



MARYLAND  
STATE RETIREMENT  
*and* PENSION SYSTEM

**MARYLAND STATE RETIREMENT AND  
PENSION SYSTEM**

**GOVERNANCE CHARTERS**

*Adopted by the Board of Trustees*

## TABLE OF CONTENTS

<b>Charters</b>	<b>Page No.</b>
History of Charter Adoptions and Revisions .....	3
Charter for the Board .....	4
Charter for the Chair .....	10
Charter for the Vice-Chair .....	11
Charter for the Investment Committee.....	12
Charter for the Administrative Committee .....	14
Charter for the Audit Committee .....	16
Charter for the Corporate Governance and Securities Litigation Committee .....	20
Charter for the Objective Criteria Committee.....	23
Charter for the Committee Chairs.....	25
Charter for the Executive Director.....	26
Charter for the Chief Investment Officer .....	32

## HISTORY OF CHARTER ADOPTIONS AND REVISIONS

### INDEX

Charter for the Board	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Chair	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Vice-Chair	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Investment Committee	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted March 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Administrative Committee	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Audit Committee	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Corporate Governance and Securities Litigation Committee	<ul style="list-style-type: none"> <li>• Adopted December 15, 2020 (combining the Charter for the Corporate Governance Committee, adopted December 21, 2010, and the Charter for the Securities Litigation Committee, adopted February 21, 2012)</li> </ul>
Charter for the Objective Criteria Committee	<ul style="list-style-type: none"> <li>• Adopted January 15, 2019</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Committee Chairs	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Executive Director	<ul style="list-style-type: none"> <li>• Adopted December 19, 2003</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> </ul>
Charter for the Chief Investment Officer	<ul style="list-style-type: none"> <li>• Adopted June 17, 2008</li> <li>• Revised and Adopted December 17, 2013</li> <li>• Revised and Adopted February 21, 2017</li> <li>• Revised and Adopted December 15, 2020</li> <li>• Revised and Adopted December 20, 2022</li> </ul>

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE BOARD**

**INTRODUCTION**

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

**DUTIES AND RESPONSIBILITIES**

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

**Fiduciary Duties**

6. Each member of the Board and each member of the Board’s committees is a fiduciary.
7. The duties of each fiduciary shall be discharged as follows (SPP Article § 21-203):
  - a. Solely in the interest of the participants;
  - b. For the exclusive purpose of providing benefits to the participants and paying reasonable expenses in administering the System;
  - c. With the care, skill, prudence and diligence that a prudent person acting in a like capacity would use in the conduct of an enterprise of a like character and with like aims;
  - d. By diversifying the investments of the System so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so;
  - e. In accordance with the laws governing the System; and
  - f. In accordance with the documents governing the System.

8. Members of the Board shall jointly manage and control the System's assets, but may allocate specific responsibilities, obligations, or duties among the members of the Board, and may designate other persons to carry out the responsibilities of a fiduciary.
9. Each member of the Board and its committees shall use reasonable care in preventing another fiduciary from committing a breach.

## **Governance**

10. The Board shall adopt such regulations, Board rules and other policies as are necessary for the effective administration of the System, the management of the System's assets, and for the transaction of the System's business.
11. The Board shall approve the System's mission statement and long-range strategic plan, and request that adequate resources are in place to support them.
12. With respect to Board operations, the Board shall:
  - a. Approve charters describing the roles and responsibilities of the Board, the committees of the Board, the Chair and the Vice-Chair, the committee chairs, the Executive Director, and the Chief Investment Officer, and amend said charters from time to time, as appropriate;
  - b. Approve and amend, as necessary, any Governance Policies;
  - c. Ensure that the nominees for the public member positions on the Investment Committee have the statutorily required qualifications;
  - d. Approve the creation or disbanding of standing committees of the Board, with the exception of the Investment Committee and the Objective Criteria Committee;
  - e. Approve the creation of any ad hoc committees of the Board to fulfill a specific and time-limited purpose, and establish the committees' functions, roles, and responsibilities; and
  - f. Review the performance of the Board in accordance with the Board Performance Evaluation Policy.
13. Except for the Objective Criteria Committee, and subject to the statutory requirements regarding the composition of the Investment Committee, following recommendations by the Chair in consultation with the Vice-Chair, the Board shall appoint the chair, vice-chair and members of each standing and ad hoc committee.

## **Investments**

14. Subject to certain restrictions imposed by State law and its fiduciary duties, the Board has the full power to invest the assets of the System.
15. In carrying out its fiduciary duties with respect to the assets of the System, the Board shall:
  - a. Consider and act upon recommendations made by the Investment Committee, with respect to:

- i. The investment programs, and
  - ii. Compliance of the investment programs with Board policies;
- b. Adopt an Investment Policy Manual that details, at a minimum:
  - i. The functions of the Investment Division of the Agency,
  - ii. The investment goals and objectives of the investment program,
  - iii. The policies that govern the selection and retention of investments,
  - iv. Asset allocation policy,
  - v. The policies that govern the selection and removal of investment managers, and
  - vi. Proxy voting guidelines;
- c. Review the appropriateness of, and compliance with, the provisions of the Investment Policy Manual;
- d. Monitor the performance of the total fund, each asset category, and each investment manager of the System;
- e. Review and monitor amounts authorized by the Chief Investment Officer for investment management services;
- f. Review the performance of the General Investment Consultant;
- g. Review a study of the relationship between the system's assets and liabilities performed at least every two years; and
- h. Consider appropriate corporate governance actions.

