

**BOARD OF TRUSTEES FOR THE
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
MINUTES OF MEETING**

March 15, 2016

The Board of Trustees for the Maryland State Retirement and Pension System met in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 9:05 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	James Harkins
Peter Franchot, Vice Chairman	Linda Herman
David Blitzstein	Sheila Hill
David Brinkley	F. Patrick Hughes (via phone)
Eric Brotman	Charles Johnson
James Bush, Jr.	Theresa Lochte
James C. DiPaula	Richard Norman
Kenneth Haines	

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Angie Jenkins Andrew Palmer Janet Sirkis

On a motion made by Ms. Lochte and seconded by Mr. DiPaula, the Board voted to meet in a Closed Session, beginning at 9:07 a.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. discussing the compensation of the Senior Investment Staff, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction;
2. receiving an update regarding the status of the System's investment in a commodities hedge fund, and to receive advice of counsel regarding the same, pursuant to General Provisions Art., § 3-305(b)(5), to consider the investment of public funds, § 3-305(b)(7), to consult with counsel to obtain legal advice, and § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-335 preventing the disclosure of trade secrets and confidential commercial or financial information.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	James Harkins
Peter Franchot, Vice Chairman	Linda Herman
David Blitzstein	Sheila Hill
David Brinkley	F. Patrick Hughes (via phone)
Eric Brotman	Charles Johnson
James Bush, Jr.	Theresa Lochte
James C. DiPaula	Richard Norman
Kenneth Haines	

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

Assistant Attorneys General present included: Kathy Brady and Rachel Cohen

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Other attendees included: John Kenney

On a motion made by Ms. Lochte and seconded by Mr. DiPaula, the Board returned to open session at 9:55 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	James Harkins
Peter Franchot, Vice Chairman	Linda Herman
David Blitzstein	Sheila Hill
David Brinkley	F. Patrick Hughes (via phone)
Eric Brotman	Charles Johnson
James Bush, Jr.	Theresa Lochte
James C. DiPaula	Richard Norman
Kenneth Haines	

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

Margaret Bury	Ira Greenstein	Andrew Palmer
Melody Countess	Angie Jenkins	Ken Reott
Anne Gawthrop	Van Lewis	David Rongione
Michael Golden	Michelle Lowery	Janet Sirkis

Assistant Attorneys General present included: Kathy Brady and Rachel Cohen

Other attendees included: Brad Armstrong and Brian Murphy (GRS), Ghar Cheung (Financial Investment News Daily) and John Kenney

Consent Agenda

Mr. Kenderdine reported to the Board that Linda Herman requested that corrections be made to the February 16, 2016 open meeting Board minutes to accurately reflect what was discussed at that meeting. The Board was provided with a redlined version of the requested edits.

On a motion made by Mr. Hughes and seconded by Mr. Bush, the Board approved the consent agenda, which included:

- February 16, 2016 Open Meeting Board Minutes with amendments
- February 16, 2016 Audit Committee Meeting Report
- February 16, 2016 Corporate Governance Committee Meeting Report
- March 1, 2016 Administrative Committee Meeting Report

**2016 Legislative Bill
Review**

Ms. Anne Gawthrop provided the Committee an overview of the 2016 pension related legislation introduced to the General Assembly to date. See *Attachment A*.

Ms. Herman asked as to the reason staff is recommending no position be taken on HB38 (State Retirement and Pension System – Disability Retirement – Alterations) and HB940/SB820 (State Retirement and Pension System – Disability Retirement – Alterations).

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Ms. Gawthrop responded that the Board is prevented by statute from taking positions on any legislation that deals with benefit issues. Only when a bill presents administrative challenges does the Board take a position.

Mr. Kenderdine suggested that we provide informational testimony to the General Assembly on these bills.

Ms. Gawthrop concurred that she would provide informational letter to the Joint Committee on Pensions and will also be involved in any discussions concerning these bills.

