

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

February 21, 2017

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 9:02 a.m.

The Trustees present included:

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|---------------------------------|-------------------------------|
| Nancy Kopp, Chairman, Presiding | Linda Herman |
| Peter Franchot, Vice Chairman | Sheila Hill |
| Eric Brotman | F. Patrick Hughes (via phone) |
| James Bush, Jr. | Charles Johnson |
| James "Chip" DiPaula | Theresa Lochte |
| Kenneth Haines | Richard Norman |
| David Hamilton | |

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

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| Melody Countess | Angie Jenkins | Ken Reott |
| Anne Gawthrop | Michelle Lowery | David Rongione |
| Michael Golden | Andrew Palmer | Janet Sirkis |
| | Harvey Raitzyk | Toni Voglino |

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw

Other attendees included: Susanne Brogan, John Kenney, Eileen O'Grady, Michael Barry and Larry Jennings, Jr.

2017 Legislative Bill Review Ms. Anne Gawthrop provided the Board of Trustees an overview of the 2017 pension related legislation introduced to the General Assembly to date. See *Attachment A*.

Ms. Gawthrop reported on the following (new) bills:

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| HB 201 / SB 256 | Employees' and Teachers' Pension Systems – Reformed Contributory Pension Benefit – Service Credit Purchase Clarification | Board Requested |
| HB 202 / SB 255 | State Retirement Agency – Authority to Arrange Custody of Investments and Procurement Exemption | Board Requested |
| HB 225 / SB 147 | Correctional Officers' Retirement System – Deferred Retirement Option Program | No position |
| HB 304 / SB 353 | Optional Retirement Program – Annuity Contracts – Employee Rights | Board Requested |
| HB 328 / SB 752 | Optional Retirement Program – Annuity Contract Providers | Provide informational written testimony that this legislation would codify the Agency's interpretation of these provisions of law. |

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| HB 344 / SB 751 | State Retirement and Pension System – Disability Retirement and Workers' Compensation Benefits – Offsets | No Position |
| HB 589 | Corporations and Real Estate Investment Trusts – Corporate Bylaws and Elections of Director's and Trustees | Provide informational written testimony that this bill is consistent with the Board's corporate governance policy. |
| HB 748 / SB 540 | State Retirement Choice for the 21 st Century Workforce | Provide informational testimony to the Committees regarding any changes to the implementation of the defined contribution plan that tax counsel for the System may recommend and the financial impact such a plan would have on the System. |
| HB 817 / SB 399 | Employees' Pension System – Purchase of Credit for Eligibility Service – Legislative Employees | Board Requested |
| HB 823 / SB 448 | State Retirement and Pension System – Small Procurements – Medical Evaluations for Disability Retirement Benefits | Board Requested |
| HB 896 / SB 602 | State Retirement and Pension System – State Employees and Teachers – Benefits | Provide informational testimony to the Committees regarding any necessary changes relating to the implementation of an alternative retirement plan and the financial impact such a plan would have on the System. |
| HB 949 / SB 739 | Procurement and Pensions – State Sanctions – Discriminatory Boycott of Israel | Provide informational testimony to the Committees regarding any necessary changes that would be needed to protect the Board's fiduciary responsibility to the System. This would be consistent with the Board's position with regard to SB 214 of 2008, Divestiture from Iran and Sudan. |
| HB 981 / SB 664 | Correctional Officers' Retirement System – Membership | No Position |
| HB 982 | Law Enforcement Officers' Pension System – Separation Requirement – Exemption | Oppose as it could jeopardize both the System's tax qualified status and the private letter ruling approval the Agency received for the LEOPS DROP. |

