

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

February 19, 2013

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, Baltimore, Maryland beginning at 10:03 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding  
Peter Franchot, Vice Chairman  
David Blitzstein  
John Douglass  
Kenneth Haines  
James Harkins

Sheila Hill  
F. Patrick Hughes (via telephone)  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin (via telephone)  
Thurman Zollicoffer, Jr.

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

Anne Budowski  
Margaret Bury  
Melody Countess  
Patricia Fitzhugh

Anne Gawthrop  
Michael Golden  
Ira Greenstein  
Angie Jenkins

Stetson Marshall  
A. Melissa Moye  
Kenneth Reott  
Toni Voglino

Assistant Attorneys General present included: Deborah Bacharach, Rachel Cohen and Melissa Warren.

Also attended by: John Kenney and Nathan Bowen.

Consent Agenda

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

- January 15, 2013 Open Meeting Board Minutes
- February 5, 2013 Administrative Committee Report
- February 8, 2013 Investment Committee Report
- Disability Reports from the Medical Board

2013  
Legislative Position  
Recommendations

Ms. Anne Gawthrop provided an overview of 2013 pension related legislation. *See Attachment A.*

On a motion made by Ms. Hill and seconded by Mr. Hughes, the Board approved the 2013 legislative positions; summarized as follows:

House Bill 239	Full Pension Funding Act	Support
House Bill 258	Task Force to Study Phased Retirement for Maryland State Employees	No Position
House Bill 376 / Senate Bill 269	State Retirement and Pension System – Correction of Errors	Board Requested

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House Bill 387	State Retirement and Pension System – Truth in Pension Accounting Act	Oppose
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The Board requested and was provided with a copy of the written opposition to House Bill 387 – State Retirement and Pension System – Truth in Pension Accounting Act.

Mr. Harkins requested that the Board minutes reflect that his vote relating to House Bill 387 is consistent with his vote at the February Administrative Committee meeting, in that he opposes this legislation.

House Bill 492 / Senate Bill 470	Employees' Pension System – Somerset County Economic Development Commission –Eligible Governmental Unit	No Position
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House Bill 494 / Senate Bill 477	State Retirement and Pension System – Employment of Retirees – Required Break in Service	Board Requested
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House Bill 495 / Senate Bill 476	State Retirement and Pension System – Unused Sick Leave Calculation – Clarification	Board Requested
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House Bill 496 / Senate Bill 474	State Retirement and Pension System – Funding Method and Amortization of Unfunded Liabilities or Surpluses	Support
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The Board unanimously agreed to review and vote on the following bills separately:

- ▶ HB 379/SB 475 – State Retirement and Pension System – Administrative and Operational Expenses – Payment and Deductions

On a motion made by Ms. Hill and seconded by Mr. Douglass, and after further discussion, by a vote of 11 to 1, the Board voted to support the Board Requested legislation. Voting in favor of the motion were the following Trustees: Chairman Kopp, Vice Chairman Franchot, Mr. Blitzstein, Mr. Douglass, Mr. Haines, Ms. Hill, Mr. Hughes, Major Krome, Ms. Lochte, Mr. Zirkin and Mr. Zollicoffer. Opposing the motion was Mr. Harkins.

Comptroller Franchot asked “Is that a lot of money being deducted?” Ms. Gawthrop responded that the amount is approximately \$23 million.

Comptroller Franchot requested, in writing, the dollar amount that the State has paid the System in administrative fees over the last 10 years.

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- ▶ HB 390/SB 741 – State Retirement and Pension System – Board of Trustees

On a motion made by Mr. Haines and duly seconded, and after further discussion, by a vote of 9 to 3, the Board voted to take no position on this legislation. Voting in favor of the motion were the following Trustees: Chairman Kopp, Vice Chairman Franchot, Mr. Blitzstein, Mr. Douglass, Mr. Haines, Ms. Hill, Major Krome, Ms. Lochte, and Mr. Zollicoffer. Opposing the motion were Mr. Harkins, Mr. Hughes and Mr. Zirkin.

- ▶ HB 718/SB 813 – State Retirement and Pension System – Service Credit for Unused Sick Leave

On a motion made by Ms. Hill and duly seconded the Board approved the staff recommendation to take no position on this legislation.

- ▶ HB 780 – State Employees' Pension Choice Act

On a motion made by Ms. Hill and seconded by Ms. Lochte the Board approved the staff recommendation to oppose this legislation.

