee will be responsible for overseeing the implementation of this policy, including the approval of the Discussion Guide for the Performance Evaluation of the Board, and for making recommendations to the Board for addressing issues arising out of the evaluation process.

Procedures

2. The Board Performance Evaluation will be initiated by the Administrative Committee at least every other year, or sooner, if circumstances warrant.
3. When a Board Performance Evaluation is undertaken, the Administrative Committee will review the Discussion Guide and make modifications, as appropriate. The purpose of the Discussion Guide will be to provide trustees with a framework for evaluating the performance of the Board and for confidentially raising any concerns or suggestions trustees may have. The Discussion Guide must allow trustees to provide written comments or suggestions.
4. Copies of the Discussion Guide will be distributed to each trustee in April of the evaluation year.
5. Trustees shall complete the Discussion Guide and return it to the Chair of the Administrative Committee or designated third party within two weeks of receipt of the Guide.
6. The Chair of the Administrative Committee will prepare and present the summary report to the Administrative Committee in May of the evaluation year and will facilitate discussion of the report by the Committee. The meeting may be held in closed session.

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7. In June of the evaluation year, the Chair of the Administrative Committee will report to the Board, in closed session, on the conclusions and recommendations of the Administrative Committee.
8. The results of any Board discussions and resulting actions on the part of the Board will be recorded in the minutes of the Board meeting.

POLICY HISTORY

9. The Board adopted this policy on [Month, Day, Year].

**STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND
BOARD POLICY DEVELOPMENT PROCESS**

Further the objective that the Board's primary focus will be on setting direction and broad policy and on monitoring its implementation, and the Executive Director shall be fully accountable for the operational performance of the Agency.

GUIDELINES

Policy Development

1. The process of developing a Board policy will be initiated by the Executive Director or by an action of the Board.
2. In determining whether a particular issue warrants a Board policy, the Board will consider whether the issue satisfies the following criteria:
 - a) The issue may have a significant impact on the System's ability to meet its Mission;
 - b) The issue is expected to recur or continue indefinitely; and
 - c) The issue is not an operational issue and, hence, the responsibility of the Executive Director.
3. The Board will not adopt any policy without first ensuring that the policy has been thoroughly analyzed by staff and appropriate advisors and the analysis has been explained to the Board.
4. Board policies should be written in a format consistent with all other policies in effect.
5. Where a committee has been assigned responsibility for developing a Board policy, it will consider the Executive Director's proposed policy, and provide a recommendation to the Board for approval.
6. Governance policies, Board regulations and the Investment Operations Manual will be maintained in up-to-date form in a single volume or series of volumes within the State Retirement Agency's offices, and will be accessible to trustees, staff and members of the public.

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Policy Compliance

7. As a general rule, the Board will comply with all Board policies. Should the Board take an action contrary to one of these, it will record in the Board minutes the specific rationale for deviating from the policy. At such time, the Board will also request that the Executive Director review the need to amend the policy.

Policy Review

8. All policies will be formally reviewed on a regularly scheduled basis; however, if a trustee, Board committee, advisor or the Executive Director believes that a particular policy requires review in advance of the scheduled review, they may recommend to the Board that such a review be initiated.

PROCESS HISTORY

9. This process was adopted by the Board on [Month, Day, Year].

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND
OPERATIONAL PLANNING POLICY

Ensure that the System engages in a planning process to meet the needs of the System and communicates the Agency's resultant business plan throughout the organization.

GUIDELINES

Roles and Responsibilities

1. The Executive Director will be responsible for:
 - a) Identifying business risks, opportunities, and needs.
 - b) Identifying and prioritizing business plan initiatives.
 - c) Recommending to the Board the Mission and business plan and any amendments thereto;
2. The Board will be responsible for:
 - a) Providing management with input on the Mission and business plan;
 - b) Approving the Mission and business plan and ensuring adequate resources are in place to support them; and
 - c) Monitoring the implementation of the business plan.