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| HB 1064 / SB 478 | State Retirement and Pension System – Guaranteed Retirement Income Plan and Retirement Savings Plan | Provide informational testimony to the Committees regarding any necessary changes relating to the implementation of the guaranteed retirement income plan or the retirement savings plan and the financial impact such a plan would have on the System. |
| HB 1072 / SB 486 | State Employees and Teachers – Cash Balance Plan | Provide informational testimony to the Committees regarding any necessary changes relating to the implementation of the cash balance plan and the financial impact such a plan would have on the System. |
| HB 1081 / SB 650 | Correctional Officers' Retirement System – Membership | No Position |
| HB 1095 | Teachers' Retirement and Pension System – Credit for Unused Sick Leave – Time Period for Eligibility | No position, but will work with the sponsor to address certain technical issues. |
| HB 1109 / SB 1001 | Teachers' Retirement and Pension System – County Boards of Education Payments | No Position |
| HB 1110 / SB 754 | Law Enforcement Officers' Pension System – Membership | No Position |
| HB 1122 / SB 913 | State Retirement and Pension System – Death Benefits | No position, but will work with Committee staff for technical amendments |
| HB 1171 | Public School Employees – Required Training on Retirement Benefits | Provide informational testimony to the Committee outlining the training sessions Agency staff already provides, not only for teachers, but all State employees. |
| HB 1178 | Employees' Pension System – Incorrect Enrollments | No position. Staff's analysis of the bill is that the legislation is not necessary and we are reaching out to the sponsor to discuss. |
| SB 356 | Workgroup to study the Optional Retirement Program | No position. |
| SB 598 | State Retirement and Pension System – Military Service Credit – Eligibility | No position |

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| SB 845 | Employees' Pension System – Optional Membership – Concurrent Membership Prohibition | Oppose, because the legislation, as drafted, raises impairment of contract issues and could create plan qualification issues. |
| SB 914 | State Retirement Agency – Investment Division Personnel | Board Requested |

Ms. Herman requested copies of the analysis of HB 748/SB 540 provided by Gabriel Roeder Smith & Company (GRS).

Treasurer Kopp requested copies of the testimony being provided for each proposed pension reform legislation.

On a motion made by Ms. Lochte and seconded by Mr. Norman, the Board approved staff's recommendations regarding legislation. Ms. Herman abstained.

At 9:35 a.m., on a motion made by Ms. Herman and seconded by Mr. Haines, the Board voted to recess the meeting and reconvene immediately after the conclusion of the Investment Committee meeting.

The Board of Trustees for the Maryland State Retirement and Pension System reconvened in the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 12:57 p.m.

The Trustees present included:

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|---------------------------------|-------------------------------|
| Nancy Kopp, Chairman, Presiding | Linda Herman |
| Eric Brotman | Sheila Hill |
| James Bush, Jr. | F. Patrick Hughes (via phone) |
| James "Chip" DiPaula | Charles Johnson |
| Kenneth Haines | Theresa Lochte |
| James Harkins (via phone) | Richard Norman |

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

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| Melody Countess | Michelle Lowery | David Rongione |
| Ira Greenstein | Andrew Palmer | Janet Sirkis |
| Angie Jenkins | Harvey Raitzyk | Toni Voglino |
| Van Lewis | Ken Reott | |

Assistant Attorneys General present included: Rachel Cohen and Jody Shaw

Other attendees included: Susanne Brogan and John Kenney

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

- › January 17, 2017 Open Meeting Board Minutes
- › February 7, 2017 Administrative Committee Meeting Summary
- › Ratification of the Board's Vote regarding the Recommendation of the Administrative Committee to Adopt the Revised Trustee Election Schedule for the Active Employees' Systems Representative.

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Certification of the
2017 Active
Teachers' System
Representative

Mr. Kenderdine certified to the Board that only one eligible candidate, Douglas Prouty, met the requirements to be included on the ballot for the 2017 Active Teachers' System Trustee Election.

Mr. Kenderdine indicated that when only a single candidate qualifies to be placed on the ballot, that candidate shall be considered nominated to serve as Trustee for his or her system and, upon the Board's certification, the candidate shall serve as trustee for the appropriate term. Mr. Prouty would serve a new four-year term beginning August 1, 2017 through July 31, 2021.

On a motion made by Ms. Herman and seconded by Mr. Bush, the Board certified that Mr. Prouty is deemed nominated to serve as a trustee for four years, beginning August 1, 2017.

Changes to the
Investment Policy
Manual
Concerning
Advocacy Letters

Toni Voglino reported that the Corporate Governance Committee reviewed and approved, for recommendation to the Board, the amendments to the Investment Policy Manual concerning the process for signing on to support advocacy letters from other institutional investors or associations.

On a motion made by Ms. Hill and seconded by Mr. Haines, the Board voted and approved the recommendation of the Investment Committee to adopt the recommended changes to the Investment Policy Manual.

Revisions to the
Governance
Charters

Mr. Kenderdine reported that the Governance Charters were revised at the request of the Board at its January meeting. The Board's recommended changes were provided in a red-lined document.