Ms. Herman indicated that the DC retirement system, Montgomery County and the State of Virginia all conduct reexaminations of disability cases. Ms. Herman suggested that Mr. Kenderdine send a request to his counterparts to determine what other Systems conduct reexaminations on disability claims.

Ms. Herman also requested that the Board receive a copy of the testimonial letter regarding the bills.

Chief Investment
Officer's Report

Mr. Andrew Palmer reported that the performance report from State Street was not yet available. However, Mr. Palmer provided an internal performance summary to the Board, which indicated that the total market value of the fund, as of February 29, 2016, was \$43.2 Billion. Mr. Palmer reported that the fund return for one month was negative 0.040%.

Gabriel Roeder Smith
& Company (GRS) –
Results of the
Stochastic Modeling
project

Brian Murphy and Brad Armstrong from the System's actuarial firm of Gabriel Roeder Smith and Company (GRS), presented the results of the Stochastic Modeling project.

Mr. Murphy's presentation contained the following comments/conclusions:

- Over the next 30 years, the trend for the 50th percentile expected employer contribution rate is a gradual decline due to the 2011 legislative reforms and reinvested savings.
- The plan is expected to achieve 85% funding in 2027.
- There is a 50% probability that the plan will achieve 85% funding between 2021 and 2036.
- The 25 year closed funding policy may need to be reconsidered in 8-10 years or so in order to avoid tail volatility.
- As the plan approaches full funding and the asset pool increases relative to payroll, attention to the volatility of the portfolio will be important.

Comptroller Franchot asked if the 7.55% rate of return is reasonable.

Mr. Murphy responded that the 7.55% is reasonable, but called attention to volatility associated with a portfolio invested to earn 7.55% in the present interest rate environment.

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Review of Proxy
Voting Guidelines

Mr. Palmer reported that every year Institutional Shareholder Services, Inc. (ISS), the System's proxy advisor, updates both their U.S. and country/region specific proxy guidelines based on current trends and best practices. As a result, the Corporate Governance Committee met to discuss amending the System's proxy voting guidelines.

The Board was provided with proposed amendments to the Proxy Voting Guidelines, as presented to and approved by the Corporate Governance Committee.

On a motion made by Mr. Bush and seconded by Ms. Hill the Board approved the changes to the Investment Policy Manual as it relates to Proxy Voting Guidelines.

Adoption of
Proposed
Amendments to
COMAR 22.02.01 –
Option Factors and
Annuity Factors

Margaret Bury presented to the Board amendments to the regulations regarding Option Factors and Annuity Factors.

Mr. Bury reported that following the adoption of updated actuarial assumptions by the Board of Trustees for use in benefit calculations and the development of updated option factors and annuity factors by the System's actuary, it is necessary to update the regulations specifying the option factors and annuity factors used by the Agency when making calculations related to benefits payable upon the commencement of a retirement allowance, vested allowance, or allowance payable on the death of an active member. The regulations are being amended to define certain terms and to explain when the updated factors will apply to the Agency's calculations.

On a motion made by Ms. Hill and seconded by Mr. Bush, the Board of Trustees approved for adoption, and publication in the Maryland Register for comment, the amendments of the Option Factors and Annuity Factors regulations.

Executive Director's
Report

Mr. Kenderdine reported that Trustee Orientation is scheduled for Thursday, March 17, 2016 beginning at 9:00 a.m. and requested that anyone interested in attending to notify him.

Mr. Kenderdine reminded the Trustees that their State Ethics (Financial Disclosure) forms are to be filed by April 30, 2016.

Mr. Kenderdine reported on the legislature actions to date on the Agency's FY2017 budget request. The recommended cut to postage has been rejected by the two committees, however, the recommended cut to IT programming resources was approved.

Mr. Kenderdine reported that, due to an objection raised by AFSCME, the amendments to the Disability regulations have been put on hold by the AELR Committee for its further review.

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Mr. Kenderdine provided the Board with a directory of Investment and Senior staff of the Agency.