- ▶ HB 819 – Prudent Pension Management Act

On a motion made by Mr. Haines and seconded by Ms. Hill the Board approved the staff recommendation to oppose this legislation.

- ▶ HB 852/SB 801 – State Retirement and Pension Systems – Cost of Living Adjustments – Simplification and Clarification

On a motion made by Ms. Hill and duly seconded the Board approved the staff recommendation to support this legislation.

- ▶ HB 902/SB 751 – State Police Retirement System – Reemployment of Retirees

On a motion made by Mr. Haines and seconded by Ms. Lochte the Board approved the staff recommendation to support this legislation.

- ▶ HB 1024/SB 674 – Employees' Pension System – Elected and Appointed Officials – Optional Membership

On a motion made by Mr. Haines and duly seconded the Board approved the staff recommendation to take no position on this legislation.

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- ▶ HB 1264 – Task Force to Study Forfeiture of Retirement Benefits for Public Officials Charged with or Convicted of a Crime

On a motion made by Mr. Zollicoffer and seconded by Mr. Harkins, and after further discussion, by a vote of 8 to 4, the Board voted to take no position on this legislation. Voting in favor of the motion were the following Trustees: Chairman Kopp, Vice Chairman Franchot, Mr. Blitzstein, Mr. Douglass, Mr. Harkins, Mr. Hughes, Mr. Zirkin and Mr. Zollicoffer. Opposing the motion were Major Krome, Mr. Haines, Ms. Hill and Ms. Lochte.

- ▶ HB 1318 – Maryland Secure Choice Retirement Savings Program and Maryland Secure Choice Retirement Savings Trust

On a motion made by Mr. Haines and seconded by Ms. Hill the Board approved the staff recommendation to take no position on this legislation.

- ▶ HB 1383 – Law Enforcement Officers' Pension System – Deferred Retirement Option Program – Expanded Eligibility

On a motion made by Ms. Hill and duly seconded the Board approved the staff recommendation to take no position on this legislation.

- ▶ HB 1414 – State Retirement and Pension System – Report on Proposal to Authorize Counties to Elect Alternate Pension Options for Teachers

On a motion made by Ms. Hill and duly seconded the Board approved the staff recommendation to take no position on this legislation.

- ▶ HB 1426/SB 1308 – Law Enforcement Officers' Pension System – Reemployment of Retirees

Ms. Gawthrop informed the Board, that staff and counsel were reviewing this bill regarding the issue of whether a retiree may be reemployed by the retiree's former employer and again become eligible for disability and line of duty death benefits and therefore, staff would email the Board their conclusions and recommendations on this legislation.

Renewal of  
Hewitt Ennis Knupp  
Consultant Contract

The Board reviewed and discussed exercising the second one-year extension option of the contract with Hewitt Ennis Knupp recommended by the Investment Committee. The one-year contract period will begin July 1, 2013 and expire on June 30, 2014 at the fixed fee of \$585,000.

On a motion made by Mr. Hughes and seconded by Mr. Hagans, the Board approved a one-year contract extension with Hewitt Ennis Knupp. Mr. Blitzstein abstained from voting.

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CIO Report            Dr. A. Melissa Moyer informed the Board that total fund was up 2.36% for the month of January, 2013. Fiscal YTD net return for the total fund is 9.66% as of January 31, 2013. Total returns in all asset classes, except for Fixed Income, have been positive.

Executive Director's Report            Mr. Kenderdine announced that Mr. Haines has been appointed to the Resolutions Committee of the National Council on Teacher Retirement.

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Toni Voglino, Chief Internal Auditor, introduced Stetson Marshall, who has been hired as an Internal Auditor. Ms. Voglino announced that Internal Audit is now fully staffed.

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Mr. Kenderdine announced that the May Education Session, will be held at the Miller Senate Office Building and will include sessions on the following topics:

- Workforce Demographics and Impact on Future Cashflows
- Retirement Security
- Fiduciary Duty/State Ethics
- Core Real Estate
- Economy/Markets with a focus on China

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Ms. Hill announced that she has been appointed to AFSCME's Judicial Panel.

**CLOSED SESSION**

On a motion made by Ms. Hill and seconded by Mr. Harkins, the Board voted to meet in a Closed Session (11:22 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. approving the closed session minutes, pursuant to State Government Article § 10-503(a)(1)(i), the exercise of an administrative function.

