

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

March 19, 2019

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 9:32 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Sheila Hill
Peter Franchot, Vice Chairman	F. Patrick Hughes
David Brinkley	Charles Johnson (via phone)
Eric Brotman	Theresa Lochte (via phone)
David Hamilton	Richard Norman
Linda Herman (via phone)	Douglas Prouty (via phone)
	Michael Stafford, Jr. (via phone)

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

Melody Countess	Angie Jenkins	Harvey Raitzyk
Patricia Fitzhugh	Van Lewis	David Rongione
Anne Gawthrop	Kim O'Keeffe	Janet Sirkis
Michael Golden	Andrew Palmer	Toni Voglino
Ira Greenstein		

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

Other attendees included: Tom Brennan, Jennifer O'Dell and Monte Tarbox

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

- February 19, 2019 Open Meeting Board Minutes
- March 5, 2019 Administrative Committee Meeting Summary
- March 12, 2019 Corporate Governance Committee Meeting Summary

Administrative Appeal of Thomas Kemp Mr. Kemp did not appear before the Board of Trustees.

Ms. Emily Spiering, Assistant Attorney General, addressed the Board of Trustees on behalf of the Agency. Ms. Spiering indicated that Mr. Kemp was a member of the Employees' Pension System (EPS) in 1981, as a result of his employment as an Assistant State's Attorney with the Cecil County Board of Commissioners. From July 1990 through June 1999, the Agency and System did not receive the required deductions from his earnings and a deficiency occurred. Mr. Kemp separated from employment with the Cecil County Board of Commissioners in May 2000.

In September 2010 and again in 2018, the Agency provided Mr. Kemp two separate Notices of Retirement Estimate. Both in 2010 and in 2018, one notice showed that Mr. Kemp had an "annuity deficiency" on his account and the other showed what his benefit would be if the annuity deficiency was paid.

Ms. Spiering explained that SPP § 21-121(b) provides that whenever the State Retirement Agency learns that the payment of contributions by a participant is not in accordance with the provisions of Division II of the article, the State Retirement Agency and participating employer shall correct their records; and

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

March 19, 2019

the member contributions owed by the participant shall be made by the participant in accordance with § 21-312(e) of this title.

State Personnel and Pension Art. § 21-312(e) provides that if a member does not make the member contributions required by this Division II, on retirement, the member's retirement allowance shall be reduced by the actuarial equivalent of the missed accumulated contributions, including regular interest on those contributions at the statutory rate earned on member contributions in the member's system, compounded annually.

Ms. Spiering further argued that the Board of the System has a statutory responsibility to correct errors by which a retiree or beneficiary "receives a benefit that differs from the benefit the retiree or beneficiary is entitled to receive." SPP § 21-113(a). As fiduciaries, the Trustees are required to discharge their duties in accordance with the statute.

Treasurer Kopp asked if Mr. Kemp could take any legal action on his previous employer.

Ms. Spiering responded that the law requires the member to make up missed contributions with interest, not the employer.

Comptroller Franchot asked what the interest rate is.

Ms. Spiering responded that the interest rate for the Employees' Pension System is five percent compounded annually.

Treasurer Kopp asked Ms. Lochte, as Acting Chairman of the Administrative Committee to comment on this matter.

Ms. Lochte responded that this appeal had been heard and discussed at the Administrative Committee and that it was the Committee recommendation that the Board adopt the Executive Director's recommendation for summary decision and deny Mr. Kemp's appeal.

On a motion made by Ms. Hill and seconded by Mr. Hughes, the Board adopted the Administrative Committee's proposed summary decision and denied the appeal.

Medical Board
Physicians

The Board of Trustees was provided a copy of the curriculum vitae of Dr. Marcia D. Wolfe.

Mr. Harvey Raitzyk indicated that the law allows for more than one Medical Board and three alternate physicians, should a physician be unable to serve on a Medical Board for any reason. Mr. Raitzyk reported that Dr. Christian E. Jensen, an Occupational Medicine Physician, resigned from the Medical Board and therefore, staff is recommending the approval of Dr. Wolf as a permanent member of the Medical Board.

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

March 19, 2019

On a motion made by Ms. Hill and seconded by Mr. Brotman, the Board of Trustees approved Dr. Marcia D. Wolf as a permanent member to the Medical Board.