Ms. Herman requested that the Investment Committee Charter be removed and the approval deferred, to allow staff to revise the language based on the discussion at the February Investment Committee meeting.

The Board agreed. Therefore, on a motion made by Ms. Hill and seconded by Mr. Haines, the Board approved the Governance Charters, except for the Investment Committee Charter at pages 11-12.

Revisions to the
Governance
Policies

The Board was provided with a red-lined version of the recommended changes to the Governance Policies.

Mr. Kenderdine called attention to the Board Operations Policy as it relates to meeting minutes. Mr. Kenderdine reported that due to the Open Meetings Act requirements, if a committee is not scheduled to meet for more than two months after a meeting, the executive director or a designee shall submit a draft of the minutes to the committee chair, who shall be authorized to review and adopt the minutes on the committee's behalf, subject to ratification by the committee at its next meeting. The minutes that are approved by the committee chair, will be posted to the Agency's website.

Treasurer Kopp asked where the language for the Code of Conduct and Policy on Gifts and Travel came from.

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Mr. Kenderdine responded that the language was drawn from the "Code of Conduct for Members of a Pension Scheme Governing Body" established by the CFA (Certified Financial Analyst) Institute, as recommended by Trustee Herman.

Treasurer Kopp requested that additional language be added to the travel section of the policy to include attendance at any conference by a Trustee that relates to the concerns of the System, irrespective of whether the System makes the travel arrangements on behalf of the Trustee, or the arrangements are made by the Trustee independently.

On a motion made by Ms. Hill and seconded by Mr. Haines, the Board approved the Governance Policies, except for the Code of Conduct and Policy on Gifts and Travel at pages 22-23.

Executive
Director's Report

Mr. Kenderdine reminded the Board that the evaluation of the Executive Director was due to the Department of Budget and Management by March 1, 2017.

Mr. Kenderdine reported that he accepted the invitation by the National Institute of Retirement Security (NIRS) to join its Board of Directors.

As a follow-up to the December Board meeting, in which staff reported a backlog in processing beneficiary forms due to errors made by the vendor, Mr. Kenderdine reported that the overwhelming number of errors were made due to the lack of legibility of the information on the forms and not as a result of vendor keying errors.

On a motion made by Ms. Hill and seconded by Ms. Herman, the Board voted to meet in a Closed Session, beginning at 1:21 p.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, 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;
3. discussing the offset of retirement benefits of five participants under State Personnel and Pensions Art., § 21-113, 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

*****HIGHLIGHTED BILLS INDICATE BILLS ON WHICH STAFF IS RECOMMENDING AN ACTION BY THE BOARD*****

**Legislative Update
2017 Session
February 21, 2017**

House Bill 28 (Krimm)

Unappropriated General Fund Surplus – Appropriation to Pension Fund and Postretirement Health Benefits Trust Fund

This proposed legislation requires, beginning in fiscal year 2021, an appropriation to the State Retirement and Pension System, up to a maximum of \$25,000,000 that is equal to one-quarter of the amount by which the unappropriated General Fund surplus as of June 30 of the second preceding fiscal year exceeds \$10,000,000. Additionally, the proposed legislation also provides for a similar appropriation to the Postretirement Health Benefits Trust Fund. House Bill 28 also amends a reporting date by which DLS is required to review the amounts required to be appropriated to the System from December 1, 2019 to December 1 of the year in which the System's funded ratio reaches 85%. This review includes findings and recommendations regarding the appropriate amount of funding under this provision for the System and whether the existing required amount of funding should be altered or eliminated.

- Voted favorable by Appropriations Pension Subcommittee – 2/9/17

The Board supports this legislation due to the increased funding it would provide the System.

House Bill 40 (McConkey)

State Retirement and Pension System - Funding Ratio Report - Market Value of Assets

Requiring the Board of Trustees to submit a report on or before December 1 of each year to the Joint Committee on Pensions and the General Assembly on the funding ratio of the State Retirement and Pension System based on the market value of the assets.

- Voted unfavorable by Appropriations

The Board is taking no position on this legislation. The System's funded ratio, based on market value of assets is already disclosed in the annual CAFR.

