

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

October 18, 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 9:33 a.m.

The Trustees present included:

Nancy Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Eric Brotman (via phone)
James Bush, Jr.
James C. DiPaula
Kenneth Haines
David Hamilton

James Harkins
Sheila Hill
F. Patrick Hughes
Charles Johnson
Theresa Lochte
Richard Norman

Agency Staff members attending included:

R. Dean Kenderdine, Executive Director/Board Secretary (via phone)
Margaret Bury
Melody Countess
Anne Gawthrop
Michael Golden

Angie Jenkins
Michelle Lowery
Andrew Palmer
Harvey Raitzyk

Ken Reott
David Rongione
Janet Sirkis

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen, Sharon Street and Kathleen Wherthey

Other attendees included: Phillip Anthony, Susanne Brogan, John Kenney, Michael Rubenstein, Dana Tagalicod, Brian Murphy and Amy Williams.

Consent Agenda

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

- › September 20, 2016 Open Meeting Board Minutes
- › October 4, 2016 Administrative Committee Meeting Summary

**Gabriel Roeder Smith
& Company - FY2016
Valuation Results and
Recommendations
for FY2018
Contribution Rates**

Mr. Murphy and Ms. Williams from GRS presented the results of the State Retirement and Pension System's Actuarial Valuation for the period ending June 30, 2016 for the Board's consideration.

Treasurer Kopp asked the actuary to confirm that the System's funded ratio would have improved, had the State consistently contributed the full \$300m reinvested savings as originally planned.

Mr. Murphy responded in the affirmative.

Comptroller Franchot reiterated his opinion that the assumed rate of return should be lowered and that it would have been his preference that it be done and applied to the FY2016 valuation.

Mr. Hamilton asked if they Agency tracks administrative expenses by each plan within the System.

Ms. Countess responded that the Agency tracks administrative expenses for the full System only.

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On a motion made by Mr. Hamilton and seconded by Mr. DiPaula, by a vote of 12 to 1, the Board certified the following Fiscal Year 2018 contribution rates, as follows:

Fiscal Year 2018	
Teachers	15.71%
Employees	18.56%
State Police	80.29%
Judges	46.45%
LEOPS	39.69%

The Trustees in favor of the motion were: Treasurer Kopp, Mr. Brotman, Mr. Bush, Mr. DiPaula, Mr. Haines, Mr. Hamilton, Mr. Harkins, Ms. Hill, Mr. Hughes, Mr. Johnson, Ms. Lochte and Mr. Norman. The Trustee in opposition of the motion was: Comptroller Franchot.

Final Adoption of
Regulations –
Disability (22.06)

Mr. Kenderdine reported that the Board is being presented with the proposed amendments to the System's disability regulations for final adoption. The regulations would then be published in the Maryland Register on or about October 28, 2016 with a potential effective date of or about November 7, 2016.

Mr. Kenderdine reported that the regulations, which were previously brought before the Administrative Committee and recommended to the full Board for approval back in December 2015 were submitted to the Joint Committee on Administrative, Executive, and Legislative Review Committee (AELR) and published for comment in the Maryland Register. The 45-day period for public comment expired March 7, 2016 and comments were received from the American Federation of State, County, and Municipal Employees' Union (AFSCME) opposing the regulations. Staff met several times over the six months following receipt of AFSCME's opposition, with AFSCME and other employee groups in an attempt to address their concerns. Staff concluded that the resolution the employee groups were seeking was not a workable solution as it was not compliant under the Maryland Administrative Procedures Act. Consequently, staff notified the AELR committee on September 14, 2016, that it would be moving forward for final adoption of the regulations once the required 30-day waiting period following such notice had expired. The 30-day waiting period expired on October 14, 2016 with the Agency receiving no further opposition to the regulations.

Sheila Hill requested that the minutes reflect her objection to the recommendation that the Office of Administrative Hearings have final decision making authority.

Treasurer Kopp requested that Agency staff monitor the disability appeals process once the Office of Administrative Hearings (OAH) began hearing appeals under the new regulations.

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On a motion made by Ms. Lochte and seconded by Mr. Haines, the Board of Trustees, by a vote of 11 to 1, approved for final adoption, the amended regulations concerning Disability (COMAR 22.06).