Establishment of
Ad Hoc Committee
on Actuarial
Economic
Assumptions

Treasurer Kopp thanked those who agreed to serve on the Ad Hoc Committee on Strategic Planning and Governance and/or the Ad Hoc Committee on Actuarial Economic Assumptions.

The Board was provided with a memorandum from Treasurer Kopp recommending the appointment of the following individuals for the Ad Hoc Committee on Actuarial Economic Assumptions:

Eric Brotman, Chair
David Brinkley
Patrick Hughes
Doug Prouty
Michael Stafford
Michael Barry

On a motion made by Ms. Hill and seconded by Mr. Norman, the Board approved the committee assignments for the Ad Hoc Committee on Actuarial Economic Assumptions as recommended.

Establishment of
Ad Hoc Committee
on Strategic
Planning and
Governance

The memorandum from Treasurer Kopp also recommended the appointment of the following individuals for the Ad Hoc Committee on Strategic Planning and Governance:

David Brinkley, Chair
Eric Brotman
Theresa Lochte
Charles Johnson
Linda Herman
Sheila Hill
Richard Norman

On a motion made by Ms. Hill and duly seconded, the Board approved the committee assignments for the Ad Hoc Committee on Strategic Planning and Governance as recommended.

2019 Legislative
Bill Review

Ms. Anne Gawthrop provided the Board of Trustees an overview of the 2019 pension related legislation. *See Attachment A.*

Ms. Gawthrop reported that all bills are moving and have crossed over.

Treasurer Kopp asked for an update on the bill sponsored by Delegate Barve.

Ms. Gawthrop responded that House Bill 821 – State Retirement and Pension System – Investment Management Fees has been amended and is now a reporting requirement that the Board include in its annual reporting of investment management fees to the General Assembly, the amount of carried interest paid to the System’s investment managers each year.

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

March 19, 2019

CIO Report Mr. Palmer reported that as of February 28, 2019 the State Street report preliminary report showed the total fund value at approximately \$52.25 Billion. Mr. Palmer reported that, through February, the fund increased 0.93% for the month and 2.13% fiscal-year-to-date.

Treasurer Kopp asked what impact Brexit would have on the fund.

Mr. Palmer responded that Brexit would have small direct impact on performance because the system had only limited direct exposure to United Kingdom investments. It may have a larger impact through its effect on economic growth in Europe. Mr. Palmer noted that while it was a binary type outcome, only a small number of outcomes were possible, the long negotiation process will likely have given markets and businesses enough time to prepare for whichever outcome prevails.

Mr. Stafford asked if Mr. Palmer could comment on what could be going on with the public market asset classes as they, along with the Absolute Return portfolio, had lagged the benchmark by the most in recent periods.

Mr. Palmer responded that the public equity managers had struggled over the last 18 months with low or negative returns to broad equity factors such as value, low volatility, quality and size. He highlighted the struggles of quantitative managers that focus on factors as an indication that factor investing was in a period of underperformance. He contrasted this poor factor performance with the performance of some of the fundamental, focused managers who have continued to perform well. Mr. Palmer expressed that it is not uncommon for factors to experience poor performance periods but that he expected them to recover over time. On the Rate Sensitive side, he noted that the managers had done well relative to benchmarks through November and then had a particularly bad month in December, followed by a recovery in January.

Mr. Stafford asked how internal management would impact those numbers, if at all.

Mr. Palmer responded that he doesn't think performance will be negatively impacted by internal management. He believes that overall, internal management will improve the performance of public management by lowering the cost and risk of achieving similar returns.

Mr. Brotman commented that with the relative returns trailing on the Public Equity side, he feels that is where we will see changes with internal management. He also noted that it appeared to him that the Absolute Return portfolio had turned a corner after the changes that had been made in managers and portfolio construction over the last year. Mr. Stafford replied that he had trouble seeing such a turn in the performance numbers.

Mr. Palmer responded that there will be more of a discussion at the May Investment Committee with the consultant.

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

March 19, 2019

Treasurer Kopp requested that Mr. Palmer brief the Investment Committee at its next meeting on what the investment staff sees as indications of turning the corner for the Absolute Return portfolio.

