

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

March 5, 2019

The Administrative Committee met at the SunTrust Building, 120 East Baltimore Street, 16<sup>th</sup> Floor, Board Room, Baltimore, Maryland, beginning at 9:31 a.m.

The Trustees present included:

Theresa Lochte, Acting Chairman  
Sheila Hill (via phone)

Marc Nicole (via phone)  
Richard Norman

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

Patricia Fitzhugh

Angie Jenkins

Harvey Raitzyk

Anne Gawthrop (via phone)

Van Lewis

Ken Reott

Michael Golden

Kim O'Keeffe

David Rongione

Ira Greenstein

Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen, Emily Spiering and Kathleen Wherthey

Administrative  
Appeal of  
Thomas Kemp

Mr. Kemp appeared before the Administrative Committee, requesting that the Committee reject the Summary Decision of the Executive Director and grant his request to waive the interest resulting from a contribution deficiency on his member account. Mr. Kemp indicated that a deficiency occurred on his account when the State failed to deduct the required contributions from his salary sometime between 1998 and 2000, when he was employed as an Assistant State's Attorney for Cecil County. Mr. Kemp claimed that despite the State learning of the deficiency through an audit of his account in 2006, he did not receive notice of the deficiency until July 2018, when he received two Notices of Retirement Allowance Estimates from the State Retirement and Pension System. Mr. Kemp indicated that he is unjustly being made to pay interest on those missed contributions, which were missed due to the sole error of the State and not from an error on his part.

Ms. Emily Spiering, Assistant Attorney General, addressed the Committee on behalf of the Agency. Ms. Spiering indicated that Mr. Kemp became a member of the Employees' Pension System (EPS) in 1981, as a result of his employment as an Assistant State's Attorney with the Cecil County Board of Commissioners, a participating governmental unit (PGU). Effective July 1, 1998 the EPS changed from a non-contributory plan to a contributory plan in which members were required to contribute 2% of their earnable compensation. State Personnel and Pensions Art. (SPP), §§ 22-212(b), 23-217. However, from July 1990 through June 1999, the Agency and System did not receive the required deductions from his earnings and a deficiency occurred. Mr. Kemp separated from employment with the Cecil County Board of Commissioners in May 2000.

In September 2010 and again in 2018, in response to an application for a retirement estimate received from Mr. Kemp, the Agency provided him two separate Notices of Retirement Estimate. Both in 2010 and in 2018, one notice showed that Mr. Kemp had an "annuity deficiency" on his account and the other showed what his benefit would be if the annuity deficiency was paid. In July 2018, Mr. Kemp wrote to the Agency to inquire about the deficiency and requested that the interest on the deficiency be waived. The Agency responded as to why it does not have the legal authority or discretion to waive interest on unpaid member contributions. Mr. Kemp then filed a Petition for Hearing.

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Ms. Spiering argued that SPP § 21-121(b) provides that whenever an audit reveals that the payment of benefits to a participant or the payment of contributions by a participating employer or participant is not in accordance with the provisions of Division II of the article, the State Retirement Agency and participating employer shall correct their records; and the participating employer shall pay any amounts owed to the accumulation fund of the appropriate State system; and the member contributions owed by the participant shall be made by the participant in accordance with § 21-312(e) of this title.

Ms. Spiering argued that SPP § 21-312(e) provides that if a member does not make the member contributions required by this Division II, on retirement, the member's retirement allowance shall be reduced by the actuarial equivalent of the missed accumulated contributions, including regular interest on those contributions at the statutory rate earned on member contributions in the member's system, compounded annually. When the General Assembly enacted SPP § 21-312(e) in 2006, via House Bill 1430, the Fiscal and Policy Note for that bill explained that missed employee contributions, if they are not repaid at the time of retirement, result in reduced retirement benefits, based on an amortization of the value of the deficiency. From the time of the missed payment until the time of retirement, or when the deficiency is repaid, those deficiencies accrue interest at the rate of 5% annually for TPS/EPS members and 4% annually for TRS/ERS members. However, the law does not specify that interest accrues on deficiencies, even though it has always been the case in practice.