**Legal**

- 16. The Board shall:
  - a. Consider and act on recommendations made by legal counsel concerning settlements or other legal proceedings involving the System; and
  - b. Recommend legislation and adopt regulations that are consistent with the System's mission.

**Benefits Administration**

- 17. The Board shall:
  - a. Consider and act upon recommendations from the Administrative Committee, the Executive Director, and/or legal counsel relating to the benefits administration function, including the approval of applications for disability retirement benefits;
  - b. Approve regulations necessary to ensure effective benefits administration and delivery of member services, and review general compliance with those regulations;
  - c. Hear and decide benefits-related appeals by participants and participating employers in the System; and

- d. Approve service quality goals and objectives including System communications with participants, and review the extent to which those goals are met.

### **Agency Operations**

18. The Board shall ensure that the State Retirement Agency's ("Agency") operations are managed effectively. In doing so, the Board shall:
- a. Approve the basic organizational structure of the Agency;
  - b. Approve an annual business plan that is consistent with the Board's long-range strategic plan, and approve any updates thereto as deemed appropriate;
  - c. Approve benefits administration and investment policy recommendations that result from cost effectiveness benchmarking;
  - d. Approve an annual operating budget submission for the Agency, excluding amounts necessary for investment management services and the personnel and operational expenses of the Investment Division of the Agency, but including the establishment of management and staff positions and any supplemental budgets that may be necessary for the Agency, and authorize submission of the Agency's budget to the Governor for inclusion in the State budget;
  - e. Approve an annual operating budget for the personnel and operational expenses of the Investment Division of the Agency, and any modifications thereto, to be paid from the accumulation fund of each State System on a pro rata basis;
  - f. Approve management's implementation of effective technologies and information systems to efficiently manage data, information, and records of the Agency;
  - g. Approve selection of suitable office premises for the Agency's headquarters and any secondary offices;
  - h. Confirm that the Agency has in place a disaster recovery plan and business continuity plan, and that each are regularly reviewed; and
  - i. Confirm that the Agency has in place a crisis communications plan, and that the plan is regularly reviewed.

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

19. The Board shall:
- a. Meet with the System's pension actuary each year to discuss and approve the annual actuarial valuation and employer contribution rates;
  - b. Certify to the Secretary of the Department of Budget and Management and to the Governor each year the rates for employer contributions;

- c. Ensure that an adequate system of internal control has been implemented and is in place to safeguard the assets of the System;
- d. Review the annual publication of the Comprehensive Annual Financial Report (CAFR), which includes the Independent Audit Report;
- e. Monitor Agency operations to help ensure that each participant annually receives a summary of the CAFR that also explains any material modifications to the System during the plan year;
- f. Oversee, through the Audit Committee, the internal and external audit functions;
- g. Review the actuarial experience of the System at least every five years and as appropriate, affirm existing, or adopt revised assumptions and methods; and
- h. Review the results of any actuarial audit conducted.

### **Human Resources**

20. The Board shall:

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



- k. Authorize the Executive Director to terminate the appointment of the Chief Investment Officer, on the recommendation of either the Investment Committee or the Executive Director;
- l. Adopt objective criteria for determining the type and number of positions necessary for carrying out the professional investment functions of the Investment Division and setting the qualifications of positions within the Investment Division;
- m. Following consideration of the recommendations of the Objective Criteria Committee, adopt objective criteria for (i) setting compensation for positions within the Investment Division; and (ii) awarding financial incentives for eligible positions within the Investment Division; and
- n. Subject to the restrictions set forth in SPP Article § 21-122, determine the type and number of positions necessary for carrying out the professional investment functions of the Investment Division, and the qualifications and compensation for positions within the Investment Division.

21. The Board may:

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

### **Key Service Providers**

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

### **MONITORING AND REPORTING**

23. The Board shall:

- a. Establish policies for reporting and monitoring practices necessary to provide the Board with the information it requires to effectively oversee the administration of the System and meet the requirements of the SPP Article.
- b. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the Board shall be open to public inspection in accordance with the Open Meetings Act. A chair's summary of all committee meeting minutes shall be included in the agenda materials for the next scheduled Board meeting.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE CHAIR**

**DUTIES AND RESPONSIBILITIES**

1. The Chair shall:
  - a. Preside over all Board meetings, ensuring that Board meetings are conducted efficiently, productively, with decorum and civility, and in accordance with Title 3 of the General Provisions Article of the Annotated Code of Maryland (the “Open Meetings Act”) and other applicable laws and regulations;
  - b. Recommend to the Board the appointment of members, chairs, and vice-chairs of standing and ad hoc committees, in consultation with the Vice-Chair;
  - c. Ensure coordination of Board meetings, agendas, schedules and presentations, in consultation with the Executive Director;
  - d. Be available to the Executive Director and Chief Investment Officer as a source of advice and counsel;
  - e. Facilitate effective and open communications between the Board and the Executive Director;
  - f. Serve as spokesperson in accordance with the Board’s Communications Policy;
  - g. Support the Board in establishing, where possible, a consensus on critical issues while allowing full and open debate, and ensure the general cohesiveness and proper functioning of the Board as a policy and oversight body; and
  - h. Call special meetings of the Board as needed.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE VICE-CHAIR**