Executive
Director's Report

Mr. Kenderdine reported that the term for the Investment Committee Public Advisor position, presently held by Michael Barry, would be ending on June 30, 2019. He and Mr. Palmer are in the midst of interviewing six candidates, including the incumbent Mr. Barry, for the next term of July 1, 2019 ending June 30, 2022. Preliminary interviews began on March 18, 2019. Per the Governance policy, not more than three candidates will be brought to the Investment Committee meeting in May for final interviews. The Investment Committee will then recommend to the full Board the appointment of a candidate to fill the position.

Mr. Kenderdine reported that the task of attracting and retaining employees in the Member Services unit has continued to be difficult. At the suggestion of Deputy Secretary Marc Nicole, agency staff contacted staff at the Department of Budget and Management (DBM) to inquire about the possibility of using a modified form of the State's policy for "double-pinning" positions in Member Services, and DBM has agreed.

Mr. Kenderdine thanked Secretary Brinkley, Deputy Secretary Nicole and Cindy Kollner, DBM's Head of Personnel for their assistance.

Mr. Kenderdine explained that with "double-pinning", an agency appoints two individuals to one State position. The Agency must manage to its budget. When an Agency is "double-pins" a position an end date, typically 2-3 months, is set. "Double-pinning" is normally used when a Senior staff person is leaving service and the agency wants an opportunity for that individual to mentor their replacement for a period of time. DBM is allowing the State Retirement Agency to "double-pin" member services positions with the ability to extend the "double-pinning" period as needed. This will allow the accommodation of the extensive training requirement the unit has for new retirement benefits counselors.

Mr. Kenderdine reported that the Fiscal Year 2020 budget has been approved by the Legislature and everything that was requested by the System and included in the Governor's allowance has been approved, including new positions for the Information Technology division needed to support all of the MPAS-3 functionality.

Mr. Kenderdine reported that training programs are either underway or scheduled at the Agency. The first training program is the State's mandatory sexual harassment prevention training which will be completed for all Agency staff as of March 22, 2019. Mr. Kenderdine thanked Karen Simpson of the Benefits Administration staff for conducting this training.

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

March 19, 2019

The second training program is an active shooter training for all staff, but in particular the Agency's Member Services Unit. The training session is set to take place on April 8, 2019. Mr. Kenderdine thanks Trustee Norman for his assistance in setting up this training.

On a motion made by Ms. Hill and seconded by Mr. Hughes, the Board voted to meet in a Closed Session, beginning at 10:15 a.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
2. reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, 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 psychological information;
3. reviewing a report regarding extraordinary salary increases, 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
4. discussing the position assignment and compensation of the Investment Division Staff, pursuant to General Provisions Art., § 3-305(b)(1)(ii), 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.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Sheila Hill
Peter Franchot, Vice Chairman	F. Patrick Hughes
David Brinkley	Charles Johnson (via phone)
Eric Brotman	Theresa Lochte (via phone)
David Hamilton	Richard Norman
Linda Herman (via phone)	Douglas Prouty (via phone)
	Michael Stafford, Jr. (via phone)

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

Melody Countess	Van Lewis	Harvey Raitzyk
Patricia Fitzhugh	Kim O'Keeffe	David Rongione
Angie Jenkins	Andrew Palmer	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Tom Brennan and Monte Tarbox

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

March 19, 2019

On a motion made by Ms. Hill and seconded by Mr. Brotman, the Board returned to open session at 10:19 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding	Sheila Hill
Peter Franchot, Vice Chairman	F. Patrick Hughes
David Brinkley	Charles Johnson (via phone)
Eric Brotman	Theresa Lochte (via phone)
David Hamilton	Richard Norman
Linda Herman (via phone)	Douglas Prouty (via phone)
	Michael Stafford, Jr. (via phone)

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

Melody Countess	Van Lewis	Harvey Raitzyk
Patricia Fitzhugh	Kim O'Keeffe	David Rongione
Angie Jenkins	Andrew Palmer	Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Tom Brennan and Monte Tarbox

During closed session, the Board of Trustees discussed and took action on the following matters:

Closed Session Minutes	The Board reviewed and approved the February 19, 2019 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from February 28, March 6 and March 14, 2019.
Extraordinary Salary Increases	The Board reviewed and approved the recommendation regarding the extraordinary salary increase, as presented.
Recommendation of the Investment Committee regarding the Position Assignment and Compensation for Certain Investment Division Staff	The Board reviewed and approved the recommendation of the Investment Committee regarding the position assignment and compensation for Investment Division staff, as presented.
Adjournment	There being no further business before the Board, on a motion made by Mr. Hughes and duly seconded, the meeting adjourned at 10:19 a.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

**BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
MARCH 5, 2019**

Administrative
Appeal of
Thomas Kemp

THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION AND VOTED ON IN CLOSED SESSION.

