

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

April 5, 2016

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:35 a.m.

The Trustees present included:

James Harkins, Chairman, Presiding	Kenneth Haines
Theresa Lochte, Vice Chairman	Sheila Hill
Susanne Brogan (via phone)	Richard Norman

Agency Staff members attending included: Angie Jenkins and Janet Sirkis

Other attendees included: Cindy Kollner (DBM)

On a motion made by Ms. Lochte and seconded by Mr. Haines, the Administrative Committee voted to meet in a Closed Session (9:37 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 minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function; and
2. discussing the results of the Executive Director's evaluation, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction.

CLOSED SESSION

The Trustees present included:

James Harkins, Chairman, Presiding	Kenneth Haines
Theresa Lochte, Vice Chairman	Sheila Hill
Susanne Brogan (via phone)	Richard Norman

Agency Staff members attending, for agenda item 1 only, included: Angie Jenkins and Janet Sirkis

Other attendees included: Cindy Kollner (DBM)

On a motion made by Mr. Haines and seconded by Ms. Lochte, the Administrative Committee returned to open session at 9:46 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

OPEN SESSION

Closed Session
Meeting Minutes

During closed session, the Administrative Committee approved the March 1, 2016 closed session meeting minutes.

Open Session
Meeting Minutes

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee approved the March 1, 2016 open session meeting minutes.

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Member Services
Update

Mr. Ken Reott reported that the unit was unable to meet its performance goals for February 2016. The unit's call abandonment rate was 14.99% and the average speed of answer was 4:06 seconds. Mr. Reott attributed the high performance rates to increased number of calls due to 1099R statements and questions on the taxability of pensions and changes in the tax withholding tables, vacancies and a couple inclement weather days in February.

Mr. Reott reported that the Agency received approval from the Department of Budget and Management (DBM) to hire all vacant Benefits Administration positions.

Ms. Brogan commented that she wanted to acknowledge Marc Nicole, Deputy Secretary at DBM for his role in approving the Agency's request to fill the vacant positions.

Mr. Kenderdine replied that the Agency has acknowledged Mr. Nicole's hard work with this matter.

Ms. Hill asked, on average, how long does a walk-in appointment last.

Mr. Reott responded that, on average, an appointment with a benefits counselor can last 30 minutes to an hour.

Mr. Norman asked if the 6% abandonment rate, that the Agency set, is realistic.

Mr. Reott responded that staff is examining that number now to see if it needs to be adjusted in the near future.

2016 Legislative Bill
Review

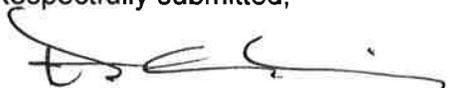
Ms. Anne Gawthrop provided the Committee an overview of the 2016 pension related legislation introduced to the General Assembly to date. *See Attachment A.*

Ms. Gawthrop reported that all Board requested legislation has either returned passed or has been passed enrolled.

Adjournment

There being no further business before the Committee, on a motion made by Ms. Hill and seconded by Mr. Haines, the meeting adjourned at 10:01 a.m.

Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board

Legislative Update 2016 Session April 5, 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

As amended, 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. In addition, these bills have been amended to remove the sunset of June 30, 2016, by which individuals who were subject to the ACPS in the EPS or TPS before separating from employment must resume employment in order to resume participation in the ACPS.

- House and Senate bills passed enrolled

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.

- House and Senate bills returned passed

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**

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

- House Bill 381 returned passed
- Senate Bill 321 passed enrolled

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.

- House and Senate bills returned passed

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.

- House and Senate bills returned passed

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.

- House and Senate bills returned passed

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.

- House Bill 582 voted favorable by Budget and Tax
- Senate Bill 473 returned passed

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.

- House Bill 926 returned passed
- Senate Bill 979 voted favorable by Appropriations

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 Budget and Tax – 3/31/16, 1:00 pm
- Senate Bill 821 voted favorable by Appropriations

Board requested legislation

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

As amended, this legislation transfers members of the ERS or EPS who are employed as correctional case management specialists into the CORS.

- Hearing in Budget and Tax – 3/31/16, 1:00 pm
- No hearing scheduled in Appropriations

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.

**Chapter 12 of 2016 (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.

- Approved by the Governor, 4/4/16

Staff recommends taking no position on this legislation.

Senate Bill 453 (Serafini)
Workgroup to Study the Optional Retirement Program

As amended, this proposed legislation establishes a workgroup to study the ORP. Membership on the workgroup includes:

- a representative of the Maryland Higher Education Commission
- the following representatives of public 4-year institutions of higher education, including representatives of Administrative Affairs and Academic Affairs:
 - a representative of the University System of Maryland;
 - a representative of Morgan State University; and
 - a representative of St. Mary's College of Maryland;
- a representative of the Maryland Association of Community Colleges;
- a representative of the Department of Budget and Management;
- a representative of the State Retirement Agency, appointed by the Executive Director; and
- a representative of a bargaining unit for nonexempt employees, appointed by the Governor.

The workgroup shall:

- review the population of employees eligible to participate in ORP;
 - review the contribution requirements for ORP;
 - review the eligibility criteria for health benefits of ORP participants; and
 - make recommendations regarding any changes to ORP that would improve the program and be beneficial to program participants and the State.
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- Hearing in Appropriations – 4/5/16, 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 Appropriations – 4/5/16, 1:00 pm

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 Appropriations – 4/5/16, 1:00 pm

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

As amended, this legislation requires DBM, in consultation with the SRA, to issue a request for information on the viability of replacing the disability benefits provided by the Board under the State Personnel and Pensions Article with an insurance program that provides the same level of disability benefits and under the same conditions as provided by the Board under the State Personnel and Pensions Article.

- Hearing in Appropriations – 4/5/16, 1:00 pm

Staff recommends taking no position on this legislation.

Senate Bill 982 (Miller and Kasemeyer)

Maryland Private Equity and Venture Capital Authority

As amended, this legislation authorizes the Board to enter into an agreement with the Maryland Technology Development Corporation or another entity to make and manage investments on behalf of the board in private equity and venture capital in the State. It also expresses legislative intent that State contributions to the pension fund in excess of statutory requirements be invested in the State with a goal to increase the risk capital available in the State as long as the investments are consistent with, and do not compromise or conflict with, the SRPS board's fiduciary duties. Any entity providing investment services to the board under the bill is a fiduciary of the system.

- Voted favorable by Appropriations

Staff recommends expressing legal and implementation concerns with regard this legislation but also recommends offering solutions to the opposition that will be raised in our written testimony.