The Trustees present included:

Nancy Kopp, Chairman, Presiding  
Peter Franchot, Vice Chairman  
David Blitzstein  
John Douglass  
Kenneth Haines  
James Harkins

Sheila Hill  
F. Patrick Hughes (via telephone)  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin (via telephone)  
Thurman Zollicoffer, Jr.

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

Anne Budowski	Anne Gawthrop	Stetson Marshall
Margaret Bury	Michael Golden	A. Melissa Moyer
Melody Countess	Ira Greenstein	Kenneth Reott
Patricia Fitzhugh	Angie Jenkins	Toni Voglino

Assistant Attorneys General present included: Deborah Bacharach and Rachel Cohen.

Also attended by: John Kenney.

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**OPEN SESSION**

The Board returned to open session at 11:25 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

Adjournment

There being no further business before the Board, the meeting adjourned at 11:26 a.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

**BOARD OF TRUSTEES  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM  
ADMINISTRATIVE COMMITTEE MEETING REPORT  
FEBRUARY 5, 2013**

2013 Legislative Bill  
Review

**THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA.**

Ms. Anne Gawthrop provided the Committee an overview of the 2013 pension related legislation. *See Attachment A.*

On a motion made by Mr. Haines and seconded by Ms. Hill, the Administrative Committee **approved** the staff recommendations for **recommendation to the Board**, summarized as follows:

House Bill 239	Full Pension Funding Act	Support
House Bill 258	Task Force to Study Phased Retirement for Maryland State Employees	No Position
House Bill 376 / Senate Bill 269	State Retirement and Pension System – Correction of Errors	Board Requested
House Bill 387	State Retirement and Pension System – Truth in Pension Accounting Act	Oppose
House Bill 492 / Senate Bill 470	Employees' Pension System – Somerset County Economic Development Commission –Eligible Governmental Unit	No Position
House Bill 494 / Senate Bill 477	State Retirement and Pension System – Employment of Retirees – Required Break in Service	Board Requested
House Bill 495 / Senate Bill 476	State Retirement and Pension System – Unused Sick Leave Calculation – Clarification	Board Requested
House Bill 496 / Senate Bill 474	State Retirement and Pension System – Funding Method and Amortization of Unfunded Liabilities or Surpluses	Support

The Administrative Committee unanimously agreed to review and vote on the following bills, separately:

- House Bill 379/Senate Bill 475 State Retirement and Pension System – Administrative and Operational Expenses – Payment and Deductions

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**ADMINISTRATIVE COMMITTEE MEETING REPORT  
FEBRUARY 5, 2013**

On a motion made by Ms. Hill and seconded by Mr. Douglass, and after further discussion, by a vote of 4 to 1, the Administrative Committee voted to support this Board Requested legislation. Voting in favor of the motion were the following Trustees: Major Krome, Mr. Douglass, Ms. Hill and Mr. Haines. Opposing the motion was Mr. Harkins. Ms. Brogan and Mr. Romans abstained.

- › House Bill 390 State Retirement and Pension System – Board of Trustees

On a motion made by Mr. Douglass and seconded by Mr. Romans, and after further discussion, by a vote of 5 to 1, the Administrative Committee voted to support staff recommendations to take no position on this legislation. Voting in favor of the motion were the following Trustees: Mr. Romans, Major Krome, Mr. Haines, Ms. Hill and Mr. Douglass. Opposing the motion was Mr. Harkins. Ms. Brogan abstained.

**Member Service  
Update**

Ms. Anne Budowski updated the Committee on the performance of the Member Services Unit.

Ms. Budowski reported that, for the month of December 2012, the Agency continued to operate within the standards for average call wait time and call abandonment. The recent member satisfaction survey found 97.6% of respondents rating the service received as satisfactory or better.



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**INVESTMENT COMMITTEE MEETING REPORT  
FEBRUARY 8, 2013**

Public Member  
Position – Call for  
Nominations

Mr. Zirkin called for nominations for the public member position that will expire on June 30, 2013. This position will serve a three-year term from July 1, 2013 – June 30, 2016. He noted that these nominations should be submitted to him by Friday, March 1, 2013.

HEK Asset Allocation  
and Risk  
Presentation

Hewitt Ennis Knupp presented an asset allocation and risk report to the Committee.

Renewal of  
Consultant Contract

**THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE CONSENT AGENDA.**

The System's current contract for services provided by Hewitt Ennis Knupp began on July 1, 2007 and expired on June 30, 2012 and contained an option to renew for up to two additional one year periods.