The Trustees in favor of the motion were: Treasurer Kopp, Comptroller Franchot, Mr. Brotman, Mr. Bush, Mr. DiPaula, Mr. Haines, Mr. Hamilton, Mr. Harkins, Mr. Johnson, Ms. Lochte and Mr. Norman. The Trustee in opposition of the motion was: Ms. Hill.

Board Requested
Legislation -
Addendum

The Board was provided with an addendum to the 2017 legislative proposal as presented to the Administrative Committee. (*See Attachment A*)

Mr. Kenderdine and Mr. Murphy provided a brief summary of the proposal regarding modification of municipal pension surcharges for the Board's consideration. Under the proposal a new surcharge of 2% of pay would be billed to each of the 10 Participating Governmental Units (PGUs) that are in the non-contributory plans. This is necessary in order to correct an inequity between the non-contributory plan employers and all other PGUs. The new surcharge would be phased in over five years under the proposed bill. If approved, the proposal will be presented to the Joint Committee on Pensions, on November 2, 2016, for its consideration to sponsor as legislation for the 2017 legislative session.

Mr. Kenderdine reported that the PGUs were not yet aware of this proposal. However, Mr. Kenderdine reported that he is scheduled to teleconference with each of the 10 PGUs in the coming week. In addition, Ms. Gawthrop would be scheduling a meeting with MACO, to discuss this matter, prior to the November 2, 2016 JCP hearing.

On a motion made by Mr. Norman and seconded by Mr. Harkins, the Board of Trustees, approved the legislative proposal for the 2017 legislation session.

Mr. Kenderdine then provided a brief summary of the proposal regarding the procurement exemption for global custody services. Mr. Kenderdine reported that because of the unique nature of the global custody services required for the System and the significant ties to investment operations and performance, staff, in concurrence with the Treasurer's Office see the services under this particular contract as more investment services and that therefore the procurement of these services should be the responsibility of the System. Staff recommends that (1) authority for the procurement of global custody services be transferred to the State Retirement Agency under policies established by the Board of Trustees; and (2) the System's procurement exemption under section 11-203 of the State Finance and Procurement Article be expanded to include services for the global custody of System assets. The responsibility for the procurement of traditional operational banking services would remain within the purview of the State Treasurer.

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On a motion made by Mr. Harkins and seconded by Mr. Bush, the Board the voted and approved the recommendation of the Administrative Committee to approve the legislative proposal for the 2018 legislation session.

Executive Director's
Report

Treasurer Kopp announced that the Board of Trustees received notice that after 40 years of service Marge Bury will be retiring on January 1, 2017.

Rachel Cohen, Principal Counsel announced that Sharon Street, Deputy Counsel was leaving to take a position as Principal Counsel for the Maryland Health Benefit Exchange and that Kathleen Wherthey is being promoted to Deputy Counsel.

Mr. Kenderdine provided the Board with a copy of the correspondence that the Maryland Retired School Personnel Association (MRSPA) plans to mail to recent school retirees.

Ms. Lochte was concerned about the language in the recruitment letter and fact sheet, in that it did not accurately reflect the relationship between the Trustee position she currently holds and MRSPA. Specifically, the materials should not lead the reader to believe that the retired position on the Board is in any way related to their membership with MRSPA. Ms. Lochte requested that the Board ask that MRSPA change the language in their mailing. Treasurer Kopp expressed her having the same concern.

On a motion made by Ms. Lochte and duly seconded the Board requires that MRSPA correct the language in its recruitment letter and fact sheet to accurately reflect the relationship between the retired teacher Trustee position and MRSPA.

Chief Investment
Officer's Report

Mr. Andrew Palmer reported that two new employees were hired in the Investment Division.

Mr. Palmer provided the Board with a summary of the fund as of September, 2016, which indicated that the total fund value was \$46.2 billion.

Mr. Palmer also provided the Board with a memorandum in response to the Joint Committee on Pensions' climate change inquiry.

On a motion made by Mr. Johnson and seconded by Mr. Bush, the Board voted to meet in a Closed Session, beginning at 11:23 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;

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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; and
3. discussing the System's redemption of an investment in a hedge fund pursuant to General Provisions Art., § 3-305(b)(5), to consider the investment of public funds, § 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, to consult with counsel to obtain legal advice, pursuant to General Provisions Art., § 3-305(b)(7) and to consult with staff, consultants or other individuals about pending or potential litigation, pursuant to General Provisions Art., § 3-305(b)(8).