Ms. Spiering further argued that the Board of the System has a statutory responsibility to correct errors by which a retiree or beneficiary "receives a benefit that differs from the benefit the retiree or beneficiary is entitled to receive." SPP § 21-113(a). As fiduciaries, the Trustees are required to discharge their duties in accordance with the statute.

Ms. Lochte asked in 2006 when the error was discovered, if Mr. Kemp was notified.

Ms. Spiering responded no, but that the Agency notified him in 2010 in response to his request for a retirement estimate.

Ms. Lochte asked Mr. Kemp if he received the 2010 notices of retirement estimate which indicated that his account had a deficiency.

Mr. Kemp responded that he does not dispute that he received the 2010 notices, but that they did not clearly indicate that the deficiency was his responsibility.

The Committee discussed and voted on this appeal in closed session.

Minutes

On a motion made by Mr. Norman and seconded by Mr. Nicole the Administrative Committee approved the February 5, 2019 open session meeting minutes.

2019 Legislative  
Review

Ms. Anne Gawthrop provided the Committee an updated overview of the 2019 pension related legislation introduced to the General Assembly to date. See Attachment A.

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Ms. Gawthrop reported on the following bill that had been introduced since the February Board of Trustees meeting. Ms. Gawthrop requested that the Board vote on staff's recommendations on the following bill:

|                 |   |  |
|-----------------|---|--|
| House Bill 1383 | Correctional Officers' Retirement System – Membership – Maintenance Employees | If tax counsel determines these individuals do not qualify, we recommend opposing this legislation. However, if tax counsel determines they do qualify as correctional officers, we recommend taking no position as this would be an issue of plan design and benefit determination. |
|-----------------|---|--|

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee approved staff's recommendation for recommendation to the Board.

Work Plan -  
Actuarial Audit  
Services Provider  
– Request for  
Proposals

Mr. Kenderdine provided the Administrative Committee with background information on the need for an Actuarial Audit Services Provider, in that the actuarial valuation to be performed as of June 30, 2019 will be the fifth valuation to be performed by Gabriel, Roeder & Smith (GRS) since their work was last audited following the June 30, 2014 valuation. Following the Board policy for Key Service Provider procurement, the service provider will be selected by a procurement evaluation committee of the staff, per the schedule as follows and will be presented to the Administrative Committee for recommended approval to the Board of Trustees.

| DATE                 | ITEM  |
|----------------------|---|
| March 5, 2019        | Submit work plan to Administrative Committee.   |
| March 15, 2019       | RFP Draft circulated to the MSRA Procurement Review Committee.  |
| April 1, 2019        | Issue RFP.  |
| April 30, 2019       | Completed proposals due.  |
| May 7 – May 21, 2019 | Evaluation period. Evaluation Committee reviews proposals and conducts preliminary interviews then will analyze and summarize the Evaluation Committee's ratings of each of the candidates. The Evaluation Committee will then identify finalists based upon the candidates' technical and financial proposals. |
| June 4, 2019         | Finalist(s) presented to the Administrative Committee.  |
| June 18, 2019        | Administrative Committee recommends the appointment of Actuarial Audit Services Provider to the Board of Trustees (BOT).  |
| July 1, 2019         | Contract begins.  |

Mr. Nicole asked how many providers would be in the pool of potential bidders.

Mr. Kenderdine responded the Agency received three proposals in response to the last actuarial audit services provider RFP. The potential bidders are typically actuarial firms with public pension plan experience. The last actuarial audit was conducted by Bolton Partners, who now is the actuary for the General Assembly. It

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would likely be a pool of 5 or 6 potential bidders.

Mr. Nicole asked if there are any actuarial firms that would not bid on this contract.

Mr. Kenderdine responded the System has previously had multiple bidders to conduct an actuarial audit.

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee approved the work plan regarding the actuarial audit services provider RFP.

NOTE: Following the Administrative Committee, Mr. Kenderdine notified the Committee members that the work plan that had been provided in the agenda packet contained an error in that it indicated that the audit to be performed would be a "partial audit" when it will, in fact, be a "full replication" actuarial audit of the System's June 30, 2019 actuarial valuation. Per the terms of the Board's Monitoring and Reporting Policy, a full replication audit of the actuarial valuation by the same actuary must be performed after 10 years.