House Bill 62 (McConkey)

State Retirement and Pension System – Disability Retirement - Alterations

As amended, this proposed legislation adjusts the formula used to determine a disability retiree’s earning limit as a reemployed retiree by providing that the limit should be increased each year to reflect the percentage growth in the CPI.

- Passed the House

The Board is taking no position on this legislation. The Board took no position on the same bill last year. Staff sent a letter to the House Subcommittee Chair expressing the Board’s commitment to protecting the System’s assets as fiduciaries of the plan, and accordingly, would welcome any additional means the legislature would provide to assist the Board in ensuring that only individuals who are legitimately disabled, receive disability benefits.

House Bill 201/Senate Bill 256 (Barnes/Guzzone)

Employees' and Teachers' Pension Systems - Reformed Contributory Pension Benefit - Service Credit Purchase Clarification

This board requested legislation clarifies that a member of the EPS or the TPS who is subject to the RCPB is eligible to purchase service credit for a specified period of employment under specified circumstances.

- Passed the House
- Passed the Senate, no hearing scheduled in Appropriations

Board requested legislation

House Bill 202/Senate Bill 255 (Barnes/Guzzone)

State Retirement Agency - Authority to Arrange Custody of Investments and Procurement Exemption

This board requested legislation exempts from State procurement law, Agency expenditures made for the custody of investments of the State Retirement and Pension System and transfers the authority to arrange for the safe custody of investments from the State Treasurer to the Chief Investment Officer of the Investment Division in the Agency.

- Passed the House
- Voted favorable by Budget and Taxation – 2/17/17

Board requested legislation

House Bill 225/Senate Bill 147 (Chang/McFadden)

Correctional Officers' Retirement System - Deferred Retirement Option Program

This proposed legislation would establish a DROP program for members of the CORS.

- Hearing scheduled in Appropriations – 2/7/17
- Hearing scheduled in B&T - 2/2/17

Staff recommends taking no position on this legislation

House Bill 304/Senate Bill 353 (Barnes/Guzzone)

Optional Retirement Program - Annuity Contracts - Employee Rights

This board requested legislation repeals the requirement that annuity contracts purchased under the ORP be issued to and become the property of participating employees of the program. Additionally, this legislation clarifies that, in accordance with the Internal Revenue Code, the rights of participating employees who purchase annuity contracts under the program are not subject to forfeit. Staff is recommending an amendment to this bill to authorize the Board, in the event it eliminates a designated company or withdraws approval for a type of annuity contract, to withdraw and transfer past contributions to the extent possible under existing annuity contracts, and to the extent determined by the Board to be in the best interests of participating employees.

- Hearing scheduled in Appropriations – 2/21/17
- Hearing scheduled in B&T - 2/2/17

Board requested legislation

House Bill 328/Senate Bill 752 (Barnes/Guzzone)

Optional Retirement Program - Annuity Contract Providers

This proposed legislation clarifies that all ORP vendors are subject to review and possible termination by the Board by repealing provisions of law that refer to annuity contract providers that were hired by the Board as vendors for the ORP on or before a certain date.

- Hearing scheduled in Appropriations – 2/21/17
- Hearing scheduled in B&T - 3/2/17

Staff recommends providing informational written testimony confirming that this legislation would codify the Agency's interpretation of these provisions of law.

House Bill 344/Senate Bill 751 (Lierman/Guzzone)

State Retirement and Pension System - Disability Retirement and Workers' Compensation Benefits – Offsets

This legislation would exempt ordinary disability retirement benefits from the requirement to be offset by related workers' compensation benefits, repeal the requirement for the Board to reduce accidental or special disability retirement benefits by related workers' compensation benefits, and require the Workers' Compensation Commission to reduce workers' compensation benefits by related accidental or special disability retirement benefits.

- Hearing scheduled in Appropriations – 2/21/17
- Hearing scheduled in B&T - 3/2/17

Staff recommends taking no position on this legislation

House Bill 589 (Frick)

Corporations and Real Estate Investment Trusts - Corporate Bylaws and Elections of Directors and Trustees

This legislation provides that when holding elections for members of Boards of Directors for corporations and REITS incorporated in Maryland, if the nominee is uncontested, the nominee must win by a majority shareholder vote. Alternatively, the bill provides that if the position for director is contested, the nominee must win by a plurality shareholder vote. Additionally, the bill removes a provision that would allow boards for these corporations and REITS to implement bylaws that prohibit shareholders from adopting, altering, or repealing corporate or REIT bylaws.