The Planning Process

3. During the fourth quarter of each fiscal year, the Executive Director will complete a business planning analysis of the Agency and will, in June, submit to the Board a report on this analysis. At a minimum, the analysis and report will include:
 - a) A review of the progress made in implementing the previous years' business plan.
 - b) An analysis of the continued appropriateness of the Mission, which will include a consideration of the following issues:
 - (i) The Agency's constituents and their relative priority;
 - (ii) The alignment between the Agency's current operations and capabilities and potential changes in benefit design;

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- (iii) The level of service excellence the Agency aims to provide to participants;
 - (iv) The role the Agency will play in communicating with the Governor and State Legislature in their decisions regarding plan design.
- c) An assessment as to whether the Agency is positioned to achieve its Mission, including:
- (i) Investments and funding;
 - (ii) Member services and administration;
 - (iii) Human resources;
 - (iv) Systems and operations; and
 - (v) Governance and public relations
- d) Confirmation of the need to continue addressing existing business plan initiatives and identification of any new business plan initiatives to be undertaken.
- e) Recommended new business initiatives, including, at a minimum:
- i) Rationale for undertaking the initiative, including benefits, impact, and consequences of not undertaking the initiative;
 - ii) Timelines for completion;
 - iii) Assignment of responsibilities for implementation;
 - iv) Budget implications;
 - v) Criteria for assessing the success of the initiative; and
 - vi) Provisions for reporting to the Board.

Planning Session

4. In approving the business plan, the Board will be satisfied that the plan is reasonable and supports the strategic direction of the System. Agency staff will receive a copy of the plan.
5. Once the business plan is approved, the Board will refrain from adding additional business initiatives, unless the necessary additional management time and budget requirements can be made available.
6. Should management determine that changing circumstances will not allow it to meet a particular parameter, the Board will be informed in a timely manner. The business plan will be adjusted accordingly.

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PROCESS HISTORY

7. The Board adopted this process on [month, day, year].

*Maryland State Retirement Governance Policies
Appendices*

| <u>APPENDIX</u> | <u>REFERENCE LOCATION</u> | <u>TITLE</u> |
|-----------------|---------------------------------|---|
| Appendix 1 | Board Operations Policy | - Modified Roberts Rules of Order |
| Appendix 2 | Monitoring and Reporting Policy | - Governance Reports - Investments & Funding - Administration and Operations Reports - Staff Reports |
| Appendix 3 | Board Education Policy | - Specific Pension-Related Training Topics |
| Appendix 4 | Board Education Policy | - Trustee Reference Manual |

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APPENDIX 1

INTRODUCTION TO ROBERT 'S RULES OF ORDER

What Is Parliamentary Procedure?

It is a set of rules for conduct at meetings, that allows everyone to be heard and to make decisions without confusion.

Why is Parliamentary Procedure Important?

Because it's a time tested method of conducting business at meetings and public gatherings. It can be adapted to fit the needs of any organization.

Today, Robert's Rules of Order newly revised is the basic handbook of operation for most clubs, organizations and other groups. So it's important that everyone know these basic rules!

Organizations using parliamentary procedure usually follow a fixed order of business. Below is a typical example:

- Call to order.
- Roll call of members present.
- Reading of minutes of last meeting.
- Officers reports.
- Committee reports.
- Special orders --- Important business previously designated for consideration at this meeting.
- Unfinished business.
- New business.

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- Announcements.
- Adjournment.

The method used by members to express themselves is in the form of moving motions. A motion is a proposal that the entire membership take action or a stand on an issue. Individual members can:

- Call to order.
- Second motions.
- Debate motions.
- Vote on motions.

There are four Basic Types of Motions:

- *Main Motions*: The purpose of a main motion is to introduce items to the membership for their consideration. They cannot be made when any other motion is on the floor, and yield to privileged, subsidiary, and incidental motions.
- *Subsidiary Motions*: Their purpose is to change or affect how a main motion is handled, and is voted on before a main motion.
- *Privileged Motions*: Their purpose is to bring up items that are urgent about special or important matters unrelated to pending business.
- *Incidental Motions*: Their purpose is to provide a means of questioning procedure concerning other motions and must be considered before the other motion.

How are Motions Presented?

- Obtain the floor.
- Wait until the last speaker has finished.
- Rise and address the Chairman by saying, "Mr. Chairman, or Mr. President."
- Wait until the Chairman recognizes you.

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- **Make Your Motion.** Speak in a clear and concise manner. Always state a motion affirmatively. Say, "I move that we ..." rather than, "I move that we do not ...". Avoid personalities and stay on your subject.
- **Wait for Someone to Second Your Motion.** Another member will second your motion or the Chairman will call for a second. If there is no second to your motion it is lost.
- **The Chairman States Your Motion.** The Chairman will say, "it has been moved and seconded that we ..." Thus placing your motion before the membership for consideration and action. The membership then either debates your motion, or may move directly to a vote.
- **Once your motion is presented to the membership by the chairman it becomes "assembly property", and cannot be changed by you without the consent of the members.**

Expanding on Your Motion

The time for you to speak in favor of your motion is at this point in time, rather than at the time you present it. The mover is always allowed to speak first. All comments and debate must be directed to the chairman. Keep to the time limit for speaking that has been established. The mover may speak again only after other speakers are finished, unless called upon by the Chairman.