Mr. Thomas Kemp filed a Petition for Hearing requesting that the Board of Trustees reject the recommendation for Summary Decision of the Executive Director and grant his request to waive the interest resulting from a contribution deficiency on his member account.

The Acting Chairman of the Administrative Committee will present, in closed session, the Committee's recommendation for the Board's approval.

2019 Legislative
Review

THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION.

Ms. Anne Gawthrop provided the Committee an updated overview of the 2019 pension related legislation introduced to the General Assembly to date.

Work Plan –
Actuarial Audit
Services
Provider –
Request for
Proposals

Mr. Kenderdine provided the Committee with background information on the need for an Actuarial Audit Services Provider. Following the Board policy for Key Service Provider procurement, the service provider will be selected by a procurement evaluation committee of the staff, per the schedule as follows and will be presented to the Committee for recommended approval to the Board of Trustees.

DATE	ITEM
March 5, 2019	Submit work plan to Administrative Committee.
March 15, 2019	RFP Draft circulated to the MSRA Procurement Review Committee.
April 1, 2019	Issue RFP.
April 30, 2019	Completed proposals due.
May 7 – May 21, 2019	Evaluation period. Evaluation Committee reviews proposals and conducts preliminary interviews then will analyze and summarize the Evaluation Committee's ratings of each of the candidates. The Evaluation Committee will then identify finalists based upon the candidates' technical and financial proposals.
June 4, 2019	Finalist(s) presented to the Administrative Committee.
June 18, 2019	Administrative Committee recommends the appointment of Actuarial Audit Services Provider to the Board of Trustees (BOT).
July 1, 2019	Contract begins.

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee approved the work plan regarding the actuarial audit services provider RFP.

NOTE: Following the Administrative Committee, Mr. Kenderdine notified the Committee members that the work plan that had been provided in the agenda packet contained an error in that it indicated that the audit to be performed would be a "partial audit" when it will, in fact, be a "full replication" actuarial audit of the System's June 30, 2019 actuarial valuation. Per the terms of the Board's Monitoring and Reporting Policy, a full replication audit of the actuarial valuation by the same actuary must be performed after 10 years.

**BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
March 12, 2019**

Update
and
Review of
Iran-Sudan
Divestment

The Committee considered staff's recommendation to approve the proposed Iran and Sudan Restricted List. Ms. Voglino informed the Committee that three companies are recommended for removal from the Iran Sudan Restricted List. Two of the three companies recommended for removal are Shanghai Electric Group and Shanghai Electric Newage, a subsidiary of Shanghai Electric Group. The companies originally were restricted due to their power production activities in Sudan. However, the company no longer has these activities in Sudan and therefore no longer meets the divestment requirements of the Maryland statute.

The third company recommended for removal from the restricted list is Daelim Industrial. Daelim was originally added to the restricted list due to their oil related activities in Iran. However, the company has ceased oil operations in Iran and no longer meets the divestment requirements of the Maryland statute.

Ms. Voglino explained to the Committee that the divestment analysis, performed by the System's general investment consultant Meketa, detailed that divestment has minimal impact on the portfolio. Specifically, the estimated impact on equity investments is a -1 to 0 basis point impact and a +1 basis point impact for the bond securities.

Ms. Kopp asked if the Committee should clarify that although the System no longer restricts investment in these companies, that lack of restriction is not a recommendation to purchase the securities. Ms. Voglino explained the methodology of the divestment analysis performed by Meketa and what the results of the estimated impact for equity and bond securities mean. Ms. Voglino further explained, regardless of the performance of these companies in the index, the external investment managers would be making the decision regarding any investment in particular companies. Mr. Johnson made a statement that if a company is no longer on the restricted list, the decision to invest is up to the investment manager. Mr. Johnson made a motion to accept staff's recommendation and remove the three companies from the Iran and Sudan Restricted List. After discussion, Mr. Johnson amended the motion to accept staff's recommendation with the following amendments. "Staff recommends the Corporate Governance Committee approve the Recommended Iran and Sudan Restricted List as noted in Attachment 1, and makes note that the decision to remove or add a company to the restricted list is not an investment recommendation. The restricted list will be provided to the Board of Trustees for approval at the March 19, 2019 meeting." The motion was seconded by Ms. Kopp and the Committee unanimously agreed on the motion. Below is the Iran and Sudan Restricted List.