- Hearing scheduled in Economic Matters – 2/22/17

Staff recommends submitting informational written testimony stating this bill is consistent with the Board's corporate governance policy.

House Bill 748/Senate Bill 540 (Speaker/President on behalf of the Governor)

State Retirement Choice for the 21st Century Workforce

This proposed legislation would provide individuals employed by a participating employer of the EPS on or after July 1, 2018, with an election to join either the EPS or a defined contribution plan. The defined contribution plan provides a mandatory 5% employee and employer contribution rate.

- Hearing scheduled in Appropriations – 3/3/17
- No hearing scheduled in B&T at this time

Staff recommends submitting informational testimony to the Committees regarding any changes to the implementation of the defined contribution plan that tax counsel for the System may recommend and the financial impact such a plan would have on the System.

House Bill 815/Senate Bill 401 (Barnes/Guzzone)

State Retirement and Pension System - Membership Elections

This Board requested legislation amends the optional membership provisions in the ORP and the several systems to comply with IRC provisions and IRS letter rulings.

- Hearing scheduled in Appropriations – 2/21/17
- Hearing scheduled in B&T – 2/16/17

Board requested legislation

House Bill 817/Senate Bill 399 (Barnes/Guzzone)

Employees' Pension System - Purchase of Credit for Eligibility Service - Legislative Employees

This Board requested legislation alters the amount that a member of the EPS who is considered to have been a legislative employee must pay to the Board to purchase credit for eligibility service they earned prior to joining the EPS. Specifically, this legislation amends the interest rate to be applied to such a purchase to conform to all other purchases in the EPS.

- Hearing scheduled in Appropriations – 2/21/17
- Voted favorable by B&T – 2/17/17

Board requested legislation

**House Bill 823/Senate Bill 448 (Barnes/Guzzone)
State Retirement and Pension System - Small Procurements - Medical Evaluations for Disability Retirement Benefits**

This Board requested legislation increases from \$25,000 to \$50,000 the maximum threshold amount for a small procurement by the Agency for an independent medical evaluation by a physician and related testimony for purposes of disability retirement benefits.

- Hearing scheduled in Appropriations – 2/21/17
- Voted favorable by B&T – 2/17/17

Board requested legislation

**House Bill 896/Senate Bill 602 (Aumann/Bates)
State Retirement and Pension System - State Employees and Teachers – Benefits**

This proposed legislation closes the EPS and TPS and establishes the State Employees and Teachers' Integrated Pension System (IPS) for all existing members and new members of these plans as of July 1, 2018. PGU employees are not included in this bill. It would appear from the drafting of the bill that all new employees who would otherwise be eligible for the ORP would now be required to join the IPS.

The Board is responsible for administering the plan.

The IPS would provide a two-part benefit. The first is a defined benefit plan for all service earned on or after July 1, 2018. The defined benefit plan has a 3% employee contribution rate and a 1% multiplier. The second component is a supplemental plan established under either a 401(k) or 403(b) of the IRC. The supplemental plan allows for an unlimited employee contributions up to the IRC limits provided for under a 401(k) of 403(b) plan (\$18,000, annually). The employer is required to match 100% up to 3% of the employee contribution and 50% for any additional employee contributions from 3% to 5%. This would result in a maximum employer contribution of 4% of an employee's annual earnable compensation. Employees are immediately vested in their employee contribution and 100% vested in their employer contributions after 3 years.

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.

- Hearing scheduled in Appropriations – 2/21/17
- Hearing scheduled in B&T - 3/2/17

Staff recommends submitting informational testimony to the Committees regarding any necessary changes relating to the implementation of the ISP and the financial impact such a plan would have on the System.

House Bill 949/Senate Bill 739 (Kramer/Zirkin)

Procurement and Pensions - State Sanctions - Discriminatory Boycott of Israel

This proposed legislation amends the State procurement law relating to the debarment of specified persons engaged in investment activities in Iran to include persons participating in a boycott of the State of Israel. Additionally, it also alters the provisions of law addressing the divestiture from Iran and Sudan to include a company participating in a boycott of Israel.

- Hearing scheduled in HGO – 2/28/17
- Hearing scheduled in B&T - 3/1/17

Staff recommends submitting informational testimony to the Committees regarding any necessary changes that would be needed to protect the Board's fiduciary responsibility to the System. This would be consistent with the Board's position with regard to Senate Bill 214 of 2008, Divestiture from Iran and Sudan.