Finance Reports  
– Quarter Ending  
12/31/18

The Committee was provided with an Administrative Expense Report Dashboard, which provided an overview of the Agency's expenditures and encumbrances through the second quarter of FY2019 and provided a discussion for several line items in the Agency's budget.

Mr. Lewis reported that the Agency, as of December 31, 2018, has expended/encumbered 41.59% of its appropriation, but that there is a projected end-of-year surplus of approximately \$1 million, after taking into account an anticipated year-end healthcare cost reversion amount of \$161,000. Mr. Lewis reported that that the following were contributors to the projected surplus amount:

- Medical and Legal Support Services – \$17k
- Contractual personnel savings - \$46k
- Building Maintenance - \$29k
- Postage - \$107k
- Contractual Services, Other - \$734k
- Rent - \$49k
- Fiscal Services - \$73k
- Legal Counsel - \$15k
- Education and Training - \$15k

Mr. Nicole asked if MPAS was part of the contractual services miscellaneous line item and if it contributes to the surplus.

Mr. Lewis responded that MPAS costs are not represented in the administrative expense schedule.

Mr. Nicole asked what factors contribute to the surplus in the Miscellaneous line item.

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Mr. Lewis responded that approximately \$641,000 of the surplus comes from the Investment Division going off-budget and not removed from the Agency's operating budget. The remaining amount would have been used for two Trustee elections that were scheduled for this year, but is not needed as both elections resulted in only one qualifying candidate for each.

Mr. Norman asked if the Fringe Benefits line item include health care and pension costs.

Mr. Lewis responded in the affirmative.

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Mr. Lewis presented the MBE Performance Report for the quarter ending December 31, 2018. Mr. Lewis reported that MBE performance was 38.71%, with the majority of MBE awards going to Sub-Continent Asian and Female/African American owned businesses. Mr. Lewis reported that the MBE performance remains above the Governor's participation goal of 29%.

Member Services  
Update

Mr. Raitzyk reported that the Member Services unit was unable to meet its performance goals for both the call abandonment rate and for the average call wait time for January 2019. The unit's call abandonment rate was 21.39% and the average speed of answer was 391 seconds.

Mr. Raitzyk reported that the increase was due to increased call volume, as well, as not being fully staffed. The unit had several vacancies for Retirement Benefits Specialist (RBS) positions and two other RBS employees are on FMLA. In addition, Mr. Raitzyk reported that an issue with the IVR (phone system) was brought to his attention, in that it was dropping (disconnecting) calls when the queue became full. Mr. Raitzyk reported that the IVR system has been changed to allow more people in the queue in hopes that it will reduce the number of dropped calls.

Mr. Raitzyk further reported that the unit is now fully staffed, but that it will take 4-6 months for those new specialists to be fully trained to work independently in the phone unit.

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Ms. Lochte asked if the Agency notifies members when there is a deficiency on their account.

Mr. Raitzyk responded that generally the Agency notifies a member about the deficiency, but the notification does not always happen at the time the deficiency is detected. However, if a member is still active in our System, their Personal Statement of Benefits would indicate a deficiency on their account.

Mr. Norman asked if the notification process has improved over the last 10 years.

Mr. Raitzyk responded that the notification process has improved, but could still be improved upon.

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**CLOSED SESSION**

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee voted to meet in a Closed Session beginning at 10:22 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

- a) Reviewing the closed session minutes from the February 5, 2019 Administrative Committee meeting, pursuant to General Provisions Art., Section 3-103(a)(1)(i), the exercise of an administrative function; and
- b) Discussing the administrative appeal of Thomas Kemp, pursuant to General Provisions Art., § 3-103(a)(1)(i), a quasi-judicial function.

The Trustees present included:

Theresa Lochte, Acting Chairman  
Sheila Hill (via phone)

Marc Nicole (via phone)  
Richard Norman

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

Patricia Fitzhugh

Van Lewis

Ken Reott

Michael Golden

Kim O'Keeffe

David Rongione

Angie Jenkins

Harvey Raitzyk

Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee returned to open session at 10:25 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor.