On a motion made by Mr. Bush and seconded by Ms. Lochte, the Board voted to meet in a Closed Session (11:48 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. reviewing the closed session minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function; and
2. reviewing the Medical Board reports, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and personal information.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Kenneth Haines
Peter Franchot, Vice Chairman	Linda Herman
David Blitzstein	Sheila Hill
David Brinkley	F. Patrick Hughes (via phone)
Eric Brotman	Charles Johnson
James Bush, Jr.	Theresa Lochte
James C. DiPaula	Richard Norman

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

Margaret Bury	Angie Jenkins	Ken Reott
Melody Countess	Michelle Lowery	David Rongione
	Andrew Palmer	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

Other attendees included: John Kenney

On a motion made by Ms. Lochte and seconded by Mr. Brotman, the Board returned to open session at 11:55 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street and reported that during the closed session the Board voted on the following:

Closed Session Minutes	The Board approved the February 16, 2016 closed session Board minutes with amendments.
Medical Board Reports	The Board adopted the medical board reports from February 18, February 24, March 3 and March 9, 2016.

**BOARD OF TRUSTEES FOR THE
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OPEN SESSION – APPEALS AND HEARINGS

The Trustees present included:

Theresa Lochte, Presiding
Nancy Kopp, Chairman
David Blitzstein
Eric Brotman
James Bush, Jr.

Kenneth Haines
Linda Herman (via phone)
Sheila Hill
Charles Johnson

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Margaret Bury
Angie Jenkins
Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Carla Katzenberg, and Jill Leiner.

Larry Keaton

The Board considered the recommendation of the Medical Board in connection with the claim of Mr. Larry Keaton for DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Hillary Galloway Davis, Esq. and Mr. Keaton appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should affirm the Administrative Law Judge's recommendations.

Following discussion, the Board deferred further consideration to Closed Session.

Marcus Trise

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Marcus Trise for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Scott M. Rotter, Esq., on behalf of Mr. Trise, appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

Following discussion, the Board deferred further consideration to Closed Session.

Amanda Holman

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Amanda Holman for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

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Ms. Holman appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

Following discussion, the Board deferred further consideration to Closed Session.

Barbara Kelly

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Barbara Kelly for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. Kelly appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

Following discussion, the Board deferred further consideration to Closed Session.

Irvin Alexander

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Irvin Alexander for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Alexander appeared to oppose the Agency's position and the Administrative Law Judge's recommendation. Jill R. Leiner, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations.

Following discussion, the Board deferred further consideration to Closed Session.

On a motion made by Mr. Brotman and seconded by Mr. Bush, the Board voted to meet in a Closed Session (1:50 p.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. considering the disability appeal pursuant to General Provisions Art., § 3-103(a)(1)(iii), the exercise of a quasi-judicial function.

CLOSED SESSION – APPEALS AND HEARINGS

The Trustees present included:

Theresa Lochte, Presiding
Nancy Kopp, Chairman
David Blitzstein
Eric Brotman
James Bush, Jr.

Kenneth Haines
Linda Herman (via phone)
Sheila Hill
Charles Johnson

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Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary
Margaret Bury
Angie Jenkins

Assistant Attorney General present included: Rachel Cohen.

On a motion made by Mr. Brotman and seconded by Mr. Bush, the Board returned to open session at 2:10 p.m.

OPEN SESSION

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

Larry Keaton The Board voted to **AFFIRM** the Medical Board's recommendation and **DENY** Larry Keaton's request for disability benefits.

Marcus Trise The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Marcus Trise's request for special disability benefits.

Amanda Holman The Board voted to **REJECT** the Administrative Law Judge's Proposed Decision and **GRANT** Amanda Holman's request for accidental disability benefits.

Barbara Kelly The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Barbara Kelley's request for accidental disability benefits.

Irvin Alexander The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Irvin Alexander's request for accidental disability benefits.