**DUTIES AND RESPONSIBILITIES**

1. The Vice-Chair shall:
  - a. Assume and perform the duties of the Chair in the event the Chair is unable to fulfill the duties of the position due to incapacity or absence;
  - b. Perform other duties as assigned by the Board or the Chair;
  - c. Know the role and responsibilities of the Chair; and
  - d. Be available to consult with the Chair on all matters pertaining to Board governance.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE INVESTMENT COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The composition of the Investment Committee (“committee”) shall be consistent with SPP Article § 21-115.
2. The committee shall generally meet four times per year but may meet more or less frequently as needed, and is subject to the Open Meetings Act.
3. The committee shall advise the Board and make recommendations on:
  - a. The investment programs of the System;
  - b. Compliance of the investment programs with Board policies; and
  - c. Changes to this charter.
4. The committee shall be responsible for presenting an Investment Policy Manual for submission to the Board that shall detail:
  - a. All items required by statute, including, but not limited to, polices: (i) regarding the management of risk, including climate risks, in the investment of System assets, and (ii) to carry out the State’s minority business enterprise policies; and
  - b. All of those items set forth in the charter for the Board.
5. The committee shall be responsible for presenting and submitting any amendments to the Investment Policy Manual to the Board for approval.
6. The committee shall advise the Board and make recommendations with respect to the appointment of the following service providers:
  - a. General Investment Consultant;
  - b. Optional Retirement Program vendors;
  - c. The custodial bank(s) for the System; and
  - d. Recommend the appointment of human resource consultants hired to address matters involving the Chief Investment Officer or other investment staff.
7. The committee shall review written documentation prepared by the Chief Investment Officer explaining the Chief Investment Officer’s termination of any investment manager and report to the Board on such documentation.

8. The committee may recommend to the Board specific strategies to achieve the investment goals and objectives of the System, including active and passive investment strategies as well as external and internal investment strategies.
9. The committee shall recommend to the Board an annual operating budget for the personnel and operational expenses of the Investment Division of the Agency, and any modifications thereto, to be paid from the accumulation fund of each State System on a pro rata basis.
10. The committee, along with the Executive Director, shall recommend to the Board the qualifications and appointment, as well as compensation and leave, for the Chief Investment Officer.
11. The committee shall recommend to the Board objective criteria for awarding financial incentives to the Chief Investment Officer and, subject to the restrictions set forth in SPP Article § 21-118.1, may recommend financial incentives to be awarded to the Chief Investment Officer based only on the approved objective criteria.
12. The committee may recommend to the Board that the Executive Director terminate the Chief Investment Officer.

#### **MONITORING AND REPORTING**

13. The committee shall:
  - a. Receive and review reports from staff and consultants regarding:
    - i. Compliance with the Investment Policy Manual
    - ii. Asset allocation strategies utilized in the investment programs
    - iii. Active and passive and external and internal investment management strategies utilized in the investment programs
    - iv. The performance of each asset class within the investment programs
    - v. External and internal investment manager performance
    - vi. Staff travel necessary for asset manager compliance and due diligence
    - vii. Staff's due diligence activities concerning the selection and retention of investment managers, consultants, general partners, custodians, service providers, and internally managed assets
    - viii. The payment of investment management fees authorized by the Chief Investment Officer and the cost effectiveness of the investment program
  - b. Monitor compliance with the Board's annual operating budget for the personnel and operational expenses of the Investment Division;
  - c. Review the performance of the General and Specialty Investment Consultants; and
  - d. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the committee shall be open to public inspection in accordance with the Open Meetings Act.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE ADMINISTRATIVE COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The Administrative Committee (“committee”) shall generally meet each month, but may meet more or less frequently as needed and is subject to the Open Meetings Act.

**Governance**

2. The committee shall:
  - a. Recommend to the Board modifications to the Board policies, charters and committee structure as necessary, and ensure appropriate governance practices on the part of the Board; and
  - b. Coordinate the Board performance evaluation process.

**Operations, Finance and Legal**

3. The committee shall:
  - a. Recommend the long-range strategic plan, the annual business plan, the disaster recovery plan, and the business continuity plan;
  - b. Recommend the operating budget;
  - c. Recommend the organizational structure;
  - d. Recommend Board action regarding administrative appeals of certain Agency decisions;
  - e. Advise on the suitability of office premises; and
  - f. Recommend changes to legislation that are consistent with the System’s mission.

**Benefits Administration**

4. The committee shall:
  - a. Recommend to the Board policies designed to ensure efficient and effective administration of benefits; and
  - b. Recommend for Board approval service quality goals and objectives when necessary.

**Human Resources**

5. The committee shall:
  - a. Review and recommend the appointment and compensation of the Executive Director;

- b. Review and recommend a process for the annual performance evaluation of the Executive Director; and
- c. Review and recommend a management succession plan to ensure continuity in senior management and other critical positions within the System.

### **Appointment of Service Providers**

- 6. The committee shall:
  - a. Recommend the appointment of human resource consultants hired to address matters involving the Executive Director;
  - b. Recommend the appointment of consultants assisting with governance and board effectiveness;
  - c. Recommend the appointment of Actuaries; and
  - d. Recommend the appointment of Actuarial Auditors.