The Board exercised the first one-year renewal option, which is set to expire on June 30, 2013.

The fee for the one year extension would have been \$655,000, based on the fee schedule approved by the Board of Trustees in 2007. However, HEK has proposed maintaining their current fee of \$585,000 annually for the fiscal year 2013/2014.

Staff recommends exercising the System's second of two one-year extension options, based on the extent of the firm's capabilities and their level of responsiveness. This would extend the contract until June 30, 2014. The fee for the one year extension would be \$585,000, based on HEK's proposal to maintain the current fee.

The Committee unanimously agreed to accept staff recommendation as stated above.

Report from CIO

The Committee received a performance update from the CIO and staff as of December 31, 2012. The total fund performance for fiscal year to date December 31, 2012 was 7.1%, exceeding the policy benchmark of 6.4% by 77 basis points. The System's Net Asset Value is at 39.3 billion as of 12/31/12. Staff also presented performance by asset class and information on total plan risk.

Public Equity

The Public Equity Program has 30 accounts managed by 25 managers excluding the Terra Maria Program. The Public Equity allocation represents the Global Public Equity opportunity set as represented by the MSCI ACWI.

Target Allocation: 36.0%  
Current Allocation: 41.3%

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FEBRUARY 8, 2013**

Return as of 12/31/12:

- FYTD 10.6%
- 1 year: 17.6%

Benchmark Return:

- FYTD 10.2%
- 1 year 16.5%

The Currency Management Program has reduced the volatility of the International and Global Equity programs and since inception. It has also increased the since inception Sharpe Ratio of the International and Global Equity programs.

Fixed Income

The Fixed Income Program has 10 separate active mandates and 1 passive mandate. The Fixed Income allocation has a blended benchmark of 80% Barclays Aggregate and 20% Barclays Global Bond Aggregate Hedged.

Target Allocation: 10.0%

Current Allocation: 18.2%

Return as of 12/31/12

- FYTD: 3.3%
- 1 Year: 7.2%
- 

Benchmark Return

- FYTD: 2.0%
- 1 Year: 4.5%

Absolute Return

The Absolute Return Program is invested in 7 different funds. It is diversified by these strategies: Global Macro, Diversified Fund of Hedge Funds, and Multi Asset. The Absolute Return portion of the System's portfolio is benchmarked to the HFRI FoF.

Target Allocation: 7.0%

Current Allocation: 7.0%

Return as of 12/31/13:

- FYTD: 5.1%
- 1 Year: 7.9%

Benchmark Return:

- FYTD: 3.8%
- 1 Year: 4.8%

The System has 8.2% of plan assets in hedge funds versus a cap of 15%

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**INVESTMENT COMMITTEE MEETING REPORT  
FEBRUARY 8, 2013**

of the total plan.

Real Return

The Real Return Program is a combination of liquid and illiquid strategies. For the illiquid strategies there is \$289.3 million in unfunded commitments. The Real Return portion of the System's portfolio is benchmarked as:

- 60%: 50% Barclays U.S. TIPS Index/ 50% Barclays Global Inflation Linked (USD Hedged) Index
- 30%: DJ UBS Commodities Index
- 10%: 5% fixed plus CPI (8% maximum)

Target Allocation: 15.0%

Current Allocation: 10.3%

Return as of 12/31/13:

- FYTD: 2.6%
- 1 Year: 4.7%

Benchmark Return:

- FYTD: 2.8%
- 1 Year: 4.5%

Credit/Debt Strategies

The Credit/Debt Strategies Program is a combination of liquid and illiquid structures. For the illiquid strategies there is \$661.3 million in unfunded commitments. The Credit/Debt Strategies portion of the System's portfolio has a blended benchmark of 50% Barclays Credit and 50% Barclays High Yield.

Target Allocation: 10.0%

Current Allocation: 8.1%

Return as of 12/31/13:

- FYTD: 8.9%
- Year: 16.2%

Benchmark Return:

- FYTD: 6.3%
- 1 Year: 12.6%

Real Estate

The Real Estate Program includes public and private real estate investments. Its benchmark is a weighted average of NCREIF NPI, Wilshire REIT and FTSE EPRA Global Ex – U.S. Net) The public real estate portion of the portfolio is geographically diversified. It has a NAV of \$737.9 million.

The private real estate portion of the portfolio is diversified geographically

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and by strategy. It has committed to 27 different funds with 19 general partner relationships. It has a NAV of \$1.6 billion.