Putting the Question to the Membership

The Chairman asks, "Are you ready to vote on the question?" If there is no more discussion, a vote is taken. On a motion to move the previous question may be adapted.

Voting on a Motion

The method of vote on any motion depends on the situation and the by-laws of policy of your organization. There are five methods used to vote by most organizations, they are:

- *By Voice* -- The Chairman asks those in favor to say, "aye", those opposed to say "no". Any member may move for a exact count.

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- *By Roll Call* -- Each member answers "yes" or "no" as his name is called. This method is used when a record of each person's vote is required.
- *By General Consent* -- When a motion is not likely to be opposed, the Chairman says, "if there is no objection ..." The membership shows agreement by their silence, however if one member says, "I object," the item must be put to a vote.
- *By Division* -- This is a slight verification of a voice vote. It does not require a count unless the chairman so desires. Members raise their hands or stand.
- *By Ballot* -- Members write their vote on a slip of paper, this method is used when secrecy is desired.

There are two other motions that are commonly used that relate to voting.

- *Motion to Table* -- This motion is often used in the attempt to "kill" a motion. The option is always present, however, to "take from the table", for reconsideration by the membership.
- *Motion to Postpone Indefinitely* -- This is often used as a means of parliamentary strategy and allows opponents of motion to test their strength without an actual vote being taken. Also, debate is once again open on the main motion.

Parliamentary Procedure is the best way to get things done at your meetings. But, it will only work if you use it properly.

- Allow motions that are in order.
- Have members obtain the floor properly.
- Speak clearly and concisely.
- Obey the rules of debate.
- Most importantly, BE COURTEOUS.

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APPENDIX 2

GOVERNANCE REPORTS

| Report Name | Frequency | Presented By | Description and Purpose of Report |
|-----------------------------------|------------------|---------------------|---|
| 1. Board Performance Evaluation* | Every other year | Board Committee | Summarizes the results of the Board's performance self-evaluation, including follow-up actions. |
| 2. Executive Director Evaluation* | Annually | Board Committee | Summarizes the performance assessment of the Executive Director. |
| 3. Annual Governance Report* | Annually | Executive Director | A summary confirmation of compliance with charters and policies of the Board. |
| 4. Trustee Education Report | Annually | Executive Director | Summarizes the activities of the Board with respect to education, and comments on the appropriateness of various educational programs or tools. |
| 5. Compliance Questionnaire | Annually | Trustees | Summarizes affirmation by Trustees that they have filed appropriate reports and are in compliance with the State Ethics Law. |

* Suggested reports

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INVESTMENTS & FUNDING REPORTS

| Report Name | Frequency | Presented By | Description and Purpose of Report |
|--------------------------------------|---|---------------------------------|--|
| 6. Investment Performance | Quarterly | Staff and Investment Consultant | Report on investment performance for total fund, for each asset class, and by investment manager. Provides analysis based on return over various periods (3 months, 1 year, 5 year, etc.), and using attribution analysis. |
| 7. Investment Manager Watchlist | Monthly | Staff and Investment Consultant | |
| 8. Investment Manager Compliance | Quarterly | Staff | Confirms that investment managers are investing plan assets in accordance with their mandate, investment agreement, regulatory requirements and the System Policy. |
| 9. Investment Cost Effectiveness | At Board discretion | Staff | Evaluates the costs of the investment program, and compares them to appropriate peer groups. |
| 10. Report on Brokerage Commissions* | Annually | Staff | Evaluates the costs and efficiency of the System's trading activities. |
| 11. Proxy Voting* | Annually | Staff | Confirms compliance with the Board's proxy voting policy, and summarizes how the System exercised its voting rights in public companies. |
| 12. Actuarial Valuation | Annually | Actuary | Summarizes the results of the actuarial valuation for the plan, together with any recommendations. |
| 13. Asset and Liability Study | At least every three years | Investment Consultant | A study of the relationship between the System's assets and liabilities to determine the appropriateness of the System's asset allocation policy. |
| 14. Actuarial Experience study | Every 5 years (4 th year) | Actuary | Reviews the appropriate long-term economic assumptions such as investment return and wage and price inflation, and demographic assumptions such as disability rates and mortality rates. |
| 15. Actuarial Audit** | Every 5 years (5 th year) | Actuarial Auditor | An independent review of the validity of the analyses and methodologies used in preparing the System's actuarial valuation. |
| | | | |

* Suggested reports

** Unless the Agency has recently or is about to appoint a new actuary about the time an actuarial audit is scheduled to be performed.

