

**ADMINISTRATIVE COMMITTEE MINUTES  
BOARD OF TRUSTEES  
MARYLAND STATE RETIREMENT AND PENSION SYSTEM**

March 1, 2016

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor, Baltimore, Maryland, beginning at 9:32 a.m.

The Trustees present included:

Theresa Lochte, Vice Chairman, Presiding  
Susanne Brogan  
Kenneth Haines

Sheila Hill (via phone)  
Marc Nicole  
Richard Norman

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

Margaret Bury	Ira Greenstein	Andrew Palmer
Melody Countess	Angie Jenkins	Ken Reott
Anne Gawthrop	Van Lewis	Dave Rongione
Michael Golden	Michelle Lowery	Patricia Wild

Assistant Attorneys General present included: Rachel Cohen and Sharon Street

Minutes

On a motion made by Mr. Nicole and duly seconded, the Administrative Committee approved the February 2, 2016 open session meeting minutes.

2016 Legislative Bill  
Review

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

Ms. Gawthrop reported that all Board requested legislation was moving forward.

Ms. Gawthrop reported that the following bills were just introduced:

- House Bill 1545/Senate Bill 1031 – Correctional Officers' Retirement System – DROP – This proposed legislation would establish a 5-year DROP for members of the CORS who have accrued at least 20 years of service but not more than 25 years of service.
- House Bill 1581 – Harford County Deputy Sheriff Patrick Dailey Benefits Memorial Act – This is emergency legislation that would increase the maximum age from 18 to 26 years at which minor children are no longer eligible to receive a line of duty death benefit on behalf of a deceased parent who was a member of the LEOPS and was killed in the line of duty. It also requires the SRA and the DLS to review the death benefits paid from each of the several systems to determine if other statutory changes should be made to update these provisions.

In addition, Ms. Gawthrop reported on Senate Bill 982 – Maryland Private Equity and Venture Capital Authority. The Administrative Committee voted to go into closed session to receive legal advice from counsel regarding this bill.

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On a motion made by Mr. Haines and duly seconded, the Administrative Committee voted to meet in a Closed Session beginning at 9:41 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

1. Receiving legal advice from counsel, regarding Senate Bill 982 – Maryland Private Equity and Venture Capital Authority, pursuant to General Provisions Art., Section 3-305(b)(7).

The Trustees present included:

Theresa Lochte, Vice Chairman, Presiding  
Susanne Brogan  
Kenneth Haines

Sheila Hill (via phone)  
Marc Nicole  
Richard Norman

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

Margaret Bury  
Melody Countess  
Anne Gawthrop  
Michael Golden

Ira Greenstein  
Angie Jenkins  
Van Lewis  
Michelle Lowery

Andrew Palmer  
Ken Reott  
David Rongione  
Patricia Wild

Assistant Attorneys General present included: Rachel Cohen and Sharon Street

On a motion made by Mr. Haines and seconded by Mr. Norman, the Administrative Committee returned to open session at 10:17 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

**OPEN SESSION**

2016 Legislative Bill  
Review (cont'd)

After further discussion, the Committee decided to consider and vote on all of the staff recommendations relative to the legislation presented by Ms. Gawthrop. Therefore, on a motion made by Mr. Haines and seconded by Mr. Norman, the Administrative Committee voted to approve all staff recommendations.

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

Ms. Margaret Bury presented to the Administrative Committee amendments to the regulations regarding Option and Annuity Factors.

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

Ms. Brogan asked if it was necessary to have the "incorporated by reference" language in the regulation. Ms. Brogan also asked how often the rates change.

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Ms. Cohen responded that the prior factors were incorporated by reference in the regulations and will remain part of the regulations for benefit calculations for retirement on or before June 30, 2017. The assumptions used in the development of the new factors, for retirement on or after July 1, 2017, are specified in the regulations, and the new factors are available on request.

Ms. Bury responded that every five years an experience study of the System is conducted and it is intended that going forward, the option and annuity factors will be adjusted subsequent to that study as needed.

On a motion made by Mr. Haines and seconded by Mr. Norman, the Administrative Committee voted to recommend that the Board of Trustees propose for adoption, and publish in the Maryland Register for comment, the amendments to the option factors and annuity factors regulation.

Member Services  
Update

Ms. Bury reported that the unit was unable to meet its performance goals for January 2016. The unit's call abandonment rate was 12.40% and the average speed of answer was 3:40 seconds. Ms. Bury attributed the high performance rates to vacancies and inclement weather in January.

Mr. Haines asked if members could email the Agency, instead of calling.

Ms. Bury responded yes, the email address is on the Agency's website.

Ms. Lochte asked if the telephone recording that member's first hear when they call, provided information about emailing the Agency.

Ms. Bury responded that at this time the recording does not provide that information.

Mr. Haines requested that the Committee be provided with a report relating to the amount of correspondence being responded to.