<u>Iran and Sudan Restricted List</u>		
<u>March 12, 2018</u>		
<u>ISSUER NAME</u>	<u>Country</u>	<u>Sudan or Iran</u>
<u>Anton Oilfield Services</u>	<u>China</u>	<u>Sudan</u>
<u>AviChina Industry & Technology Company Limited</u>	<u>China</u>	<u>Sudan</u>
<u>Bharat Heavy Electricals Limited</u>	<u>India</u>	<u>Sudan</u>
<u>China National Petroleum Corporation (PetroChina Co)</u>	<u>China</u>	<u>Both</u>
<u>CNOOC Curtis Funding NO.1 PTY LTD</u>	<u>Australia</u>	<u>Iran</u>
<u>El Sewedy Electric Co. SAE</u>	<u>Egypt</u>	<u>Sudan</u>
<u>Energy House Holding Company</u>	<u>Kuwait</u>	<u>Sudan</u>

**BOARD OF TRUSTEES
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
March 12, 2019**

<u>Harbin Power Equipment Co., Ltd</u>	<u>China</u>	<u>Sudan</u>
<u>Jiangxi Hongdu Aviation Industry Co., Ltd.</u>	<u>China</u>	<u>Sudan</u>
<u>Kuwait Finance House K.S.C.</u>	<u>Kuwait</u>	<u>Sudan</u>
<u>LS Industrial Systems Co., Ltd</u>	<u>Korea</u>	<u>Sudan</u>
<u>Managem S.A.</u>	<u>Morocco</u>	<u>Sudan</u>
<u>Oil and Natural Gas Corporation Limited</u>	<u>India</u>	<u>Sudan</u>
<u>OIL India International PTE. LTD.</u>	<u>Singapore</u>	<u>Sudan</u>
<u>Oil India Ltd.</u>	<u>India</u>	<u>Sudan</u>
<u>ONGC Videsh Limited</u>	<u>India</u>	<u>Sudan</u>
<u>ONGC Videsh Vankorneft PTE. LTD.</u>	<u>Singapore</u>	<u>Sudan</u>
<u>Orca Gold Inc.</u>	<u>Canada</u>	<u>Sudan</u>
<u>Petroliam Nasional Berhad (Petronas)</u>	<u>Malaysia</u>	<u>Sudan</u>
<u>Petronas Capital Limited</u>	<u>Malaysia</u>	<u>Sudan</u>
<u>Petronas Global Sukuk Ltd</u>	<u>Malaysia</u>	<u>Sudan</u>
<u>Schneider Electric S.A.</u>	<u>France</u>	<u>Sudan</u>
<u>Siemens Aktiengesellschaft</u>	<u>Germany</u>	<u>Sudan</u>
<u>Siemens Financieringsmaatschappij N.V.</u>	<u>Netherlands</u>	<u>Sudan</u>
<u>Sinopec Group Overseas Development (2012) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Sinopec Group Overseas Development (2013) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Sinopec Group Overseas Development (2014) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Sinopec Group Overseas Development (2016) Limited</u>	<u>British Virgin Islands</u>	<u>Both</u>
<u>Total</u>		<u>28</u>

Legislative Update 2019 Session March 19, 2019

BOARD REQUESTED LEGISLATION

House Bill 62/Senate Bill 119 (Barnes/Griffith)

Employees' Pension System - Purchase of Eligibility Service Credit – Clarification

This Board requested legislation clarifies provisions regarding limitations on members of the EPS purchase of eligibility service credit for past employment. Specifically, it corrects an inadvertent erroneous reference within the statute that is counter to legislative intent.

- HB62 passed the House
- SB119 scheduled in Appropriations – 3/19/19

House Bill 63/Senate Bill 306 (Barnes/Griffith)

State Retirement and Pension System - Maryland Pension Administration System - Member Contributions

This Board requested legislation requires participating employers in the System to submit member contributions and payroll data supporting the contributions at the same time.

- HB63 passed the House
- SB306 passed the Senate

House Bill 64/Senate Bill 120 (Barnes/Griffith)

State Retirement and Pension System - Designation of Beneficiary

This Board requested legislation authorizes a member of the System to designate a beneficiary either by submitting a notarized written designation to the Agency or electronically through Agency's secure access portal.