Adjournment There being no further business before the Board, on a motion made by Mr. Brotman and seconded by Mr. Bush, the meeting adjourned at 2:13 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

Legislative Update 2016 Session March 15, 2016

House Bill 38 (McConkey)

State Retirement and Pension System – Disability Retirement - Alterations

This proposed legislation authorizes the Board of Trustees for the SRPS to require disability retirees who are under normal retirement age to undergo a medical examination if the board believes good cause exists for such a reexamination. The bill further provides that, if, following the reexam, the retiree is no longer found to be disabled, the Board may suspend the retiree's allowance until the individual reaches normal retirement age. In addition, House Bill 38 also adjusts the formula used to determine a disability retiree's earning limit as a reemployed retiree by providing that the limit should be increased each year to reflect the percentage growth in the CPI.

- Hearing in Appropriations – 2/2/16, 12:30 pm

Staff recommends taking no position on this legislation.

House Bill 379 (Barnes as Chair for JCP)/Senate Bill 343 (Peters as Chair for JCP)

Employees' and Teachers' Pension Systems – Reformed Contributory Pension Benefit – Eligibility Service Clarifications

This board requested legislation addresses three instances in which reference to the Reformed Contributory Pension Benefit was inadvertently omitted from various sections of the State Personnel and Pensions Article. The omitted provisions address eligibility service in Title 23 and should have been amended in 2011 to include reference to the RCPB, when the RCPB was established.

- Hearing in Budget and Tax – 3/24/16, 8:30 am
- Hearing in Appropriations – 3/15/16, 1:00 pm

Board requested legislation.

House Bill 380 (Barnes as Chair for JCP)/Senate Bill 344 (Peters as Chair for JCP)

State Retirement and Pension System – Local Fire and Police System – Commingling of Assets

This board requested legislation removes an obsolete reference to the Local Fire and Police System in the State Personnel and Pensions Article that provides that the assets of the LFP may be commingled with other SRPS assets, provided separate documents are maintained.

- Hearing in Budget and Tax – 3/24/16, 8:30 am
- Hearing in Appropriations – 3/15/16, 1:00 pm

Board requested legislation.

**House Bill 381 (Barnes as Chair for JCP)/Senate Bill 321 (Peters as Chair for JCP)
State Retirement and Pension System – Board of Trustees – Designee Appointments and Fiduciary Duties**

This board requested legislation authorizes the Treasurer, Comptroller, and Secretary of Budget and Management to appoint either a deputy or chief of staff as their designees. Additionally, the bills also amend the definition of “fiduciary” to include members of all committees of the board.

- No hearing scheduled in Budget and Tax
- Hearing in Appropriations – 3/22/16, 1:00 pm

Board requested legislation.

**House Bill 382 (Barnes as Chair for JCP)/Senate Bill 345 (Peters as Chair for JCP)
State Retirement and Pension System – Optional Retirement Allowances – Designated Beneficiaries**

This board requested legislation clarifies that any member, not just JRS members, may designate more than one beneficiary under Option 1 and Option 4. House Bill 382/Senate Bill 345 codify the Agency’s existing practice to allow members of all systems to designate multiple beneficiaries under Options 1 and 4.

- Hearing in Budget and Tax – 3/24/16, 8:30 am
- Hearing in Appropriations – 3/15/16, 1:00 pm

Board requested legislation.

**House Bill 537 (Barnes as Chair for JCP)/Senate Bill 373 (Peters as Chair for JCP)
Teachers’ Retirement and Pension Systems – Reemployment of Retirees - Clarification**

This board requested legislation clarifies that local school systems may hire up to five retirees, total, from TRS or TPS, combined, to work in any position at any public school and be exempt from the reemployment earnings limitation. This legislation addresses confusion that occurred following the passage of Chapter 189 of 2015.

- Hearing in Budget and Tax – 3/24/16, 8:30 am
- Hearing in Appropriations – 3/15/16, 1:00 pm

Board requested legislation.