### **MONITORING AND REPORTING**

- 7. The committee shall:
  - a. Monitor implementation of the mission, the long-range strategic plan, the annual business plan, the disaster recovery plan, and the business continuity plan;
  - b. Monitor the Board's governance, benefit administration, communications, operational, and human resource policies for continued appropriateness;
  - c. Monitor compliance with the operating budget;
  - d. Monitor service quality standards;
  - e. Monitor effectiveness of the benefits administration function;
  - f. Monitor contributions to and disbursements from the funds of the system;
  - g. Monitor compliance with state procurement statutes and rules for minority business participation; and
  - h. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the committee shall be open to public inspection in accordance with the Open Meetings Act.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE AUDIT COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The Audit Committee (“committee”) shall consist of at least five members of the Board, and at least one of whom shall be an elected member. A majority of the members of the committee shall have financial or management expertise.
2. The committee shall meet four times per year, but may meet more or less frequently as needed, and is subject to the Open Meetings Act.
3. The primary purpose of the committee is to assist the Board in fulfilling its oversight responsibilities with respect to:
  - a. The financial reporting process;
  - b. The system of risk management;
  - c. The system of internal control;
  - d. The internal and external audit functions; and
  - e. Compliance with laws, rules, regulations, and policies.
4. The committee’s responsibility is one of oversight, recognizing that the Agency is responsible for preparing the Comprehensive Annual Financial Report (CAFR), providing for external audits of the System’s financial statements, conducting internal audits of Agency operations, and providing for audits of local government employers while the Legislative Auditor is responsible for statutorily mandated audits.
5. The committee shall make recommended changes to this charter.

**Internal Controls**

6. The committee shall:
  - a. Provide for and oversee the periodic assessment of the system of internal control by internal and/or external auditors;
  - b. Review recommendations for improving internal controls and evaluate their cost benefit; and
  - c. Review and discuss with staff the Agency’s efforts to improve the system of internal control.



## **Risk Assessment**

7. The committee shall:
  - a. Provide for and oversee the periodic assessment of the system of risk management by internal and/or external auditors; and
  - b. Review and discuss with staff the Agency's major risk exposures (whether financial, operating or otherwise) and the measures the Agency has taken to monitor, measure, and control such exposures, including the guidelines and policies that govern the process by which risk assessment and management is undertaken and elicit recommendations for the improvement of the Agency's risk assessment and mitigation procedures.

## **Internal Audit**

8. The committee shall:
  - a. Meet at least annually with the Executive Director and the chief internal auditor to review and approve the organizational structure and audit plans;
  - b. Review and approve the Internal Audit Charter every three years;
  - c. Monitor and recommend to the Executive Director and the Board the staffing resources for the Internal Audit Division to allow for the proper execution of its duties and responsibilities;
  - d. Ensure there are no unjustified restrictions or limitations on the internal audit function;
  - e. Review the internal audit findings and recommendations, management's responses, and actions taken to implement the audit recommendations;
  - f. Recommend to the Board, in consultation with the Executive Director, the appointment or dismissal of the chief internal auditor;
  - g. Review the effectiveness of the internal audit function, every two years; and
  - h. Evaluate the performance of the chief internal auditor, at least annually. The committee may consult with the Executive Director and senior staff, as deemed appropriate.

## **External Audit**

9. The committee shall:
  - a. Review the appointment of all external audit, attestation and other audit services retained under the direction of Internal Audit;
  - b. Review the appointment of the external auditor appointed by the state and oversee the work performed;

- c. Review and confirm the independence of external auditors retained by and under the direction of Internal Audit and the external auditor appointed by the state;
- d. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with Internal Audit; and
- e. Review the findings and recommendations of the external auditor, management's responses and actions taken to implement the audit recommendations.

## **Financial Statements**

10. The committee shall:

- a. Review with the external auditor significant accounting and reporting issues and their impact on the Agency's financial statements;
- b. Review with staff and the external auditors the results of the annual financial statement audit, including any difficulties encountered and any significant adjustments proposed by the auditors;
- c. Review the draft annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles prior to inclusion in the CAFR; and
- d. Review all significant recommendations by the external auditor for improved financial reporting and internal control.

## **Compliance**

11. The committee shall:

- a. Review the findings and recommendations of any examination by regulatory agencies, including the legislative auditors, management's responses and actions taken to implement the audit recommendations;
- b. Ensure that internal audits include compliance reviews with applicable laws, regulations, rules, Board and management policies and directives and generally accepted business practices;
- c. Provide a forum for the resolution of all disputes between management, participating employers and the internal and/or external auditors regarding the financial reporting process, risk assessment, internal control and other compliance issues;
- d. Review compliance with the Board's governance, benefits administration, communications, investment, finance, and other key policies;
- e. Review reports from the Chief Investment Officer regarding compliance with the Investment Division Code of Ethics; and

- f. Ensure the existence of a process for communicating the State Ethics Laws to staff and the Board.

#### **MONITORING AND REPORTING**

12. The committee shall:

- a. Report to the Board about committee activities, issues, and related recommendations; and
- b. Provide an open avenue of communication between internal audit, the external auditors, staff, committees of the Board, and the Board.

13. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the committee shall be open to public inspection in accordance with the Open Meetings Act.

#### **SELF-EVALUATION**

14. The committee shall:

- a. Provide a process whereby the committee members conduct a self-evaluation to help ensure continuous improvement of the committee's effectiveness. The purpose of the self-evaluation process is to assist committee members in assessing the committee's effectiveness and to improve its oversight responsibilities with respect to accounting and financial reporting, compliance, and the internal and external audit functions.
- b. Conduct a self-evaluation at least once every two years. The chair may approve a one-year extension in extenuating circumstances.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM**  
**CHARTER FOR THE CORPORATE GOVERNANCE AND SECURITIES LITIGATION COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The Corporate Governance and Securities Litigation Committee (“committee”) shall generally meet quarterly, but may meet more or less frequently as needed, and is subject to the Open Meetings Act. The committee is committed to actively, and prudently, addressing poor corporate governance practices or regulatory constructs, and otherwise responding to issues affecting the integrity of the capital markets and market participants, utilizing the tools and methods available to proponents of good corporate governance. The committee shall also oversee the implementation of the Board’s policies with respect to securities litigation, as set forth in the Investment Policy Manual. The extent of the committee’s actions will vary on a case by case basis.
2. The committee shall make recommended changes to this charter.