- HB64 passed the House
- SB120 scheduled in Appropriations – 3/19/19

House Bill 265/Senate Bill 153 (Barnes/Griffith)

Alternate Contributory Pension Selection - Return to Employment

This Board requested legislation allows individuals who vest in the ACPS on or after July 1, 2011, to return to the ACPS if they terminate employment with a participating employer of the System and later return to work for a participating employer of the System, regardless of the length of their break in service. This bill codifies the existing practice of the Agency.

- HB265 passed the House
- SB153 scheduled in Appropriations – 3/19/19

House Bill 266/Senate Bill 186 (Barnes/Griffith)

State Retirement and Pension System - Designated Beneficiary Change – Rescission

This Board requested legislation allows retirees of the System to rescind a request to change their designated beneficiary before the second monthly allowance is paid (instead of before the first allowance is paid). If a retiree rescinds the change of beneficiary under the bill, the benefit payment amount for the next payment is restored to the amount paid before the change in beneficiary.

- HB266 passed the House
- SB186 scheduled in Appropriations – 3/19/19

House Bill 267/Senate Bill 179 (Barnes/Griffith)

Optional Retirement Program - Regulations

This Board requested legislation requires the Board to adopt and maintain a written plan document for the ORP, and it authorizes Board to adopt regulations it deems necessary to carry out its ORP responsibilities.

- HB267 passed the House
- SB179 scheduled in Appropriations – 3/19/19

House Bill 860/Senate Bill 828 (Barnes/Griffith)

Employees', Teachers', and Correctional Officers' Systems - Active Members - Death Benefits

This Board requested legislation applies to an active member of the employees', teachers', or correctional officers' system who dies after reaching age 55 with 15 years of service or after accruing 25 years of service regardless of age. If, at the death of an active member described above, the member is survived by children under age 26 or disabled children at any age, but not a surviving spouse, the children shall receive the Option 2 benefit (100% joint and survivor benefit). As drafted, the bill requires the Board to make this payment and removes existing language that currently allows the surviving spouse to elect to receive this benefit. Additionally, requirements that the surviving spouse (and now children) be named as the member's sole beneficiary at the time of the member's death, have also been deleted. We believe those changes were inadvertent. Staff will work with the Committees to correct these issues in the legislation.

- Hearing held in Appropriations – 2/28/19
- Hearing held in Budget and Tax – 2/28/19

House Bill 861/Senate Bill 829 (Barnes/Griffith)

State Retirement and Pension System - Service Credit for Unused Sick Leave

This Board requested legislation preserves the unused sick leave for individuals who have been required to move from the ERS or EPS into the CORS through legislation over the past three years.

- HB861 passed the House
- SB829 scheduled in Appropriations – 3/19/19

House Bill 862/Senate Bill 827 (Barnes/Griffith)

State Police Retirement System - Employment of Retirees - Clarifications

This Board requested legislation makes clarifying changes to the reemployment provisions in the State Police Retirement System.

- HB862 passed the House
- SB827 passed the Senate

House Bill 863/Senate Bill 486 (Barnes/Griffith)

State Retirement and Pension System - Workers' Compensation Offset

This Board requested legislation clarifies that, in the event that a retiree's ordinary disability benefit is converted to an accidental or special disability benefit, any offsets taken to a retiree's line of duty disability benefit due to a workers' compensation benefit awarded for the same injury shall commence on the date the disability benefit is converted.

- HB863 passed the House
- SB486 scheduled in Appropriations – 3/19/19

INVESTMENT RELATED BILLS

House Bill 75 (Grammer)

State Retirement and Pension System – Investment Management Fee Reporting

This proposed legislation requires the Board of Trustees to include in its annual reporting of investment management fees to the General Assembly (1) fixed fees; (2) performance fees; (3) fees that are formally invoiced; and (4) fees that are not formally invoiced.

- Voted unfavorable by Appropriations

Staff supported this bill with amendments. Investment Division staff reports that the Agency is currently reporting the information requested in this bill. However, the Investment Division staff pointed out we are currently not reporting the amount of carried interest paid to the System's investment managers each year. Therefore, we recommended amending this bill to remove the specific requirements it currently includes since that information is already being provided, and instead add the requirement that the Board report on carried interest. Staff has reached out to the sponsor to discuss this proposed amendment.