House Bill 981/Senate Bill 664 (Allegany County Delegation/Edwards)

Correctional Officers' Retirement System – Membership

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed in positions that would require them to work in certain positions in State correctional facilities, to become members of the CORS on July 1, 2017. All new employees in these positions would be members of the CORS.

- Hearing scheduled in Appropriations – 3/2/17
- Hearing scheduled in B&T - 3/2/17

Staff recommends taking no position on this legislation.

House Bill 982 (Jacobs)

Law Enforcement Officers Pension System – Separation Requirement - Exemption

This bill would exempt a sheriff who is a member of LEOPS DROP from having to end employment after the sheriff's DROP term ends wait 45 days to be reemployed if that sheriff continues to serve as sheriff.

- Hearing scheduled in Appropriations – 2/28/17

Staff recommends opposing this legislation because exempting a LEOPS retiree from the 45-day break in service could jeopardize both the System's tax qualified status and the private letter ruling approval the Agency received for the LEOPS DROP.

**House Bill 1064/Senate Bill 478 (Krebs/Eckardt)
State Retirement and Pension System - Guaranteed Retirement Income Plan and Retirement Savings Plan**

This proposed legislation closes the EPS and TPS as of June 1, 2018 and requires all existing members and new members to elect to join either the guaranteed retirement income plan or the retirement savings plan established under this bill. New employees of a PGU who joined the EPS prior to July 1, 2018, remain members of the EPS. Employees of new PGU's would be required to make the election between the guaranteed retirement income plan and the retirement savings plan.

A more detailed analysis of this legislation will be provided at the Administrative Committee meeting.

- Hearing scheduled in Appropriations – 2/21/17
- Hearing scheduled in B&T - 2/16/17

Staff submitted informational testimony based on the recommendation of the Administrative Committee to the Committees regarding any necessary changes relating to the implementation of the guaranteed retirement income plan or the retirement savings plan and the financial impact such a plan would have on the System.

**House Bill 1072/Senate Bill 486 (Szeliga/Serafini)
State Employees and Teachers - Cash Balance Plan**

This proposed legislation closes the EPS and TPS and establishes a cash balance plan for all existing members and new members of these plans as of July 1, 2018. New employees of a PGU who joined the EPS prior to July 1, 2018, remain members of the EPS. New PGU's would go into the cash balance plan. Existing members of the ORP on July 1, 2018, remain in the ORP, but all new employees after that date no longer have the option to join the ORP and are required to join 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%.

Current vested members of the EPS and TPS who are involuntarily transferred into the cash balance plan will receive a benefit in accordance with the provisions of the EPS and TPS. Current non-vested members may receive either a return of contributions or roll their contributions over into an equivalent benefit in the cash balance plan.

- Hearing scheduled in Appropriations – 2/21/17
- Hearing scheduled in B&T - 2/16/17

Staff submitted informational testimony based on the recommendation of the Administrative Committee to the Committees regarding any necessary changes relating to the implementation of the cash balance plan and the financial impact such a plan would have on the System.

**House Bill 1081/Senate Bill 650 (Jackson/Guzzone)
Correctional Officers' Retirement System – Membership**

This legislation would require parole and probation agents and employees of the Department of Juvenile Services who are employed in positions that would require them to work in State correctional facilities, to become members of the CORS on July 1, 2017. All new employees in these positions would be members of the CORS.

- Hearing scheduled in Appropriations – 3/2/17
- Hearing scheduled in B&T - 3/2/17

Staff recommends taking no position on this legislation.

**House Bill 1095 (Rosenberg)
Teachers' Retirement and Pension System – Credit for Unused Sick Leave – Time Period for Eligibility**

This bill requires that for members of the TRS or TPS, the 30-day break in service between separating from employment and retiring, for purposes of receiving creditable service for unused sick leave, would not begin until the member has exhausted or terminated any and all rights to appeal.

- Hearing scheduled in Appropriations – 3/7/17

Staff recommends taking no position on this legislation, but will work with the sponsor to address certain technical issues.