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding
Peter Franchot, Vice Chairman
Eric Brotman (via phone)
James Bush, Jr.
James C. DiPaula
Kenneth Haines

David Hamilton
James Harkins
Sheila Hill
Charles Johnson
Theresa Lochte
Richard Norman

Agency Staff members attending included:

R. Dean Kenderdine, Executive Director/Board Secretary (via phone)
Margaret Bury
Melody Countess
Anne Gawthrop
Michael Golden

Angie Jenkins
Michelle Lowery
Andrew Palmer
Harvey Raitzyk

Ken Reott
David Rongione
Janet Sirkis

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen, Sharon Street and Kathleen Wherthey.

Other attendees included: Susanne Brogan and John Kenney.

On a motion made by Ms. Lochte and seconded by Mr. Bush, the Board returned to open session at 11:44 p.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
Peter Franchot, Vice Chairman
Eric Brotman (via phone)
James Bush, Jr.
James C. DiPaula
Kenneth Haines

David Hamilton
James Harkins
Sheila Hill
Charles Johnson
Theresa Lochte
Richard Norman

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Agency Staff members attending included:

R. Dean Kenderdine, Executive Director/Board Secretary (via phone)
Andrew Palmer

Angie Jenkins

Janet Sirkis

Assistant Attorneys General present included: Kathy Brady, Rachel Cohen, Sharon Street and Kathleen Wherthey.

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

Closed Session
Minutes

The Board reviewed and approved the September 20, 2016 closed session minutes.

Medical Board
Reports

The Board reviewed and adopted the medical board reports from September 21, September 29, October 5 and October 13, 2016.

OPEN SESSION – APPEALS AND HEARINGS

The Trustees present included:

James Harkins, Presiding
James Bush, Jr.
James C. DiPaula
Kenneth Haines
David Hamilton

Sheila Hill
Charles Johnson
Nancy K. Kopp
Theresa Lochte

Agency Staff members attending included:

R. Dean Kenderdine, Executive Director/Board Secretary (via phone)
Margaret Bury

Angie Jenkins

Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Carla Katzenberg, Jill R. Leiner, Sharon Street and Kathleen Wherthey

Joy Tyler

The Board considered the recommendation of the Medical Board in connection with the claim of Ms. Joy Tyler 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.

Robert Silberman, Esq. appeared, on behalf of Ms. Tyler, 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.

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Keith Pittman

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Keith Pittman 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.

Robert Joyce, Esq. and Mr. Pittman 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.

Lakisha Shelton

The Board considered the recommendation of the Medical Board in connection with the claim of Ms. Lakisha Shelton 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.

Ms. Shelton 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 affirm the Administrative Law Judge's recommendations.

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

Florence French

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Ms. Florence French 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.

Salvatore Anello, Esq. appeared, on behalf of Ms. French, 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.

Paul Mirabile

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Mr. Paul Mirabile 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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OPEN SESSION

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

Joy Tyler

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

Keith Pittman

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

Lakisha Shelton

The Board voted to **REMAND** the case to the Medical Board to review and reconsider Ms. Shelton's eligibility for ordinary disability benefits based on a psychiatric and/or other medical condition.

Florence French

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

Paul Mirabile

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

Cynthia Morgan

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

Adjournment

There being no further business before the Board, on a motion made by Ms. Hill and seconded by Ms. Lochte, the meeting adjourned at 1:33 p.m.

Respectfully submitted,



R. Dean Kenderdine
Secretary to the Board

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**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
OCTOBER 4, 2016**

Request for a
Waiver of the One
Year Requirement to
Request a Service
Credit Transfer

Mr. Ken Reott presented background information regarding a participant's (Shekelia Jackson) request for a waiver of the one-year requirement to request a service credit transfer and the Executive Director's recommendation that the Committee uphold his decision in this regard.

Ms. Jackson appeared before the Administrative Committee to request that the Committee overturn the Executive Director's recommendation to deny her request for a waiver of the one-year requirement to request a service credit transfer. Ms. Jackson indicated that she asked her employer if her service credit in the Employees' Pension System would be moved into and combined with her service credit in the Correctional Officers' Retirement System and her employer informed her that it would be. Ms. Jackson indicated that she was not informed by her employer that a form needed to be completed and submitted in order for that transfer to take place.