**Corporate Governance**

3. The committee shall make recommendations on:
  - a. General policy and company-specific issues relating to corporate governance;
  - b. Statutory mandates that impact corporate governance matters, including divestment;
  - c. Changes to this charter that govern the System’s corporate governance initiatives; and
  - d. Changes to the System’s proxy voting guidelines.

4. The committee shall be guided by the following proxy voting principle:

The Board believes that the voting of proxies is a fundamental aspect of the economic value of stock ownership, and recognizes that proxy voting issues that are not addressed by the System’s existing policy or are novel and/or controversial can quickly arise during a given proxy season. Accordingly, the committee will on an ongoing basis, with the assistance of staff and consultants, recommend revisions and updates to the System’s proxy voting guidelines. It is acknowledged and understood that the proxy voting guidelines will determine how the System’s proxies are voted on the vast majority of issues. Where the proxy voting guidelines are not absolute or do not address the proxy topic, the committee may delegate authority to the System’s proxy advisor to vote the proxy as long as the vote does not contradict the Board’s written policies and the vote is in the best interest of the System. The committee may delegate authority to the System’s activist managers who employ proxy voting as part of their investment strategy, in instances where the Chief Investment Officer determines that such voting decision would be in the best interest of the System. In instances where a committee member believes it would be in the best interest of the System to vote in agreement with a shareholder for a particular proxy proposal instead of with the proxy advisor’s recommendation, the committee member may, not less than seven days in advance of the proxy vote, contact the committee chair and request a meeting be held for the purpose of analyzing and voting on the proxy proposal. Once the committee has voted, the committee shall delegate responsibility to the Executive Director to carry out the proxy vote, if

necessary. In the event that a committee member contacts the committee chair less than seven days before a proxy vote, the committee shall discuss the proxy topic during its next review of the proxy voting guidelines.

5. The committee shall:
  - a. Monitor legislative, regulatory and/or other developments that could have an impact on the Board's corporate governance posture in connection with the Board's Securities Litigation Policy or the System's interests in securities litigation;
  - b. Seek to collaborate with other like-minded investors and capital markets participants to maximize the impact of the Board's corporate governance initiatives;
  - c. Provide guidance to staff in connection with corporate governance matters, including communications with companies, communications with regulatory agencies, the United States Congress and the Maryland General Assembly, and proxy voting decisions;
  - d. Provide guidance to the System in matters before governance organizations such as the Council of Institutional Investors; and
  - e. Evaluate the effectiveness of the System's corporate governance initiatives, proposing, when appropriate, suitable modifications.
6. On the recommendation of the Chief Investment Officer, the committee shall consider and select and/or ratify the hiring and termination of corporate governance consultants, including for proxy monitoring and voting services.
7. The committee may vote or otherwise exercise rights granted to the System by virtue of the System's membership or participation in associations on issues related to corporate governance matters.
8. Pursuant to a policy adopted by the committee or on a case by case basis, and consistent with the policies of the Board, the committee may delegate to the Executive Director, in consultation with the Chief Investment Officer and other professional investment staff, the authority to, among other things, (1) implement and manage the System's corporate governance initiatives, (2) vote proxies, (3) sign or issue an advocacy statement or letter regarding a corporate governance issue on behalf of the Board, and (4) administer compliance with statutory mandates that impact corporate governance matters, including divestment.

### **Securities Litigation**

9. The committee shall meet on an as-needed basis upon the request of the Chief Investment Officer or the Office of the Attorney General ("OAG") with respect to any securities litigation matter.
10. The committee shall provide recommendations to the Board with respect to any securities litigation matter, including whether the System should seek lead plaintiff status in a securities class action suit, whether the System should "opt out" of a securities class action settlement and bring its own action, and whether the System should file its own securities-related action.
11. In order to reach its recommendations, the committee shall:

- a. Review the evaluations from law firms and other claim evaluators;
  - b. Receive a recommendation from the OAG; and
  - c. Obtain input from Investment Division staff.
12. With respect to whether the System should seek lead plaintiff status in a class action case, the committee shall base its recommendations on the four factors set forth in the Board's Securities Litigation Policy in the Investment Policy Manual.
13. The committee shall be available to meet on short notice to provide advice to Investment Division staff and/or the OAG with respect to issues that arise in the conduct of litigation.
14. Pursuant to a policy adopted by the committee or on a case by case basis, and consistent with the policies of the Board, the committee may delegate to the Executive Director the authority to sign or issue an amicus brief, advocacy statement or letter regarding a securities litigation matter on behalf of the Board, provided that the Executive Director first consults with the Chief Investment officer and the OAG.