**OPEN SESSION**

The Trustees present included:

Theresa Lochte, Acting Chairman  
Sheila Hill (via phone)

Marc Nicole (via phone)  
Richard Norman

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

Patricia Fitzhugh

Van Lewis

Ken Reott

Michael Golden

Kim O'Keeffe

David Rongione

Angie Jenkins

Harvey Raitzyk

Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

The Administrative Committee reported that during the closed session the Administrative Committee reviewed and decided on the following items:

Closed Session Minutes      The Committee approved the February 5, 2019 closed session minutes.

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Administrative Appeal of Thomas Kemp      The Committee reviewed and adopted the recommendation for summary decision for recommendation to the Board of Trustees.

Other Business      Mr. Kenderdine reported that at the suggestion of Deputy Secretary Marc Nicole, Agency staff has been in touch with Cindy Kollner at the Department of Budget and Management (DBM) to discuss the possibility of double-pinning Retirement Benefits Specialist positions. Mr. Kenderdine reported that Ms. Kollner indicated that there may be a potential risk with Workday errors of terminating employees. Staff is working on a triple redundancy plan to prevent those errors.

Adjournment      There being no further business before the Committee, on a motion made by Mr. Norman and seconded by Ms. Lochte, the meeting adjourned at 10:30 a.m.

Respectfully submitted,



R. Dean Kenderdine,  
Secretary to the Board

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

## **Legislative Update 2019 Session March 5, 2019**

### **BOARD REQUESTED LEGISLATION**

#### **House Bill 62/Senate Bill 119 (Barnes/Griffith)**

##### **Employees' Pension System - Purchase of Eligibility Service Credit – Clarification**

This Board requested legislation clarifies provisions regarding limitations on members of the EPS purchase of eligibility service credit for past employment. Specifically, it corrects an inadvertent erroneous reference within the statute that is counter to legislative intent.

- HB62 passed the House
- SB119 passed the Senate

#### **House Bill 63/Senate Bill 306 (Barnes/Griffith)**

##### **State Retirement and Pension System - Maryland Pension Administration System - Member Contributions**

This Board requested legislation requires participating employers in the System to submit member contributions and payroll data supporting the contributions at the same time.

- Hearing held in Appropriations – 1/29/19
- Hearing held in Budget and Tax – 2/14/19

#### **House Bill 64/Senate Bill 120 (Barnes/Griffith)**

##### **State Retirement and Pension System - Designation of Beneficiary**

This Board requested legislation authorizes a member of the System to designate a beneficiary either by submitting a notarized written designation to the Agency or electronically through Agency's secure access portal.

- HB64 passed the House
- SB120 passed the Senate

#### **House Bill 265/Senate Bill 153 (Barnes/Griffith)**

##### **Alternate Contributory Pension Selection - Return to Employment**

This Board requested legislation allows individuals who vest in the ACPS on or after July 1, 2011, to return to the ACPS if they terminate employment with a participating employer of the System and later return to work for a participating employer of the System, regardless of the length of their break in service. This bill codifies the existing practice of the Agency.

- HB265 passed the House
- SB153 voted favorable by Budget and Tax

#### **House Bill 266/Senate Bill 186 (Barnes/Griffith)**



**State Retirement and Pension System - Designated Beneficiary Change – Rescission**

This Board requested legislation allows retirees of the System to rescind a request to change their designated beneficiary before the second monthly allowance is paid (instead of before the first allowance is paid). If a retiree rescinds the change of beneficiary under the bill, the benefit payment amount for the next payment is restored to the amount paid before the change in beneficiary.

- HB266 passed the House
- SB186 passed the Senate

**House Bill 267/Senate Bill 179 (Barnes/Griffith)**

**Optional Retirement Program - Regulations**

This Board requested legislation requires the Board to adopt and maintain a written plan document for the ORP, and it authorizes Board to adopt regulations it deems necessary to carry out its ORP responsibilities.