House Bill 821 (Barve)

State Retirement and Pension System - Investment Management Fees

As amended, this proposed legislation requires the Board to include in its annual reporting of investment management fees to the General Assembly the amount of carried interest paid to the System's investment managers each year.

- Passed the House

As amended, staff recommends taking no position on this legislation.

CORRECTIONAL OFFICERS' RETIREMENT SYSTEM

House Bill 29 (McCay)

Correctional Officers' Retirement System - Membership – Chaplains

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed as prison chaplains in State correctional facilities, to become members of the CORS on July 1, 2019. All new employees in these positions would be members of the CORS.

- Hearing held in Appropriations – 1/29/19

The Board opposed this legislation based on advice from the System's tax counsel who expressed concern that prison chaplains would not meet the definition of qualified public safety officers under proposed IRS regulations addressing normal service retirement age. Individuals who meet this definition are eligible for a 20 year retirement, regardless of age. Currently correctional officers in the CORS meet the definition of qualified public safety officers. The sponsor contends the chaplains are trained as correctional officers, and therefore would be eligible for this benefit. Staff is working with the sponsor and the Department of Public Safety and Correctional Services to determine if prison chaplains are trained as correctional officers.

**House Bill 283/Senate Bill 273 (Allegany County Delegation/Edwards)
Correctional Officers' Retirement System**

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed as office support staff, to become members of the CORS on July 1, 2019. All new employees in these positions would be members of the CORS.

- Hearing held in Appropriations – 2/12/19
- Hearing held in Budget and Tax – 2/14/19

Staff opposed this legislation because they believe office support staff would not meet the definition of a qualified public safety officer under proposed IRS regulations addressing normal service retirement age. Accordingly, under these proposed IRS regulations, these individuals would not be eligible for a 20 year retirement regardless of age.

**House Bill 1056/Senate Bill 636 (Queen Anne's County Delegation/Hershey)
Correctional Officers' Retirement System - Queen Anne's County**

This proposed legislation provides that if Queen Anne's County joins the CORS, membership in the CORS will be mandatory for individuals who are detention center officers for Queen Anne's County before and through the effective date of Queen Anne's County's participation in the CORS. The bill further provides that these employees shall receive all creditable and eligibility service earned prior to joining the CORS.

- HB1056 passed the House
- SB636 scheduled in Appropriations – 3/19/19

Staff took no position on this legislation.

**House Bill 1383 (Jackson)
Correctional Officers' Retirement System - Membership - Maintenance Employees**

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed as prison maintenance officers in State correctional facilities, to become members of the CORS on July 1, 2019. All new employees in these positions would be members of the CORS.

- No hearing scheduled in Appropriations

Staff will ask the System's tax counsel to determine if it believes prison maintenance offices would qualify as correctional officers under proposed IRS regulations addressing normal retirement age for public safety officers, including correctional officers. If tax counsel determines these individuals do not qualify, we recommend opposing this legislation inasmuch as they would not qualify for a 20 year retirement. However, if tax counsel determines they do qualify as correctional officers, we recommend taking no position as this would be an issue of plan design and benefit determination.

Senate Bill 454 (Guzzone)

Correctional Officers' Retirement System - Retirement - Eligibility and Allowance

This proposed legislation applies to parole and probation officers who were required to move into the CORS through legislation enacted in 2017. This legislation would provide that any parole and probation officer who is not retired from the CORS and did not transfer their EPS or ERS service into the CORS in 2017, would be immediately vested in the CORS if their combined EPS/ERS and CORS service equaled at least 20 years of service. Additionally, the bill provides that the deficiency on any account for a parole and probation officer who did transfer service credit into the CORS, shall be removed from the member's account.

- Hearing held in Budget and Tax – 2/28/19

Staff opposed this legislation. This bill only addresses individuals who have not left membership or retired since 2017. As drafted, this bill begs the question as to what would happen to these individuals and their benefits. If someone left service but did not transfer prior to leaving, is the Board now required to immediately vest these individuals if their combined service equals 20 years? What if the individual has already received a refund of their accumulated contributions from the CORS? Moreover, if individuals did transfer their service and have retired with a deficiency, is the Board required to remove their deficiency and adjust their benefit? Parole and probation agents are only one of several groups that have been moved into the CORS in the past three years. Will the other groups also be included in this legislation?