**House Bill 581 (Barnes as Chair for JCP)/Senate Bill 477 (Peters as Chair for JCP)
State Retirement and Pension System – Reemployment of Ordinary Disability Retirees – Earnings Limitation**

This proposed legislation amends the earnings limitation provision for ordinary disability benefits to provide for an exemption from the limitation and corresponding offset if the retiree’s AFC at the time of retirement is less than \$25,000.

- Hearing in Budget and Tax – 3/24/16, 8:30 am
- Hearing in Appropriations – 3/22/16, 1:00 pm

Board requested legislation.

**House Bill 582 (Barnes as Chair for JCP)/Senate Bill 473 (Peters as Chair for JCP)
Correctional Officers' Retirement System – Clifton T. Perkins Maximus Security Guards – Vested Allowances**

This proposed legislation changes the normal retirement age to age 55 for maximum security attendants at Clifton T. Perkins Hospital Center who join CORS on or after July 1, 2016.

- Hearing in Budget and Tax – 3/24/16, 8:30 am
- No hearing scheduled in Appropriations

Board requested legislation.

**House Bill 763 (Dumais)
State Retirement and Pension System – Optional Retirement Allowances – Domestic Relations Orders**

House Bill 763 requires the Board of Trustees to enforce a specific election of an optional retirement allowance for certain members if such a provision is submitted to the Agency on behalf of the member of the member's ex-spouse through an eligible domestic relations order. The proposed legislation also provides that such DROs would supersede a retiree's current election of, receipt of, or failure to elect a specified optional retirement allowance.

- Hearing in Appropriations – 2/23/16, 1:00 pm

Staff recommends opposing House Bill 763. As drafted, this bill would allow the provisions of a DRO to change and expand benefits that are provided for under current law. In addition, this legislation could result in an actuarial loss to the System.

**House Bill 926 (Lierman)/Senate Bill 979 (Peters)
Optional Retirement Program – Eligibility – Alterations**

This proposed legislation allows existing members of the ORP, who as employees of an employing institution, have been reclassified into a position that would no longer be eligible for membership in the ORP, to now remain in the ORP.

- No hearing scheduled in Budget and Tax
- Hearing in Budget and Tax – 3/10/16, 8:00 am

Staff recommends taking no position on this legislation.

House Bill 934 (Barnes)/Senate Bill 674 (Peters)

Teachers' Retirement and Pension System – Employer Contribution for Local Employees

Altering the amount county boards of education are required to pay for the normal cost portion of the employer contributions for their members of the Teachers' Retirement System and the Teachers' Pension System.

- Hearing in Appropriations – 3/1/16, 1:00 pm
- Hearing in Budget and Tax – 2/25/16, 8:30 am

Staff recommends the Board submit an informational letter to the committees informing them of the normal cost projections made by GRS over the next several years and the importance of ensuring that if this legislation is passed, that the State is aware of the difference it would be responsible for funding if the actual normal cost is greater than the prescribed rate provided for in these bills.

House Bill 940 (Barnes)/Senate Bill 820 (Peters)

State Retirement and Pension System – Disability Retirement – Alterations

This proposed legislation makes several changes to the current disability procedures for members of the System.

1. HB940/SB820 shortens the time period for filing for ordinary disability from four years to two years after a member's paid employment ends.
2. This legislation raises the small procurement amount from \$25,000 to \$50,000 for each doctor that is hired to perform an IME.
3. HB940/SB820 alters the projection of service credit for an ordinary disability from projecting to normal service retirement age to projecting service credit to when the member is first eligible for normal retirement.
4. This proposed legislation authorizes SRA to review the disability status of a disability retiree and suspend the retiree's benefit if an individual is found to no longer be disabled.
5. The changes proposed by this legislation would be tied to an application for disability that is first submitted after the effective date of this bill (July 1, 2016).

- Hearing in Appropriations – 3/1/16, 1:00 pm
- Hearing in Budget and Tax – 3/10/16, 8:00 am

Staff recommends taking no position on this legislation.