- HB267 passed the House
- SB179 passed the Senate

**House Bill 860/Senate Bill 828 (Barnes/Griffith)**

**Employees', Teachers', and Correctional Officers' Systems - Active Members - Death Benefits**

This Board requested legislation applies to an active member of the employees', teachers', or correctional officers' system who dies after reaching age 55 with 15 years of service or after accruing 25 years of service regardless of age. If, at the death of an active member described above, the member is survived by children under age 26 or disabled children at any age, but not a surviving spouse, the children shall receive the Option 2 benefit (100% joint and survivor benefit). As drafted, the bill requires the Board to make this payment and removes existing language that currently allows the surviving spouse to elect to receive this benefit. Additionally, requirements that the surviving spouse (and now children) be named as the member's sole beneficiary at the time of the member's death, have also been deleted. We believe those changes were inadvertent. Staff will work with the Committees to correct these issues in the legislation.

- Hearing held in Appropriations – 2/28/19
- Hearing held in Budget and Tax – 2/28/19

**House Bill 821/Senate Bill 829 (Barnes/Griffith)**

**State Retirement and Pension System - Service Credit for Unused Sick Leave**

This Board requested legislation preserves the unused sick leave for individuals who have been required to move from the ERS or EPS into the CORS through legislation over the past three years.

- Hearing held in Appropriations – 2/28/19
- SB829 voted favorable by Budget and Tax

**House Bill 862/Senate Bill 827 (Barnes/Griffith)**

**State Police Retirement System - Employment of Retirees - Clarifications**

This Board requested legislation makes clarifying changes to the reemployment provisions in the State Police Retirement System.

- Hearing held in Appropriations – 2/28/19
- Hearing held in Budget and Tax – 2/28/19

**House Bill 863/Senate Bill 486 (Barnes/Griffith)**

**State Retirement and Pension System - Workers' Compensation Offset**

This Board requested legislation clarifies that, in the event that a retiree's ordinary disability benefit is converted to an accidental or special disability benefit, any offsets taken to a retiree's line of duty disability benefit due to a workers' compensation benefit awarded for the same injury shall commence on the date the disability benefit is converted.

- Hearing held in Appropriations – 2/28/19
- SB486 voted favorable by Budget and Tax

**INVESTMENT RELATED BILLS**

**House Bill 75 (Grammer)**

**State Retirement and Pension System – Investment Management Fee Reporting**

This proposed legislation requires the Board of Trustees to include in its annual reporting of investment management fees to the General Assembly (1) fixed fees; (2) performance fees; (3) fees that are formally invoiced; and (4) fees that are not formally invoiced.

- Hearing held in Appropriations – 2/5/19

**Staff supported this bill with amendments. Investment Division staff reports that the Agency is currently reporting the information requested in this bill. However, the Investment Division staff pointed out we are currently not reporting the amount of carried interest paid to the System's investment managers each year. Therefore, we recommended amending this bill to remove the specific requirements it currently includes since that information is already being provided, and instead add the requirement that the Board report on carried interest. Staff has reached out to the sponsor to discuss this proposed amendment.**

**House Bill 821 (Barve)**

**State Retirement and Pension System - Investment Management Fees**

This proposed legislation would cap external investment management fees in a fiscal year to .45% of the market value of the fund on the last day of the fiscal year. This cap would not apply to investment manager agreements entered into on or before June 30, 2109. The bill prohibits the Board from entering into agreements on or after July 1, 2019 with external management services that would pay fees for unrealized investment gains. House Bill 821 also requires the Board to begin reporting the amount of carried interest paid by the System, annually. Finally, the bill includes language that states it is the intent of the General Assembly that the Board shall utilize low-fee, passive investment strategies in the management of system assets, consistent with its fiduciary responsibilities.

- Hearing held in Appropriations – 2/28/19

**Staff opposed this legislation. As drafted, provisions that address implementing a specified investment management fee cap and how it would be applied would not be administratively feasible for all investment management agreements to which the System is a party. Additionally, staff believes the bill should provide greater clarity with regard to the sponsor's intent when barring the Board from entering into agreements that would pay fees for unrealized investment gains. The bill also refers to "carried interest" as a fee. Typically, industry practice with regard to carried interest is to consider it as a share of profits among partners, and not a fee. It is unclear to staff as to whether the sponsor is aware of this distinction. While the sponsor's understanding of carried**

**interest would not necessarily present an issue for reporting purposes, it could create serious stress with regard to the asset classes that would be available to the Board for purposes of investing System assets. Limiting the asset classes available to the Board for investing purposes, ultimately, could create fiduciary issues inasmuch as the fund could be exposed to greater risk than necessary.**

## **CORRECTIONAL OFFICERS' RETIREMENT SYSTEM**

### **House Bill 29 (McCay)**

#### **Correctional Officers' Retirement System - Membership – Chaplains**

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed as prison chaplains in State correctional facilities, to become members of the CORS on July 1, 2019. All new employees in these positions would be members of the CORS.