MILITARY SERVICE BILLS

House Bill 430 (Cox)

State Retirement and Pension System – Disability Retirement - Alterations

This proposed legislation would allow any member of the several systems who is currently receiving a military retirement to claim up to five years of military service in the plan in which they are a member. Currently, members are prohibited from making a claim for military service if they are receiving a benefit from any other pension system for that same service.

- Voted unfavorable by Appropriations

Staff took no position on this legislation as it is a plan design and benefit determination matter.

House Bill 1133/Senate Bill 636 (Young/Peters)

Military Service Credit – Eligibility

This proposed legislation would allow any member of the CORS, LEOPS, or SPRS who is currently receiving a military retirement to claim up to five years of military service in the plan in which they are a member. Currently, members are prohibited from making a claim for military service if they are receiving a benefit from any other pension system for that same service.

- Hearing held in Appropriations – 2/28/19
- Hearing held in Budget and Tax – 2/28/19

Staff took no position on this legislation as it is a plan design and benefit determination matter.

MISCELLANEOUS BILLS

House Bill 94 (Rosenberg)

State Retirement and Pension System – Accidental Disability Application

This proposed legislation would allow one retiree who is currently receiving a service retirement allowance from the EPS to allow the member to apply for an accidental disability retirement. The bill provides that if the member is awarded an accidental disability it will begin on the first day of the month following the date the application was submitted.

- Voted unfavorable by Appropriations

Staff opposed this legislation. Allowing a retiree to unwind his benefit for an opportunity to receive a disability retirement years after the retiree's retirement date, will set a precedent for any other retiree to ask for the same opportunity. Additionally, allowing a retiree to apply for disability years after receiving a service retirement will make it extremely difficult for the medical board to access the medical condition of the retiree at the time of the injury.

House Bill 1299 (Jackson)

Law Enforcement Officers' Pension System - Benefits

This proposed legislation would increase the benefit multiplier in the LEOPS from 2% to 2.5%.

- No hearing scheduled in Appropriations

Staff took no position on this legislation as it is a plan design and benefit determination matter.

House Bill 1379 (Barnes)

Optional Retirement Program - Membership

This proposed legislation prohibits certain members of the EPS who satisfy certain requirements from participating in the ORP on or after February 1, 2015. Staff is aware of one individual who would be impacted by this legislation.

- Passed the House

Staff recommended taking no position on this legislation. This bill addresses benefit eligibility. As drafted, it does not present any legal issue with IRS rulings regarding plan elections.

Senate Bill 735 (Serafini)

State Employees and Teachers – Cash Balance Plan

This proposed legislation would provide individuals employed by a participating employer of the EPS or TPS on or after July 1, 2020, with an election to join either the EPS/TPS or a cash balance. Individuals employed by a participating governmental unit in the System (regardless of start date) may not elect to participate in the cash balance plan. New employees of a participating employer hired on or after July 1, 2020 who would be eligible to elect to join the ORP, would also be eligible to elect to participate in the cash balance plan.

The Board is responsible for administering the plan.

Under the provisions of this bill, the employee contribution rate and employer contribution rate are 5%, each. Normal service retirement is age 62 with 10 years of service. Members of the cash balance plan will receive 5% compounded annually on their contributions (employee and employer). At retirement, a

member may receive a lump sum benefit or an annuity with no survivor benefit, a 100% joint and survivor benefit, or a 50% joint and survivor benefit.

Local employers (school systems, libraries, and community colleges) shall pay 80% of the employer cost for their employees, while the State pays the remaining 20%.

- Hearing held in Budget and Tax – 2/28/19

Staff took no position on this legislation as it is a plan design and benefit determination matter. However, staff did submit informational testimony to the Committees regarding any changes to the implementation of the cash balance plan that tax counsel for the System may recommend and the financial impact such a plan would have on the System.

Senate Bill 913 (Beidle)

State Retirement and Pension System - Administration - Retiree Information for Direct Mailings

This proposed legislation provides that retiree organizations may make up to two requests, annually, for assistance in performing direct mailings to retirees of the several systems who are members of the retiree organization. These two requests may be made at any time throughout the year. Current law limits the two requests to April and October each year.

- Passed the Senate

Staff took no position on this legislation inasmuch as it will not be an administrative burden to implement.