Ms. Bury responded in the affirmative.

Finance Reports  
Quarter Ending  
December 31, 2015

Ms. Patricia Wild presented the FY2016 Non-Budgeted Investment Manager and Service Related Fees Report. Ms. Wild indicated that when comparing basis points, the fees paid as a percentage of assets during the first two quarters of FY2016 were lower than the fees paid during the same period in FY2015. The Equity and Fixed Income categories are still experiencing a significant cushion under the statutory fee cap. Ms. Wild also reported that the equity asset class experienced a decrease of 6.1 basis points resulting primarily from lower performance fees.

Ms. Countess presented the Administrative Expenses Report for the quarter ending December 31, 2015. Ms. Countess reported that Agency has spent, as of that date, 45.0% of the FY2016 Appropriation amount.

07:44:4204/12/2016MSRA

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Ms. Brogan questioned the travel line item projected expenditures being more than the appropriation amount.

Mr. Kenderdine responded that there has been an acceleration of travel since the arrival of the System's new Chief Investment Officer.

Mr. Van Lewis presented the MBE Performance Report for the quarter ending December 31, 2015. Mr. Lewis reported that MBE Performance was 22.90%.

Ms. Brogan asked if the Agency still contracts with Non-Profits and Community Rehabilitation Program.

Mr. Lewis responded in the affirmative, however, those contracts are not reported.

Ms. Brogan requested that the Committee be provided that information in future reports.

**Adjournment**

There being no further business before the Committee, on a motion made by Mr. Norman and seconded by Mr. Haines, the meeting adjourned at 10:50 a.m.

Respectfully submitted,



R. Dean Kenderdine,  
Secretary to the Board

## Legislative Update

### 2016 Session

#### March 1, 2016

#### **House Bill 38 (McConkey)**

#### **State Retirement and Pension System – Disability Retirement - Alterations**

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

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

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

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

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

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

- No hearing scheduled in Budget and Tax
- No hearing scheduled in Appropriations

**Board requested legislation.**

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

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

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

- No hearing scheduled in Budget and Tax
- No hearing scheduled in Appropriations

**Board requested legislation.**

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

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

- Hearing in Appropriations – 2/2/16, 12:30 pm
- Hearing in Budget and Tax – 2/11/16, 9:00 am

**Board requested legislation.**

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

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

- No hearing scheduled in Budget and Tax
- No hearing scheduled in Appropriations

**Board requested legislation.**

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

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

- No hearing scheduled in Budget and Tax
- No hearing scheduled in Appropriations

**Board requested legislation.**

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

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

- No hearing scheduled in Budget and Tax
- Hearing in Budget and Tax – 2/25/16, 8:30 am

**Board requested legislation.**

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

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

- No hearing scheduled in Budget and Tax
- Hearing in Budget and Tax – 2/25/16, 8:30 am

**Board requested legislation.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**State Retirement and Pension System – Disability Retirement – Alterations**

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

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

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

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

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

**Participating Governmental Units – Amortization Schedule**

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

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

**Board requested legislation**

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

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

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

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

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

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

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

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

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

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

- Hearing in Appropriations – 3/1/16, 1:00 pm

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

**Senate Bill 542 (Feldman)**

**State Retirement and Pension System – Forfeiture of Benefits**

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

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

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

**Senate Bill 608 (Guzzone)**

**Employees’ Pension System – Redeposit of Contributions**

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

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

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

**Senate Bill 633 (Serafini)**

**State Employees’ Retirement Savings Plan**

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

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

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

**Senate Bill 875 (Serafini)**

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

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

1. SB875 shortens the time period for filing for non-line of duty disability and line of duty disability from four years to two years after a member’s paid employment ends.
2. This legislation raises the small procurement amount from \$25,000 to \$50,000 for each doctor that is hired to perform an IME.
3. SB875 increases the vesting requirement for non-line of duty disability retirees from 5 years to 10 years.
4. This proposed legislation alters the projection of service credit for a non-line of duty disability from projecting to normal service retirement age to projecting service credit to when the member is first eligible for normal retirement.
5. The bill sets up a two-stage process for non-line of duty disabilities that would provide for an initial period of short-term disability. Following the short-term disability period, an individual would be required to reapply for long-term disability.
6. This proposed legislation repeals the annuity of accumulated contributions for line of duty disability retirees.
7. SB875 authorizes SRA to review the disability status of a disability retiree and suspend the retiree’s benefit if an individual is found to no longer be disabled.
8. The changes proposed by this legislation would be tied to an application for disability that is first submitted after the effective date of this bill (July 1, 2016).

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

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

**Senate Bill 982 (Miller)**

**Maryland Private Equity and Venture Capital Authority**

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

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

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

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

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

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

**Staff recommends opposing the legislation but also recommends offering solutions to the opposition that will be raised in our written testimony.**