Long-term Target Allocation: 10.0%  
Current Allocation: 6.0%

Return as of 12/31/13:

- FYTD: 7.1%
- 1 Year: 16.2%

Benchmark Return:

- FYTD: 7.2%
- 1 Year: 17.0%

Private Equity

The Private Equity Program is invested in 109 different funds with 74 general partner relationships. It is diversified geographically and by strategy. The Private Equity allocation is benchmarked to the State Street Private Equity Index.

Target Allocation: 10.0%  
Current Allocation: 5.9%

Return as of 12/31/13:

- FYTD: 5.3%
- 1 Year: 13.4%
- 

Benchmark Return:

- FTYD: 2.7
- 1 Year: 12.3%

Through 12/31/13:

- Total Amount Committed to PE Since Inception: \$5.0 billion
- Total Amount Drawn Since Inception: \$2.7 billion
- Total Unfunded Commitments: \$2.3 billion

**Reports**

Hewitt Knupp presented the December 31, 2012 performance update and a current market overview to the Committee.

**Closed Session**

The Committee unanimously approved the November 9, 2012 closed session minutes.

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**ATTACHMENT A**

**Legislative Update  
2013 Session  
February 19, 2013**

**House Bill 239 (Kipke)  
Full Pension Funding Act**

This legislation phases out the corridor funding methodology used for determining employer contribution rates for the Employees' and Teachers' Retirement and Pension Systems over a 10-year period.

- Voted unfavorable by Appropriations - 2/15/13

**STAFF RECOMMENDATION:**

**Given the schedule for the bill's hearing and the Board's support of a phase out of corridor funding through the DLS/SRA corridor proposal (HB496/SB474), staff testified in support of HB 239 but recommended amendments to include the 25-year amortization schedule for the System to reflect the DLS/SRA proposal.**

**House Bill 258 (Rosenberg)/Senate Bill 800(Jones-Rodwell)**

**Task Force to Study Phased Retirement for Maryland State Employees**

House Bill 258/Senate Bill 800 establish a Task Force to Study Phased Retirement for Maryland State Employees. These bills include the Executive Director of the State Retirement Agency, or the Executive Director's designee, as a member of the task force. In addition, the bills provide that the SRA and DBM shall provide staff for the task force. Specifically, the task force is charged with studying phased retirement options for experienced State employees, including (1) the advantages and disadvantages of having experienced State employees mentor and train employees who will later fill the positions of the experienced employees who are preparing for retirement; (2) the potential fiscal effects on employees and the State if a phased retirement option is offered; and (3) the potential eligibility requirements for a phased retirement option.

- Hearing scheduled in Appropriations – 2/15/13, 2:00 pm
- No hearing scheduled in Budget and Tax at this time

**STAFF RECOMMENDATION:**

**The Administrative Committee recommends taking no position on this legislation.**

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**House Bill 376 (Griffith, as chair of the JCP)/Senate Bill 269 (Jones-Rodwell, as chair of the JCP)  
State Retirement and Pension System – Correction of Errors**

This is board requested legislation that removes the restriction limiting the Board to only recover errors that occur “in the record”. This amendment clarifies that the Board may correct any error that results in a retiree or beneficiary receiving a benefit that differs from the actual benefit to which they are entitled.

- Voted favorable by Appropriations – 2/15/13.
- Second reading passed the Senate – 2/14/13.

**STAFF RECOMMENDATION:  
BOARD REQUESTED LEGISLATION**

**House Bill 379 (Griffith, as Chair of the JCP)/Senate Bill 475 (Jones-Rodwell, as Chair of the JCP)  
State Retirement and Pension System – Administrative and Operational Expenses – Payments and Deductions**

This is board requested legislation repealing provisions that allow the Governor to reduce the State employer contribution to the System by the amount of administrative expenses paid by a local employer. In addition, HB379/SB475 also repeal a similar provision that allows a participating governmental unit to reduce the PGU’s employer contribution to the System by the amount of administrative expenses paid by the PGU.

- No hearing scheduled in Appropriations at this time.
- Hearing scheduled in Budget and Tax – 2/21/13, 8:30 am.

**STAFF RECOMMENDATION:  
BOARD REQUESTED LEGISLATION**

**House Bill 387 (Bates)**

**State Retirement and Pension System – Truth in Pension Accounting Act**

House Bill 387 requires the Board to adopt the interest rate described in § 430(h)(2) of the Internal Revenue Code as the assumed rate of investment return. Section 430(h)(2) of the IRC sets the rate for private sector single employer defined benefit plans. This rate is currently approximately 6%.