House Bill 1397 (Barnes)/Senate Bill 821 (Peters)

Participating Governmental Units – Amortization Schedule

This board requested legislation changes the funding policy for the PGU pool such that the pooled unfunded liability is amortized over a period that is 25 years or less, similar to amortization schedule in place for the State systems and as proposed by GRS.

- Hearing in Appropriations – 3/8/16, 1:00 pm
- Hearing in Budget and Tax – 3/10/16, 8:00 am

Board requested legislation

**House Bill 1438 (Sophocleus)/Senate Bill 532 (McFadden)
Correctional Officers' Retirement System – Membership – Correctional Case Management Specialist**

This legislation transfers members of the ERS or EPS who are employed as correctional case management specialists into the CORS.

- Hearing in Appropriations – 3/8/16, 1:00 pm
- Hearing in Budget and Tax – 2/25/16, 8:30 am

Staff recommends opposing this legislation as it is drafted. As drafted, HB1438 and SB532 provide that current case managers would have the option of transferring from the ERS or EPS into the CORS. Recent IRS rulings have stated that mid-career elections, as offered in this legislation, are no longer permissible. If the bill is amended to either make the transfer mandatory for everyone or only prospective for individuals hired as case managers after July 1, 2016, staff would recommend withdrawing the board's opposition.

**House Bill 1545 (Chang)/Senate Bill 1031 (McFadden)
Correctional Officers' Retirement System – DROP**

This proposed legislation would establish a 5-year DROP for members of the CORS who have accrued at least 20 years of service but not more than 25 years of service.

- No hearing scheduled in Appropriations
- Hearing in Budget and Tax – 3/10/16, 8:00 am

Staff recommends taking no position on this legislation.

**House Bill 1581 (Harford County Delegation)
Harford County Deputy Sheriff Patrick Dailey Benefits Memorial Act**

House Bill 1581 is emergency legislation that would increase the maximum age from 18 years to 26 years at which minor children are no longer eligible to receive a line of duty death benefit on behalf of a deceased parent who was a member of the LEOPS and was killed in the line of duty. The bill also requires the State Retirement Agency and the Department of Legislative Services to review the death benefits paid from each of the several systems to determine if other statutory changes should be made to update these provisions. Any recommended changes will be submitted to the Joint Committee on Pensions on or before December 1, 2016.

- No hearing scheduled in Budget and Tax

Staff recommends taking no position on this legislation.

Senate Bill 542 (Feldman)

State Retirement and Pension System – Forfeiture of Benefits

This proposed legislation prohibits the payment of benefits to an EPS member who is a specified elected official if the member is found guilty of, pleads guilty to, or enters a plea of nolo contendere to a felony crime that is committed in the course of the member's duties, through the use of the member's authority, and which results in the gain, profit, or advantage for the member.

- Hearing in Budget and Tax – 2/25/16, 8:30 am

Staff recommends taking no position on this legislation.

Senate Bill 608 (Guzzone)

Employees' Pension System – Redeposit of Contributions

Senate Bill 608 authorizes certain individuals to redeposit their withdrawn accumulated contributions with the System. In addition, this bill requires that, following the redeposit of their accumulated contributions, these individuals be enrolled in the ACPS in the EPS and receive prior service credit for the redeposited employee contributions.

- Hearing in Budget and Tax – 2/25/16, 8:30 am

Staff recommends taking no position on this legislation.

Senate Bill 633 (Serafini)

State Employees' Retirement Savings Plan

Senate Bill 633 establishes the State Employees' Retirement Savings Plan, a defined contribution plan for new and existing members of the Employees' Pension System. This plan would be administered by the Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans. New employees, beginning State employment on or after July 1, 2016, would have the option to participate in either the Savings Plan or the EPS within one year of starting employment with the State. In addition, the bill also states that individuals who are existing EPS members as of July 1, 2016, who withdraw their employee contributions before becoming employees of a participating employer after July 1, 2016, may make an election within one year of withdrawing their contributions, to participate in the Savings Plan.