#### **MONITORING AND REPORTING**

15. The committee shall:
- a. Monitor and oversee the System's corporate governance initiatives, including the performance of external corporate governance advisors, and shall report to the Board regarding corporate governance initiatives and engagement;
  - b. Monitor focus lists and restricted lists maintained by the Investment Division staff and divestment actions under statutory mandates relating to divestment; and
  - c. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the committee shall be open to public inspection in accordance with the Open Meetings Act.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE OBJECTIVE CRITERIA COMMITTEE**

**DUTIES AND RESPONSIBILITIES**

1. The composition of the Objective Criteria Committee (“committee”) shall be consistent with SPP Article § 21-122(g).
2. The chair of the committee shall be appointed by the chairman of the Board, who may not serve as chair of the committee.
3. The committee will determine the number of meetings it holds, which shall be sufficient in number to meet its requirements under law and charter. Meetings of the committee are subject to the Open Meetings Act.
4. On or before December 31, 2018, and at least once every 5 years thereafter, the committee shall make recommendations to the Board regarding:
  - a. The objective criteria for the compensation of the Chief Investment Officer, which shall include:
    - i. Consideration of the comparative qualifications and compensation of employees serving in similar positions and discharging similar duties at comparable public pension funds;
    - ii. Objective benchmarks of investment performance that shall be met or exceeded for the Chief Investment Officer to be eligible for an increase in compensation; and
    - iii. Restrictions preventing the receipt of cost-of-living adjustments and merit increases available to other State employees.
  - b. The objective criteria for awarding financial incentives to the Chief Investment Officer, which shall include:
    - i. Objective benchmarks of investment performance for the assets of the several systems that must be met or exceeded;
    - ii. Objective criteria used by comparable public pension funds awarding financial incentives to chief investment officers; and
    - iii. Limitations on the amount of financial incentives in a fiscal year, not to exceed 33% of the Chief Investment Officer’s compensation exclusive of financial incentives.
  - c. The objective criteria for setting the compensation of positions within the Investment Division of the Agency that involve discretion over investment-related decisions, which shall include:
    - i. Consideration of the comparative qualifications and compensation of employees serving in similar positions and discharging similar duties at comparable public pension funds;
    - ii. Objective benchmarks of investment performance that shall be met or exceeded by an individual to be eligible for an increase in compensation;
    - iii. Limitations on the amount by which the compensation for a position may be increased each fiscal year, not to exceed 10%; and

- iv. Restrictions preventing the receipt of cost-of-living adjustments and merit increases available to other State employees.
- d. The objective criteria for awarding financial incentives for positions within the Investment Division that involve discretion over investment-related decisions, which shall include:
  - i. Objective benchmarks of investment performance that shall be met or exceeded by an individual to be eligible for financial incentives, including benchmarks for the asset class in which in which investments are under direction of the individual; and
  - ii. Limitations on the amount of financial incentives for a position in a fiscal year, not to exceed 33% of the position's compensation, exclusive of financial incentives.
- e. The objective criteria for setting the compensation of positions within the Investment Division that do not involve discretion over investment-related decisions, which shall include:
  - i. A requirement that compensation may not exceed compensation for providing comparable services in other State employment; and
  - ii. A provision allowing the receipt of cost-of-living adjustments and merit increases available to other State employees.

#### **MONITORING AND REPORTING**

- 5. The committee shall:
  - a. Receive and review reports prepared by a consultant retained by the Board to assist the committee regarding objective criteria
  - b. Report to the Board on the recommendations of the committee; and
  - c. Keep minutes of its meetings and ensure the minutes are made available to all trustees. Open session minutes of the committee shall be open to public inspection in accordance with the Open Meetings Act.



**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE COMMITTEE CHAIRS**

**DUTIES AND RESPONSIBILITIES**

1. With regard to their assigned committees, committee chairs shall:
  - a. Preside over committee meetings, ensuring that meetings are conducted efficiently, productively, with decorum and civility, and in accordance with applicable laws and the Board's governance policies;
  - b. Support the committee in establishing a consensus, where possible, on critical issues and decisions, while allowing full and open debate;
  - c. Facilitate effective and open communications among the committee members, the Board, the Executive Director, the Chief Investment Officer, and staff;
  - d. Ensure coordination of committee meetings, agendas, schedules, and presentations;
  - e. Report to the Board on the activities of the committee; and
  - f. Carry out such other functions and duties as may be prescribed by the Board.
2. With regard to standing committees, the committee chairs shall conduct committee meetings in accordance with the Open Meetings Act.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE EXECUTIVE DIRECTOR**

**DUTIES AND RESPONSIBILITIES**

The Executive Director's duties shall include, but not be limited to, the following:

**Leadership and Accountability**

1. The Executive Director shall provide executive leadership to the Agency and shall assist and support the Board in the pursuit of the System's mission, goals and objectives.
2. Though the Executive Director is the executive ultimately responsible for the operations of the System, he or she shall ensure proper delegation of duties throughout the Agency so as to maximize the efficiency and effectiveness of the operations. The Chief Investment Officer is responsible for the management of the Investment Division and investment performance.

**Policy Analysis**

3. The Executive Director shall provide all necessary support to the Board and its committees in establishing and revising all policies of the Board. This will involve working with the Board and its committees to continually identify risks and issues requiring board policy, conducting the necessary analysis of such risks and issues, and providing clear and well-supported policy recommendations for the Board's consideration. Policy areas to be covered include, but are not limited to:
  - a. Governance and board operations;
  - b. Investment operations;
  - c. Benefits administration;
  - d. Information technology;
  - e. Agency operations;
  - f. Actuarial and accounting practices;
  - g. Human resources; and
  - h. Communications.