- Hearing scheduled in Appropriations – 2/19/13, 1:00 p.m.

**STAFF RECOMMENDATION:  
The Administrative Committee recommends opposing this legislation.**

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**ATTACHMENT A**

**House Bill 390 (Griffith and James)/Senate Bill 741 (Jones-Rodwell)  
State Retirement and Pension System – Board of Trustees**

This proposal would add one trustee to the Board to represent the interests of county governments. This individual is required to have at least 10 years of experience in financial management and oversight of county government budgets. This trustee would be appointed by the Governor and may be selected from a list submitted by the Maryland Association of Counties.

- Hearing scheduled in Appropriations – 2/19/13, 1:00 pm
- Hearing scheduled in Budget and Tax – 2/21/13, 8:30 am

**STAFF RECOMMENDATION:**

**The Administrative Committee recommends taking no position on this legislation.**

**House Bill 492 (Otto)/Senate Bill 470 (Mathias)**

**Employees' Pension System - Somerset County Economic Development Commission - Eligible Governmental Unit**

Senate Bill 470 would permit Somerset County Economic Development Commission to join the EPS as a participating governmental unit. In addition, it provides that any individual who was employed by the Commission on or before June 30, 2011 and continues to be employed by the Commission on the effective date that the Commission becomes a PGU, shall be a member of the Alternate Contributory Pension Selection.

- Hearing scheduled in Appropriations – 2/19/13, 1:00 pm
- Hearing scheduled in Budget and Tax – 2/7/13, 9:00 am

**STAFF RECOMMENDATION:**

**The Administrative Committee recommends taking no position on this legislation.**

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**ATTACHMENT A**

**House Bill 494 (Griffith, as chair of the JCP)/Senate Bill 477 (Jones-Rodwell, as chair of the JCP)  
State Retirement and Pension System - Employment of Retirees - Required Break in Service**

This is board requested legislation that addresses the issue of reemployment of a retiree of one of the several systems by a different participating employer from whom the retiree was employed at the time of retirement, and where the retiree is performing essentially the same job that the retiree was performing prior to retirement. This proposal amends provisions in each of the several systems addressing reemployment of retirees to impose a 45-day break in service for any retiree reemployed by a participating employer in the System. In addition, House Bill 494/Senate Bill 477 also require a 45-day break in service for disability retirees who are reemployed by any participating employer in the System.

- Voted favorable by Appropriations – 2/15/13
- Hearing scheduled in Budget and Tax – 2/7/13, 9:00 am

**STAFF RECOMMENDATION:  
BOARD REQUESTED LEGISLATION**

**House Bill 495 (Griffith, as chair of the JCP)/Senate Bill 476 (Jones-Rodwell, as chair of the JCP)  
State Retirement and Pension System - Unused Sick Leave Calculation – Clarification**

This is board requested legislation that simplifies the calculation the State Retirement Agency is required to perform to determine the amount of unused sick leave a member may convert to creditable service at the time of retirement. Specifically, it provides that that Board of Trustees shall use the lessor of either the members total years of service multiplied by 15, or the total amount of unused sick leave reported by the participating employer on behalf of the member at the time of retirement.

- Voted favorable by Appropriations – 2/15/13
- Second reading passed the Senate – 2/14/13

**STAFF RECOMMENDATION:  
BOARD REQUESTED LEGISLATION**



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**ATTACHMENT A**

**House Bill 496 (Griffith, as chair of the JCP)/Senate Bill 474 (Jones-Rodwell, as chair of the JCP)  
State Retirement and Pension System - Funding Method and Amortization of Unfunded Liabilities  
or Surpluses**

This is Joint Committee on Pensions legislation, but is not board requested legislation. HB496/SB474 alter the amortization periods to be used for unfunded liabilities or surpluses of the State Retirement and Pension System to a 25-year closed amortization period and phases out the corridor funding methodology used for determining employer contribution rates for the Employees' and Teachers' Retirement and Pension Systems over a 10-year period.