- Hearing in Budget and Tax – 2/25/16, 8:30 am

Staff recommends providing the Budget and Taxation Committee with informational testimony that would include some opposition to the bill with regard to sections of the legislation that would violate provisions of the IRC, while also informing the Committee of the potential funding impact to the EPS that could result.

Senate Bill 875 (Serafini)

State Retirement and Pension System – Line-of-Duty and Non-Line-of-Duty Disability – Alterations

This legislation makes several changes to the current disability procedures for members of the System.

1. SB875 shortens the time period for filing for non-line of duty disability and line of duty disability from four years to two years after a member's paid employment ends.
2. This legislation raises the small procurement amount from \$25,000 to \$50,000 for each doctor that is hired to perform an IME.
3. SB875 increases the vesting requirement for non-line of duty disability retirees from 5 years to 10 years. In Fiscal 2022, the pooled contribution rate for ECS Municipal is projected to increase to 8.57% of pay, which is approximately double the 4.22% of pay that is currently projected to be in effect in Fiscal 2021. The increase is caused by the rolling off of a large credit base that originated in 2000. After considerable discussion over many months, SRA and GRS arrived jointly at a recommendation that involves combining all of the ECS Municipal bases into a single unfunded liability and amortizing that liability over a closed 25-year period beginning in 2018. The recommended amortization method is unusual though, because it involves phasing into the amortization period over several years. In the 2016 valuation, which determines the 2018 contribution rate, the period would be 100 years, for example. It would then drop to 40, 35, and successively lower periods each year until the 2023 valuation when it would be 18 years and would decrease 1 year per year thereafter. Under this schedule, the unfunded liability would be fully extinguished in Fiscal 2042. This procedure is described in full in our letter to you dated September 1, 2015.10 years.
4. This proposed legislation alters the projection of service credit for a non-line of duty disability from projecting to normal service retirement age to projecting service credit to when the member is first eligible for normal retirement.
5. The bill sets up a two-stage process for non-line of duty disabilities that would provide for an initial period of short-term disability. Following the short-term disability period, an individual would be required to reapply for long-term disability.
6. This proposed legislation repeals the annuity of accumulated contributions for line of duty disability retirees.
7. SB875 authorizes SRA to review the disability status of a disability retiree and suspend the retiree's benefit if an individual is found to no longer be disabled.
8. The changes proposed by this legislation would be tied to an application for disability that is first submitted after the effective date of this bill (July 1, 2016).

- Hearing in Budget and Tax – 3/10/16, 8:00 am

Staff recommends taking no position on this legislation.

Senate Bill 982 (Miller)

Maryland Private Equity and Venture Capital Authority

This legislation establishes the Maryland Private Equity and Venture Capital Authority. The Authority consists of eight members:

1. the Executive Director of the Maryland Technology Development Corporation;
2. the Chairman of the Board of Trustees;
3. four members with expertise in technology, technology transfer, private equity, or venture capital (one appointed by the President of the Senate, one appointed by the Speaker of the House, and two appointed by the Governor);
4. a representative of a public institution of higher education with expertise in technology transfer and higher education; and
5. a representative of a private nonprofit institution of higher education with expertise in technology transfer and higher education.

Beginning in FY17, the bill provides that the Authority shall make recommendations to the Board for investments in private equity and venture capital in the State with any funds that are appropriated to the System above what currently is statutorily required. (Presently, the funds that are statutorily required to be appropriated to the System include the actuarially determined employer contribution rate, the reinvested savings and funds resulting from the sweeper provision).

The recommendations by the Authority shall include that 50% of the funds available shall be invested in commercialization of technology sponsored or created by a university in the State.

The Board shall make the investments for these funds in accordance with the recommendations of the Authority. If the Board rejects the recommendations of the Authority, then the Board is prohibited from investing the funds.

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Staff recommends expressing legal and implementation concerns with regard this legislation but also recommends offering solutions to the opposition that will be raised in our written testimony.