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ADMINISTRATION AND OPERATIONS REPORTS

| Report Name | Frequency | Presented By | Description and Purpose of Report |
|--|---|---------------------|---|
| 16. Project Status Report | Semi-Annually | Staff | Summarizes the status of each initiative contained in the Strategic Plan. |
| 17. Administrative Expense Report | Monthly | Staff | Summarizes the actual spending against the operating budget, including explanations for material variances. |
| 18. Legislative Audit | Annually | Audit Committee | Confirms that the financial statements present fairly, in all materials respects, the financial status of the System, in accordance with generally accepted accounting principles. |
| 19. Comprehensive Annual Financial Report | Annually | Staff | Reviews the operations and activities of the Plan during the last fiscal year. The financial statements shall be part of the annual report and indicate the financial position of the plan. |
| 20. Benefits Administration Cost Effectiveness | At Board's discretion | Staff | Evaluates the costs of the System administration and operations, and compares them to appropriate peer groups. |
| 21. Service Quality* | Annually | Staff | Monitors service quality of the administrative staff against predetermined benchmarks. |
| 22. Service Provider Evaluations* | As per service provider selection policy. | Staff | Evaluates the performance of the external service providers. |

* Suggested reports

**State Retirement and Pension System of Maryland
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STAFF REPORTS

| Report Name | Frequency | Presented By | Description and Purpose of Report |
|---------------------------------|--------------------|---------------------|---|
| 23. Executive Director's | Each Board meeting | Staff | Updates the Board on significant matters not reported in routine reports, or in other staff or committee reports. |
| 24. Market and Portfolio Update | Each Board meeting | Staff | Updates the Board on significant investment matters not reported in routine reports. |
| 25. Legislative Update | As required | Staff | Updates the Board on significant legislative development, proposals or changes affecting the System. |
| 26. Litigation Report | As required | Staff | Updates the Board on significant legal development affecting the System, and on ongoing litigation. |
| 27. Benefits Division | Each Board meeting | Staff | Review of significant issues regarding activity within the Benefits Division. |

APPENDIX 3

SPECIFIC PENSION-RELATED TRAINING TOPICS

The following is a list of pension-related education topics that relate to each of the general topic areas listed in paragraph 2 of this policy.

The list is intended to provide guidance to trustees in identifying appropriate topics for the development of their knowledge and understanding of pension matters. The list is intended as a guideline only, and is not exhaustive:

Governance and Fiduciary Duty

Fiduciary duty
Roles of the sponsor, administrator, management and service providers
Basics of trust law
Effective decision-making
Roberts Rules of Order

Historical risk and returns
Investment risk tolerance
Diversification and asset allocation
Efficient frontier and optimal portfolios
Active versus passive management
Performance measurement

Benefits Administration

Defined benefit plan features
Risks inherent in Benefits Administration
Basic administrative operations and processes
Disability issues

Regulatory and Legal Issues

System Governing Legislation
State Ethics Laws
State Open Meetings Act
Tax policy and plan qualification features
Non-tax legal requirements

Actuarial Policies and Funding

Role of the actuary
Actuarial process
Funding policy
Asset/liability management

Technology

Management Information Systems
Technology risk

Investment Policy and Asset Allocation

Type of investments
Asset classes and their characteristics

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Appendix 4

TRUSTEE REFERENCE MANUAL

A Trustee Reference Manual will include the following materials:

- a. Relevant sections of the System's governing legislation (State Personnel and Pension Article, Titles 20 and 21)
- b. Relevant sections of the State Ethics Laws and the Open Meetings Act
- c. Copies of Board governance policies and charters
- d. Organizational chart
- e. Names, phone numbers, and email addresses of trustees, the Executive Director, and senior executives.
- f. Listing of current committee assignments
- g. Listing of current service providers
- h. Glossary of key pension administration terms and definitions
- i. Most recent Annual Report

It is the responsibility of trustees to maintain their Trustee Reference Manuals, by ensuring that they contain the most up to date materials. A master copy of the Trustee Reference Manual will be available for use by trustees at the Agency's offices.

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