Ms. Lochte asked Ms. Jackson whether she received the December 27, 2010 letter from the Agency regarding her entitlement to transfer service.

Ms. Jackson indicated that she did not receive that letter as she had moved within the first year of employment with Clifton T. Perkins Hospital.

After further discussion, on a motion made by Ms. Hill and seconded by Mr. Haines the Administrative Committee, by a vote of 6 to 2, overturned the Executive Director's recommendation and granted Ms. Jackson's request for a waiver. Trustees in favor of the motion included Ms. Hill, Mr. Haines, Ms. Brogan, Mr. DiPaula, Mr. Harkins, and Ms. Lochte. Mr. Norman and Mr. Nicole opposed the motion.

Request for a
Waiver of the One
Year Requirement to
Request a Service
Credit Transfer

Mr. Ken Reott presented background information regarding a participant's (Carole Swift) request for a waiver of the one-year requirement to request a service credit transfer and the Executive Director's recommendation that the Committee uphold his decision in this regard. Mr. Reott reported that in addition to Ms. Swift not meeting the one (1) year deadline to request the transfer and the four (4) year deadline for requesting a waiver of the one (1) year deadline, but Ms. Swift also had a break of employment of more than thirty (30) days, which would explain why no letter was generated by the Agency to explain the Title 37 transfer process.

On a motion made by Mr. Nicole and seconded by Mr. Norman, the Administrative Committee adopted the Executive Director's recommendation to deny the participant's request for a waiver, for recommendation to the Board of Trustees.

Board Requested
Legislation -
Addendum

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

Mr. Kenderdine presented two proposals for the Administrative Committee's consideration to present to the Board of Trustees for inclusion in its 2017 legislative proposals to the Joint Committee on Pensions (JCP).

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

***ADMINISTRATIVE COMMITTEE MEETING SUMMARY
OCTOBER 4, 2016***

Modification of Municipal Pension Surcharges

The 2011 legislative reforms substantially revised the benefit provisions and employee contribution rates for the MSRPS Municipal Employees' Combined System. When plan changes such as the 2011 reforms affect different PGUs differently, equity relationships can be affected to the systematic benefit of some and to the systematic detriment of others. It is recommended that legislation be introduced to convert or phase in (over a five (5) year period) a more equitable allocation of contribution requirements among the PGUs. In addition, it may be recommended that the normal cost portion of the existing surcharges be modified as well in light of the assumption changes that the Board adopted last year. The actuary has not yet completed its review of this portion of the surcharges.

Ms. Brogan asked if we need to wait for GRS, the System's actuary, to get a detailed explanation of the PGU surcharge reforms. Ms. Brogan also asked what the fiscal impact would be on the PGUs and if the PGUs would get that information before it's presented to the legislature.

Mr. Kenderdine responded that the Agency does not yet know the fiscal impact and that GRS is currently working on those figures. Mr. Kenderdine further responded that GRS will have that information by the October Board meeting.

On a motion made by Ms. Brogan and seconded by Mr. Norman, the Committee voted on submitting this legislation in concept, regarding PGU surcharges, to the Board for their consideration.

Procurement Exemption for Global Custody Services

In accordance with section 21-124 of the State Personnel and Pensions Article, the State Treasurer, as the custodian of the assets of the System, is responsible for making all arrangements for the safe custody of investments and banking services.

In light of the unique nature of the global custody services required for the System and the significant ties to investment operations and performance, staff recommends that (1) authority for the procurement of global custody services be transferred to the State Retirement Agency under policies established by the Board of Trustees; and (2) the System's procurement exemption under section 11-203 of the State Finance and Procurement Article be expanded to include services for the global custody of System assets. The responsibility for the procurement of traditional operational banking services would remain within the purview of the State Treasurer.

On a motion made by Mr. Nicole and seconded by Ms. Lochte, the Administrative Committee approved, the Procurement Exemption for Global Custody Services proposal, for recommendation to the Board of Trustees.

**BOARD OF TRUSTEES
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ADMINISTRATIVE COMMITTEE MEETING SUMMARY
OCTOBER 4, 2016

Member Services
Update

Mr. Raitzyk reported that while the unit was unable to meet its performance goals for August 2016, the numbers had improved from the previous month. For August 2016, the unit's call abandonment rate was 8.85% and the average speed of answer was 1:24.