- Hearing held in Appropriations – 1/29/19

**The Board opposed this legislation based on advice from the System's tax counsel who expressed concern that prison chaplains would not meet the definition of qualified public safety officers under proposed IRS regulations addressing normal service retirement age. Individuals who meet this definition are eligible for a 20 year retirement, regardless of age. Currently correctional officers in the CORS meet the definition of qualified public safety officers. The sponsor contends the chaplains are trained as correctional officers, and therefore would be eligible for this benefit. Staff is working with the sponsor and the Department of Public Safety and Correctional Services to determine if prison chaplains are trained as correctional officers.**

### **House Bill 283/Senate Bill 273 (Allegany County Delegation/Edwards)**

#### **Correctional Officers' Retirement System**

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed as office support staff, to become members of the CORS on July 1, 2019. All new employees in these positions would be members of the CORS.

- Hearing held in Appropriations – 2/12/19
- Hearing held in Budget and Tax – 2/14/19

**Staff opposed this legislation because they believe office support staff would not meet the definition of a qualified public safety officer under proposed IRS regulations addressing normal service retirement age. Accordingly, under these proposed IRS regulations, these individuals would not be eligible for a 20 year retirement regardless of age.**

**House Bill 1056/Senate Bill 636 (Queen Anne's County Delegation/Hershey)  
Correctional Officers' Retirement System - Queen Anne's County**

This proposed legislation provides that if Queen Anne's County joins the CORS, membership in the CORS will be mandatory for individuals who are detention center officers for Queen Anne's County before and through the effective date of Queen Anne's County's participation in the CORS. The bill further provides that these employees shall receive all creditable and eligibility service earned prior to joining the CORS.

- Hearing held in Appropriations – 2/28/19
- SB636 voted favorable by Budget and Tax

**Staff took no position on this legislation.**

**House Bill 1383 (Jackson)**

**Correctional Officers' Retirement System - Membership - Maintenance Employees**

This legislation would require employees of the Department of Public Safety and Correctional Services who are employed as prison maintenance officers in State correctional facilities, to become members of the CORS on July 1, 2019. All new employees in these positions would be members of the CORS.

- No hearing scheduled in Appropriations

**Staff will ask the System's tax counsel to determine if it believes prison maintenance offices would qualify as correctional officers under proposed IRS regulations addressing normal retirement age for public safety officers, including correctional officers. If tax counsel determines these individuals do not qualify, we recommend opposing this legislation inasmuch as they would not qualify for a 20 year retirement. However, if tax counsel determines they do qualify as correctional officers, we recommend taking no position as this would be an issue of plan design and benefit determination.**

**Senate Bill 454 (Guzzone)**

**Correctional Officers' Retirement System - Retirement - Eligibility and Allowance**

This proposed legislation applies to parole and probation officers who were required to move into the CORS through legislation enacted in 2017. This legislation would provide that any parole and probation officer who is not retired from the CORS and did not transfer their EPS or ERS service into the CORS in 2017, would be immediately vested in the CORS if their combined EPS/ERS and CORS service equaled at least 20 years of service. Additionally, the bill provides that the deficiency on any account for an parole and probation officer who did transfer service credit into the CORS, shall be removed from the member's account.