- Voted favorable by Appropriations – 2/5/13
- Hearing scheduled for Budget and Tax – 2/20/13, 1:00 pm

**STAFF RECOMMENDATION:**

**The Administrative Committee recommends supporting this legislation.**

**House Bill 718 (Serafini)/Senate Bill 813(Shank)  
State Retirement and Pension System - Service Credit for Unused Sick Leave**

This proposal provides that a member of a State system who was transferred involuntarily from another State system as a result of a change in position and is rendered ineligible for membership in the former State system, eligible to receive creditable service at retirement for unused sick leave accumulated in the former system. In addition House Bill 718/Senate Bill 813 require the Department of Legislative Services to report to the Joint Committee on Pensions on or before December 1, 2013 the cost of authorizing a member of CORS to remain a member of CORS even though the member is promoted to a position in which the member must join the EPS as a condition of employment.

- Hearing scheduled in Appropriations - 2/19/13, 1:00 pm
- Hearing scheduled in Budget and Tax - 2/21/13, 8:30 am

**STAFF RECOMMENDATION:**

**Staff recommends taking no position on this legislation.**

**House Bill 780 (Aumann)  
State Employees' Pension Choice Act**

This bill provides that individuals who are employed on or after July 1, 2013, and who as a result of that employment would otherwise be members of the EPS or the TPS, will now have the option to join the ORP. An individual making such an election may not join the EPS or the TPS.

- No hearing has been scheduled at this time.

**STAFF RECOMMENDATION:**

**Staff recommends opposing this legislation.**

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

February 19, 2013

**ATTACHMENT A**

**House Bill 819 (Schuh)**

**Prudent Pension Management Act**

This bill prohibits the State or any county or municipality from issuing pension obligation bonds. In addition it also prohibits the Board of Trustees for the State Retirement and Pension System or the trustees or other officers in charge of certain local pension or retirement systems from investing more than a certain 10% of assets of the pension or retirement system in alternative investments.

- No hearing has been scheduled at this time.

**STAFF RECOMMENDATION:**

**Staff recommends opposing this legislation.**

**House Bill 852 (Griffith, as chair of the JCP)/Senate Bill 801 (Jones-Rodwell, as chair of the JCP)  
State Retirement and Pension Systems - Cost-of-Living Adjustments - Simplification and Clarification**

This is board requested legislation that clarifies the calculation of cost-of-living adjustments for retirees of the State Retirement and Pension System. This proposed legislation would not make any substantive changes to the COLA calculations for any of the several systems.

- Hearing scheduled in Appropriations – 2/26/13, 1:00 pm
- Hearing scheduled in Budget and Tax – 2/21/13, 8:30 am

**STAFF RECOMMENDATION:**

**BOARD REQUESTED LEGISLATION**

**House Bill 902 (Guzzone)/Senate Bill 751 (Robey)**

**State Police Retirement System - Reemployment of Retirees**

House Bill 902/Senate Bill 751 clarify that retirees of the State Police Retirement System who are reemployed as troopers first class are exempt from the reemployment earnings offset and subject to other reemployment criteria. These bills also extend the termination date for the reemployment provisions addressing reemployed troopers first class to June 30, 2018.

- Hearing scheduled in Appropriations - 2/26/13, 1:00 pm
- Hearing scheduled in Budget and Tax – 2/21/13, 8:30 am

**STAFF RECOMMENDATION:**

**Staff recommends supporting this legislation.**

**BOARD OF TRUSTEES FOR THE  
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MINUTES OF MEETING**

February 19, 2013

**ATTACHMENT A**

**House Bill 1024 (McDermott)/Senate Bill 674(Edwards)**

**Employees' Pension System – Elected or Appointed Officials – Optional Membership**

This legislation provides that certain local elected or appointed officials whose employers are participating employers of the State Retirement and Pension System may elect to join or may elect to cease membership in the Employees' Pension System.

- No hearing has been scheduled at this time in the House.
- Hearing scheduled in Budget and Tax - 2/21/13, 8:30 am

**STAFF RECOMMENDATION:**

**Staff recommends taking no position on this legislation.**

**House Bill 1264 (George)**

**Task Force to Study Forfeiture of Retirement Benefits for Public Officials Charged with or Convicted of a Crime**

This proposed legislation establishes a Task Force to Study Forfeiture of Retirement Benefits for Public Officials Charged with or Convicted of a Crime. These bills include the Executive Director of the State Retirement Agency, or the Executive Director's designee, as a member of the task force. The task force is charged with studying the possible forfeiture or suspension of retirement benefits for public officials when charged with or convicted of a criminal act, including: (i) the circumstances under which retirement benefits should be subject to forfeiture or suspension; (ii) the public officials that should be subject to possible forfeiture or suspension of benefits; (iii) the process for making a determination to suspend or forfeit retirement benefits; and (iv) the process for notifying the appropriate agency if a determination is made to suspend or forfeit retirement benefits.