**House Bill 1109/Senate Bill 1001 (Barnes/Guzzone)
Teachers' Retirement and Pension System – County Boards of Education Payments**

This legislation provides that county boards of education shall be relieved of paying \$19,695,182 of the total normal cost for fiscal 2017 due by the county boards of education. The bill requires the Governor to use funds in HB150 that have been designated to all local employers to reimburse them for their fiscal 2017 administrative fees to the Agency. If the Governor does not redirect these funds, the bill requires that the Governor shall fund an additional \$19,695,182 for this purpose. The System's actuary, determined the total normal cost for local boards of education for FY17 was \$279.8 million.

- Hearing scheduled in Appropriations – 3/7/17
- Hearing scheduled in B&T - 3/9/17

Staff recommends taking no position on this legislation.

**House Bill 1110/Senate Bill 754 (Barnes/Guzzone)
Law Enforcement Officers' Pension System – Membership**

This legislation would require any individual who is employed as a warrant officer who is a member of the EPS to become a member of the LEOPS on July 1, 2017.

- Hearing scheduled in Appropriations – 2/28/17
- Hearing scheduled in B&T - 3/2/17

Staff recommends taking no position on this legislation.

House Bill 1122/Senate Bill 913 (Barnes/Guzzone)

State Retirement and Pension System – Death Benefits

This bill amends how all active death benefits and LEOPS, SPRS, and JRS survivor benefits are distributed to surviving children under age 26 and all disabled children, regardless of age. The bill also provides that in the event of a line of duty death of a member who dies without a surviving spouse but does have children, if the non-line of duty death benefit results in a greater benefit than a line-of-duty death benefit, the deceased member’s children may elect to receive the non-line of duty death benefit instead of the line of duty death benefit.

- Hearing scheduled in Appropriations – 2/28/17
- Hearing scheduled in B&T - 3/2/17

Staff recommends taking no position on this legislation, but does recommend working with Committee staff for technical amendments

House Bill 1171 (Vogt)

Public School Employees – Required Training on Retirement Benefits

This legislation would require the Agency to assist MSDE in preparing at least one mandatory retirement training session annually for all employees of local school boards, both teachers and board members. This training would include EPS and TPS retirement benefits.

- Hearing scheduled in Ways and Means – 3/7/17

Staff recommends providing informational written testimony to the Committee outlining the training sessions Agency staff already provides, not only for teachers, but all State employees

House Bill 1178 (Christ)

Employees’ Pension System – Incorrect Enrollments

This bill would require the Board to “disenroll” any member who has been determined to have been incorrectly enrolled in one of the several systems. The bill further provides that upon request by the member, the Board shall refund any member contributions to the member. If the member is employed by a participating employer other than the State, the Board is required to determine the amount of employer contributions paid on behalf of the incorrectly enrolled individual and offset future employer contributions by that same amount.

This bill only applies to any individual who requests the Board to review their account between July 1, 2017 and December 31, 2018.

- Hearing scheduled in Appropriations – 3/7/17

Staff recommends not taking any position on this legislation. Our analysis of the bill is that the legislation is not necessary and we are reaching out to the sponsor to discuss.

Senate Bill 356 (Serafini)

Workgroup to Study the Optional Retirement Program

This proposed legislation creates a workgroup to study the ORP, including eligible members, participation rates, contributions, health benefits, and potential changes to the plan. A representative from the SRA, designated by the Executive Director of the SRA, is a member of the workgroup.

- Passed the Senate, no hearing scheduled in Appropriations at this time

Staff recommends taking no position on this legislation. The Board took no position on this legislation last session.

Senate Bill 598 (Guzzone)

State Retirement and Pension System - Military Service Credit – Eligibility

This proposed legislation would allow a member of any of the several systems, except the LPP, to use any state employment, including employment as a Senator or a Delegate, towards the 10 year requirement to earn military service credit.

- Hearing scheduled in B&T - 2/16/17

Staff recommends taking no position on this legislation.

Senate Bill 845 (Mathias)

Employees' Pension System - Optional Membership - Concurrent Membership Prohibition

This legislation applies to an individual who has two active EPS accounts, one of which is a result of membership under § 23-204 of SPP (elected and appointed official membership). This bill would terminate the individual's membership stemming from § 23-204. The individual would be disenrolled and receive a return of their member contributions. The bill also provides that the individual's second EPS membership account would be unaffected.

- Hearing scheduled in B&T - 3/2/17

Staff recommends opposing this legislation because as drafted it raises impairment of contract issues and could create plan qualification issues.