## **Governance and Board Operations**

4. The Executive Director shall:
  - a. If elected, serve as secretary to the Board and carry out the following duties:
    - i. Coordinate meetings, agendas, schedules and presentations for both Board and committee meetings in accordance with the “Open Meetings Act” and any other applicable laws;
    - ii. Prepare and maintain minutes of Board and committee meetings;
    - iii. Sign the minutes of Board meetings upon the approval of the Board; and
    - iv. Ensure adequate staff support for all Board committees;
  - b. Recommend to the Board the mission of the Agency;
  - c. Recommend to the Board any governance policies necessary to ensure effective Board governance practices;
  - d. Coordinate the implementation of the Board Education Policy, including developing an orientation session for new trustees, and reviewing and updating trustee education materials;
  - e. Conduct ordinary correspondence of the Board; and
  - f. Analyze and evaluate, in consultation with staff and legal counsel, existing laws and proposed legislation and provide recommendations consistent with the mission of the Agency.

## **Investment Operations**

5. Subject to the restrictions set forth in SPP Article §21-118.1, the Executive Director, along with the Investment Committee, shall recommend to the Board the qualifications and appointment, as well as compensation and leave, for the Chief Investment Officer.
6. The Executive Director shall monitor the performance of the Chief Investment Officer. The Executive Director or the Investment Committee may recommend to the Board the termination of the Chief Investment Officer. On receiving an affirmative vote from the majority of the Board, the Executive Director shall terminate the appointment of the Chief Investment Officer.
7. On the recommendation of the Chief Investment Officer, the Executive Director shall recommend to the Investment Committee for recommendation to the Board an annual operating budget for the personnel and operational expenses of the Investment Division of the Agency, and any modifications thereto, to be paid from the accumulation fund of each State System on a pro rata basis.
8. In consultation with the Chief Investment Officer and other professional investment staff, the Executive Director shall execute contracts for investment management services in accordance with SPP Article § 21-118(e).

## **Benefits Administration**

9. The Executive Director shall:
  - a. Ensure the accurate and timely delivery of benefits to all participants of the System in accordance with applicable laws;
  - b. Recommend to the Board appropriate service quality goals and standards;
  - c. Ensure delivery of consistently high standards of service quality to participants in accordance with the goals and objectives established by the Board;
  - d. Ensure that participants disputing any benefit-related decisions of the System are accorded an internal review, provided an official decision in writing, and informed of their right to appeal;
  - e. Ensure timely distribution of the annual Personal Statement of Benefits;
  - f. Ensure administrative errors made by the Board, Agency employees, or the Executive Director are corrected in a timely manner; and
  - g. Ensure the appropriate recovery of any benefits paid to ineligible benefit recipients.

## **Agency Operations**

10. The Executive Director or his or her designee shall:
  - a. Recommend a long-range strategic plan to the Board for its consideration;
  - b. Recommend an annual business plan to the Board for its consideration;
  - c. Estimate each year the amount, not exceeding the cap established by the legislature (currently 0.22% of the payroll of members), necessary for the administrative and operational expenses of the Board and the Agency;
  - d. Prepare an annual operating budget submission for the Agency, excluding amounts necessary for investment management services and the personnel and operational expenses of the Investment Division, but including budgeted staff positions, as well as any supplemental budgets that may be necessary for the Agency, and, following approval by the Board, submit the Board's approved budget submission;
  - e. Make all necessary operational expenditures, consistent with the Operating Budget and internal controls approved by the Board;
  - f. Execute contracts and other documents on behalf of the Board in accordance with State Personnel & Pensions Article § 21-118(e);
  - g. Ensure the appropriate design, purchase, implementation, and maintenance of all technologies required to efficiently manage the data, information and records of the

various retirement plans comprising the System;

- h. Recommend a disaster recovery plan and a business continuity plan to the Board for its consideration; and
- i. Recommend to the Board suitable office premises for the Agency's headquarters and any secondary offices.

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

11. The Executive Director or his or her designee shall:

- a. Work to ensure the fiscal soundness of the individual State systems, anticipating future benefit and contribution levels and providing recommendations to the Board;
- b. Account for and deposit all receipts in a timely manner and account for all disbursements by the agency;
- c. Ensure the implementation of appropriate internal controls and procedures to safeguard the assets of the System;
- d. Ensure internal and external audits are performed, as appropriate, and findings are addressed; and
- e. Ensure the timely preparation of the Comprehensive Annual Financial Report.

### **Human Resources**

12. The Executive Director shall:

- a. Recommend to the Board human resource policies for the Agency as needed;
- b. Ensure appropriate job descriptions for all senior executives and staff of the Agency are established;
- c. Ensure appropriate human resource programs and procedures for Agency management and staff in accordance with the human resource policies, including appropriate education, training and development plans are developed;
- d. Recommend a chief internal auditor for appointment or termination by the Board;
- e. Select, hire, train, terminate and discipline all other Agency management and staff; and
- f. Recommend to the Administrative Committee, a management succession plan to ensure continuity in management and other critical positions within the System.

## **Communications**

13. The Executive Director or his or her designee shall:
  - a. Serve as a primary spokesperson for the system, including representing the Board before the legislature, and the administrative branches of state government;
  - b. Direct and review the preparation of position statements and press releases; and
  - c. Deliver effective and timely communications to members and beneficiaries, employers, the legislature, and other constituents on matters relating to the operation and administration of the system.

## **Appointments**

14. The Executive Director shall:
  - a. Appoint and may remove all service providers except key service providers; and
  - b. Ensure all necessary due diligence is performed with respect to all service providers retained by the system.