- No hearing has been scheduled at this time in the House.

**STAFF RECOMMENDATION:**

**Staff recommends taking no position on this legislation.**

**BOARD OF TRUSTEES FOR THE  
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MINUTES OF MEETING**

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**ATTACHMENT A**

**House Bill 1318 (Hucker)**

**Maryland Secure Choice Retirement Savings Program and Maryland Secure Choice Retirement Savings Trust**

This proposal establishes a Maryland Secure Choice Retirement Savings Trust intended to promote greater retirement savings for Maryland private sector employees in a convenient, voluntary, low-cost, and portable manner. The Trust is managed by a board of eight individuals, including the Secretary of Budget and Management, the Treasurer, the Comptroller, and five individuals appointed by the Governor. The funds of the Trust may be invested by the Treasurer or through a contract with the Board of Trustees for the State Retirement and Pension System. The Trust is privately insured. The bill provides that private sector employers shall offer their employees the option to participate in a payroll-deposit IRA arrangement. For the first three months, employer participation in this program is optional. Beginning at the start of the fourth month, and every three months thereafter, employer participation is mandatory depending on the number of employees each eligible employer has employed. Full participation is mandated by the ninth month of the program's inception. .

- Hearing scheduled in the Economic Matters Committee – 3/5/13, 1:00 pm

**STAFF RECOMMENDATION:**

**Staff recommends taking no position on this legislation.**

**House Bill 1383 (McDermott)**

**Law Enforcement Officers' Pension System - Deferred Retirement Option Program - Expanded Eligibility**

This proposal would authorize LEOP members to participate in the DROP for 2 years if the member has at least 29 years and fewer than 34 years of creditable service. Currently, members of LEOP may only participate in the DROP if they have less than 30 years of service.

- No hearing has been scheduled at this time in the House.

**STAFF RECOMMENDATION:**

**Staff recommends taking no position on this legislation.**

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February 19, 2013

**ATTACHMENT A**

**House Bill 1414 (Serafini)**

**State Retirement and Pension System - Report on Proposal to Authorize Counties to Elect Alternate Pension Options for Teachers**

This proposal would require the Board of Trustees to submit a report to the Joint Committee on Pensions, the Senate Budget and Taxation Committee, and the House Appropriations Committee, on transitional statutory provisions that may be necessary or desirable if legislation were enacted to authorize a governing body of a county to elect to alter, prospectively, the form of pension benefits of current or future county board employees of the county. In addition, the report is required to include, in part, in relation to an individual county's election: (1) a description of the impact on the State Retirement and Pension System's actuarial liabilities and unfunded liabilities and the county's liability for that impact; (2) recommendations for a method of accounting for unfunded liabilities attributable to the county board employees from that county; (3) the impact on employer contributions required under § 21-304(b)(4) of the State Personnel and Pensions Article and recommendations on how employer contributions should be altered for a county that makes an election; and (4) considerations related to whether the county chooses to place county board employees in a defined benefit plan, defined contribution plan, or other type of plan.

- No hearing has been scheduled at this time in the House.

**STAFF RECOMMENDATION:**

**Staff recommends taking no position on this legislation.**

**House Bill 1426 (DeBoy)/Senate Bill 1308 (Robey)**

**Law Enforcement Officers' Pension System - Reemployment of Retirees**

This proposal provides that a LEOPS retiree is required to terminate participation in the LEOPS DROP prior to being reemployed as a contractual DNR officer or officer first class. In addition, this bill also provides that a LEOPS retiree reemployed as a contractual DNR officer or officer first class is eligible for disability from LEOPS if the retiree is injured as a reemployed retiree. The bill further provides that line of duty death benefits shall be paid on behalf of the retiree if the reemployed retiree is killed in the line of duty as a reemployed contractual DNR officer or officer first class.

- No hearing has been scheduled at this time in the House.
- No hearing has been scheduled at this time in the Senate.

**STAFF RECOMMENDATION:**

**At this time, staff (including our legal department) is reviewing this bill regarding the issue of whether a retiree may be reemployed by the retiree's former employer and again become eligible for disability and line of duty death benefits. Staff will email you our conclusions on this matter and our recommendation on these bills.**