Senate Bill 914 (Guzzone)

State Retirement Agency – Investment Division

This legislation would authorize the Board to set qualifications and compensation for senior investment analysts and any professional investment staff position that it creates. Compensation for these positions and the existing positions for which the Board sets compensation shall now be included in the calculation of investment management service fees, that currently has a cap of .5% of the market value of the assets of the fund that are externally managed, not including real estate or alternative investments. The bill also requires the Board to establish criteria for setting the qualifications and compensation for the investment staff in question. Additionally, the legislation amends the Agency's reporting requirements to the legislature to reflect these changes in compensation and staff.

- Hearing scheduled in B&T - 3/2/17

Board requested legislation

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

**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 7, 2017**

2017 Legislative Bill
Review

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

Ms. Anne Gawthrop provided the Committee an updated overview of the 2017 pension related legislation introduced to the General Assembly to date.

Update Regarding
Agency's Budget
Hearing

Mr. Kenderdine reported that the Agency's budget hearings went well and that the Department of Legislative Services ("DLS") recommended that the Agency:

1. Adopt a major IT development plan for MPAS III. The Agency concurred with DLS' recommendation.
2. Michael Rubenstein, the Agency's analyst, reported that the Agency's budget cap is .22% of "active" payroll, as required by statute. The Agency has, for at least 20 years, included all participants (active, retirees and former vested members). Mr. Rubenstein requested that the Agency submit a report by November 1, 2017 regarding the historic reporting and recommendation to change the statute. The Agency agreed to provide this report.
3. Cut \$550,000 from IT budget. The Agency objected to this recommendation as it would prevent the Agency from moving forward on development of the member website portal.

Review of the
Governance Charters

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

Mr. Kenderdine, along with Robert Burd, Toni Voglino and Rachel Cohen, presented the recommended changes to the Governance Charters, to the Administrative Committee.

On a motion made by Ms. Hill and seconded by Mr. Nicole, the Administrative Committee approved, for recommendation to the Board of Trustees, the recommended changes to the Governance Charters as presented.

Review of the
Governance Policies

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

Mr. Kenderdine, along with Robert Burd, Toni Voglino and Rachel Cohen, presented the recommended changes to the Governance Policies, to the Administrative Committee.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee approved, for recommendation to the Board of Trustees, the recommended changes to the Governance Policies as presented.

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

**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
FEBRUARY 7, 2017**

Member Services
Update

Mr. Raitzyk reported that the Member Services unit was able to meet its performance goals for December 2016. The unit's call abandonment rate was 3.63% and the average speed of answer was 0:61.

Mr. Kenderdine further reported that the unit was able to meet their goals because the member services unit was fully staffed and trained. The Agency is creating a dedicated phone line to take calls when there is a change in benefits policy or administration (e.g., the recent change in option and annuity factors), which affect a large number of members or retirees.

Mr. Raitzyk further reported that currently the member services unit has two new vacancies.

Board Work Plan
Annual Checklist

Mr. Kenderdine provided the Administrative Committee with the Board work plan annual checklist for calendar year 2017. Mr. Kenderdine indicated that going forward the checklist would be presented to the Committee in December.

Ms. Lochte requested that check boxes be added to the checklist, so that each task could be checked-off as it is completed.

Revised Trustee
Election Schedule for
the Active
Employees' Systems
Representative

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

Mr. Kenderdine reported that two Trustee positions were up for election this year, the first being the Active Teachers' Systems representative, currently held by Trustee Haines. The deadline for submission of the required signature has passed and one individual qualified.

The other election is for the Active Employees' Systems representative, currently held by Trustee Bush. Mr. Bush will not be seeking a new term as Trustee and no other individual has submitted the required filing paperwork. Therefore, the Board will need to revise the election schedule to extend the deadline for submissions. Staff recommended the extension run to February 28, 2017. The full Board will be asked to vote electronically to approve the revised schedule. That vote will then be ratified at the February 21, 2017 Board of Trustees meeting.

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee approved the revised Trustee Election Schedule for recommendation to the Board of Trustees.

Correction of Errors –
Offset of Retirement
Benefits

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

The Administrative Committee discussed and adopted staff's recommendations regarding the offset of retirement benefits of five participants, for recommendation to the Board of Trustees.