- Hearing held in Budget and Tax – 2/28/19

**Staff opposed this legislation. This bill only addresses individuals who have not left membership or retired since 2017. As drafted, this bill begs the question as to what would happen to these individuals and their benefits. If someone left service but did not transfer prior to leaving, is the Board now required to immediately vest these individuals if their combined service equals 20 years? What if the individual has already received a refund of their accumulated contributions from the CORS? Moreover, if individuals did transfer their service and have retired with a deficiency, is the Board required to remove their deficiency and adjust their benefit? Parole and probation agents are only one of several groups that have been moved into the CORS in the past three years. Will the other groups also be included in this legislation?.**

## MILITARY SERVICE BILLS

### House Bill 430 (Cox)

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

This proposed legislation would allow any member of the several systems who is currently receiving a military retirement to claim up to five years of military service in the plan in which they are a member. Currently, members are prohibited from making a claim for military service if they are receiving a benefit from any other pension system for that same service.

- Hearing held in Appropriations – 2/12/19

**Staff took no position on this legislation as it is a plan design and benefit determination matter.**

### House Bill 1133/Senate Bill 636 (Young/Peters)

#### Military Service Credit – Eligibility

This proposed legislation would allow any member of the CORS, LEOPS, or SPRS who is currently receiving a military retirement to claim up to five years of military service in the plan in which they are a member. Currently, members are prohibited from making a claim for military service if they are receiving a benefit from any other pension system for that same service.

- Hearing held in Appropriations – 2/28/19
- Hearing held in Budget and Tax – 2/28/19

**Staff took no position on this legislation as it is a plan design and benefit determination matter.**

## MISCELLANEOUS BILLS

### House Bill 94 (Rosenberg)

#### State Retirement and Pension System – Accidental Disability Application

This proposed legislation would allow one retiree who is currently receiving a service retirement allowance from the EPS to allow the member to apply for an accidental disability retirement. The bill provides that if the member is awarded an accidental disability it will begin on the first day of the month following the date the application was submitted.

- Voted unfavorable by Appropriations

**Staff opposed this legislation. Allowing a retiree to unwind his benefit for an opportunity to receive a disability retirement years after the retiree's retirement date, will set a precedent for any other retiree to ask for the same opportunity. Additionally, allowing a retiree to apply for disability years after receiving a service retirement will make it extremely difficult for the medical board to access the medical condition of the retiree at the time of the injury.**

**House Bill 1299 (Jackson)**

**Law Enforcement Officers' Pension System - Benefits**

This proposed legislation would increase the benefit multiplier in the LEOPS from 2% to 2.5%.

- No hearing scheduled in Appropriations

**Staff took no position on this legislation as it is a plan design and benefit determination matter.**

**House Bill 1379 (Barnes)**

**Optional Retirement Program - Membership**

This proposed legislation prohibits certain members of the EPS who satisfy certain requirements from participating in the ORP on or after February 1, 2015. Staff is aware of one individual who would be impacted by this legislation.

- Hearing scheduled in Appropriations – 3/5/19

**Staff is recommending taking no position on this legislation. This bill addresses benefit eligibility. As drafted, it does not present any legal issue with IRS rulings regarding plan elections.**

**Senate Bill 735 (Serafini)**

**State Employees and Teachers – Cash Balance Plan**

This proposed legislation would provide individuals employed by a participating employer of the EPS or TPS on or after July 1, 2020, with an election to join either the EPS/TPS or a cash balance. Individuals employed by a participating governmental unit in the System (regardless of start date) may not elect to participate in the cash balance plan. New employees of a participating employer hired on or after July 1, 2020 who would be eligible to elect to join the ORP, would also be eligible to elect to participate in 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%.

- Hearing held in Budget and Tax – 2/28/19

**Staff took no position on this legislation as it is a plan design and benefit determination matter. However, staff did submit informational testimony to the Committees regarding any changes to the implementation of the cash balance plan that tax counsel for the System may recommend and the financial impact such a plan would have on the System.**

**Senate Bill 913 (Beidle)**

**State Retirement and Pension System - Administration - Retiree Information for Direct Mailings**

This proposed legislation provides that retiree organizations may make up to two requests, annually, for assistance in performing direct mailings to retirees of the several systems who are members of the retiree

organization. These two requests may be made at any time throughout the year. Current law limits the two requests to April and October each year.

- Hearing scheduled in Budget and Tax – 3/14/19

**Staff took no position on this legislation inasmuch as it will not be an administrative burden to implement.**