## **MONITORING AND REPORTING**

15. The Executive Director or his or her designee shall:
  - a. Ensure that the Board is provided with all relevant, appropriate and timely information to enable it to properly carry out its monitoring and oversight responsibilities;
  - b. Monitor the Board, staff, and external service providers to ensure that they operate in accordance with Board policies and applicable laws and regulations;
  - c. Monitor the funded status of the System;
  - d. Monitor the investment performance of all asset categories in which the system invests and of all external and internal investment managers retained by the System;
  - e. Submit a report, on or before December 15 of each year, to the Board about the operation and performance of the system for the preceding fiscal year, containing the information required by the State Personnel & Pensions Article and as prescribed by the Board;
  - f. In cooperation with the Chief Investment Officer, timely submit all information and reports required to be provided by the Board, its committees, or the Agency under the SPP Article, including all reports required to be submitted to the Maryland General Assembly in accordance with State Government Article § 2-1257;
  - g. Monitor the quality of service provided to participants;
  - h. Monitor and evaluate the activities and performance of staff and external service providers;

- i. Monitor the accuracy and timeliness of monies owed to the System and the accuracy and timeliness of disbursements made by the Agency;
- j. Monitor the implementation and maintenance of technologies to efficiently manage the data, information, and records of the various retirement plans which comprise the System;
- k. Monitor business and other risks faced by the System; and
- l. Monitor external trends and legislation that may have a significant impact on the System and report to the Board as appropriate.

**MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
CHARTER FOR THE CHIEF INVESTMENT OFFICER**

**DUTIES AND RESPONSIBILITIES**

1. The Chief Investment Officer shall:
  - a. Recommend to the Investment Committee (“committee”) any additions, deletions or modifications to the Investment Policy Manual in cooperation with the Executive Director;
  - b. Initiate, implement, manage, and terminate investment strategies for each asset category in which the system invests and ensure investments are in accordance with the written policies approved by the Board, including but not limited to the funds to be allocated to active and passive portfolios, and to externally and internally managed portfolios;
  - c. Ensure that all necessary due diligence relating to the selection and retention of external investment managers, general partners, consultants, custodians, service providers and internally managed assets is properly conducted;
  - d. Approve written investment management guidelines issued to external investment managers and any modifications to those guidelines;
  - e. Develop and maintain written policies, procedures and guidelines for internal management of assets by the Investment Division (“division”);
  - f. Manage and oversee internal asset management by the division;
  - g. Recommend to the Executive Director contracts and other documents to be executed for investment management services in accordance with the policies of the Board;
  - h. Execute portfolio rebalancing and portfolio transitions in accordance with the policies of the Board;
  - i. Authorize the payment of amounts necessary for investment management services, subject to the statutory limit on investment management services fees, and using best efforts to seek fee efficiencies when and where possible to control the costs of such services;
  - j. Recommend to the Executive Director an annual operating budget for the personnel and operational expenses of the division, and any modifications thereto, to be paid from the accumulation fund of each State System on a pro rata basis;
  - k. Provide reports to the Board and committee reflecting payments authorized by the Chief Investment Officer necessary for investment management services;
  - l. Annually provide to the Board a confidential report of fees and carried interest associated with the System’s private market investments;



- m. Recommend to the Executive Director a management succession plan to ensure continuity in management and other critical positions within the division;
  - n. Recommend to the Executive Director a long-range strategic operational plan and an annual business plan for the division;
  - o. Recommend to the Corporate Governance Committee any corporate governance actions for consideration.
  - p. Provide staff support to execute, implement, and manage the Board's responsibilities with respect to the Optional Retirement Program (ORP) and the Post-Retirement Health Benefits Trust Fund; and
  - q. Advise the Board and the committee on any other investment matters and make recommendations for Board or committee action when necessary.
2. The Chief Investment Officer shall have the authority to:
- a. Hire and terminate external investment managers;
  - b. Hire and terminate investment consultants and service providers in support of the division, other than (i) the general investment consultant to the Board, and (ii) corporate governance consultants, including proxy monitoring and voting services, selected by the Corporate Governance Committee on the recommendation of the Chief Investment Officer;
  - c. Approve the selection of specific assets to be managed internally by the division;
  - d. Create, select, invest in, and withdraw from specific investment vehicles, including limited partnerships, private equity fund investments, and private real estate fund investments;
  - e. Approve investment-related exempt procurement contracts, in accordance with the written policies of the Board, for execution by the Executive Director;
  - f. Manage a tactical asset allocation strategy; and
  - g. Select, hire, train, terminate and discipline all staff of the division.

### **MONITORING AND REPORTING**

3. The Chief Investment Officer shall:
- a. Monitor the investment performance of all asset categories in which the System invests and of all internal and external investment portfolios;
  - b. Ensure that the committee receives relevant, appropriate and timely information to enable it to properly monitor and oversee the system's investments; and oversee investment staff, advisors and service providers to ensure they operate in accordance with investment policies of the Board, as well as contractual terms and applicable laws and regulations;

- c. In cooperation with the Executive Director, timely submit all information and reports regarding the System's investments or the Investment Division required to be provided by the Board, its committees, or the Agency under the SPP Article, including all reports required to be submitted to the Maryland General Assembly in accordance with State Government Article § 2-1257; and
- d. Annually facilitate a performance evaluation by the committee of the general investment consultant and any investment consultants retained by the Chief Investment Officer.