Mr. Norman asked if staff considers the revised goal of 7.5% for FY18 a realistic goal.

Mr. Raitzyk responded that the member services unit is now fully staffed, so that goal is achievable.

Ms. Hill asked about the survey suggestion to improve online contact capability.

Mr. Reott responded that staff took that suggestion as meaning a real-time on-line chat option that some sites have and that to date the Agency does not. A member can e-mail the Agency and a Retirement Benefits Specialist from the Member Services Unit will respond.

Ms. Brogan asked if the response for a retirement estimate is taking 10-12 weeks as referenced in the survey suggestions.

Mr. Raitzyk responded that estimates are being processed within 4-6 weeks, but staff expects that timeframe to decrease since the rush of processing July 1 retirement applications is over.

Correction of Errors
– Offset of
Retirement Benefits

The Administrative Committee discussed and approved measures regarding the correction of errors in the payment of benefits to four participants.

2016 Board Requested Legislation Addendum

The following legislative proposals are offered by the Board of Trustees for the State Retirement and Pension System for the Joint Committee on Pensions' consideration for the 2017 legislation session. These proposals, if approved by the board, will be presented to the joint committee for its consideration to sponsor as legislation for the 2017 legislative session.

Modification of Municipal Pension Surcharges

The 2011 legislative reforms substantially revised the benefit provisions and employee contribution rates for the MSRPS Municipal Employees' Combined System. When plan changes such as the 2011 reforms affect different PGUs differently, equity relationships can be affected to the systematic benefit of some and to the systematic detriment of others. It is recommended that legislation be introduced to convert or phase in a more equitable allocation of contribution requirements among the PGUs. In addition, it may be recommended that the normal cost portion of the existing surcharges be modified as well in light of the assumption changes that the Board adopted last year. The actuary has not yet completed its review of this portion of the surcharges.

The reforms caused the pooled employer cost to decrease by about 2% of pay. Most of that decrease was due to the increase in employee contribution rates for the Alternate Contributory Pension Selection (ACPS) participants. PGUs with participants subject to the Non-Contributory Pension Benefit (NCPB) or the Employees' Contributory Pension Benefit (ECPB) (9 employers) benefitted from the decrease in employer contributions although there was no offsetting increase in contributions from their NCPB and ECPB participants.

Depending on the magnitude of the proposed changes and the impact on certain PGUs, it will be preferable that some of these changes be implemented over a period of years. The actuary advises that such phasing in is possible. A negative surcharge or credit could be appropriate to apply to the Reformed Contributory Pension Benefit (RCPB) payroll immediately. However, a new negative surcharge or credit for the PGUs who had member contribution rate increases under the 2011 reforms may need to be phased in over a period of 5 years. Otherwise, the resulting sudden increase in the pooled rate may be too disruptive for the PGUs that do not receive the negative surcharge or credit.

Modification to the current Retirement System surcharge is not necessary since the circumstances present at the time of its original determination and agreement are no longer present (Teachers' Retirement System was established in 1927 and the Employees' Retirement System was established in 1941).

The normal cost surcharges for the NCPB to CPB, the CPB to ACPS, and the NCB to ACPS all appear to be within 20 basis points of their current level and it is recommended these be updated immediately as well.

Procurement Exemption for Global Custody Services

In accordance with section 21-124 of the State Personnel and Pensions Article, the State Treasurer, as the custodian of the assets of the System, is responsible for making all arrangements for the safe custody of investments and banking services. The procurement of these services is subject to all State procurement laws and regulations. In recent years, the System has implemented more sophisticated investment strategies on a more global scale. Thus, the System requires its custodian to assist in opening sub-custodian accounts throughout the world, provide foreign exchange and third party securities lending services and customized performance reporting and data feeds for System consultants, claims monitors and software providers. These services are essential to the investment operations of the System and are much broader than traditional custody services.

In light of the unique nature of the global custody services required for the System and the significant ties to investment operations and performance, staff recommends that (1) authority for the procurement of global custody services be transferred to the State Retirement Agency under policies established by the Board of Trustees; and (2) the System's procurement exemption under section 11-203 of the State Finance and Procurement Article be expanded to include services for the global custody of System assets. The responsibility for the procurement of traditional operational banking services would remain within the purview of the State Treasurer.