

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

April 3, 2018

The Administrative Committee met in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:30 a.m.

The Trustees present included:

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

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

Melody Countess	Angie Jenkins	Harvey Raitzyk
Anne Gawthrop	Van Lewis	Ken Reott
Michael Golden	Kim O’Keeffe	David Rongione
Ira Greenstein	Chandra Puranam	

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: Will Morrow and James McKittrick

Minutes	On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee approved the March 6, 2018 open session meeting minutes.
2018 Legislative Bill Review	<p>Ms. Gawthrop provided the Committee an updated overview of the 2018 pension related legislation. See Attachment A.</p> <p>Ms. Gawthrop reported specifically on HB 1012/SB 899 – State Retirement and Pension System – Investment Division. Agency staff submitted several amendments to the bill, which were scheduled to be discussed that day before the legislature. The amendments would modify the Senate amendments creating an “Objective Criteria Committee” which was reported to the Board at its last meeting.</p>
Overview of the MPAS-3 (Participant Portal)	<p>Will Morrow from LRWL, project manager of the MPAS-3 project, presented the Committee with an overview of the Participant Portal (P2) of the project. Mr. Morrow reported that they are in the initial stages of the project, which will give participants access to basic information and features, with access to additional features as business processes are reengineered. Some of the basic features for members include:</p> <ul style="list-style-type: none">○ Participant prints income verification letter○ Member views account information○ Member creates a benefit estimate using their data○ Member designates beneficiaries○ Member changes address○ Payee views account information○ Payee views pay advice/history○ Payee changes address○ Payee changes tax withholding○ Payee changes EFT instructions○ Retiree changes beneficiaries

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Ms. Lochte asked how a participant could change their beneficiary on-line, if the Agency requires that the form be notarized.

Mr. Raitzyk responded that the MPAS-3 project team is looking into that issue. The member on-line authentication process which will verify the identity of the person gaining access, is critical to moving forward with certain features such as beneficiary changes. The beneficiary change transaction is a form for which regulations require notarization. Regulations must be changed to allow for submitting of beneficiary forms without requiring notarization in order to provide for on-line beneficiary changes. Therefore, the ability to change beneficiaries using an on-line feature may be delayed.

Mr. Morrow reported to the Committee on the authentication process, which would integrate commercial security products to ensure best practices and enhancements as threats change. Mr. Morrow reported that the participant, upon initial registration, would be challenged with a series of personal questions.

Ms. Brogan asked if there would be an app available to access the System.

Mr. Morrow responded that LRWL recommends using an adaptive website technology to navigate through functions. The adaptive website would adjust the format based on the device being used; therefore there is no need to re-write the software for an individual application.

Member Services
Update

Mr. Raitzyk reported that the Member Services unit had remained below the goals for the call abandonment rate and average call wait time until February 2018. The unit's call abandonment rate was 12.79% and the average speed of answer was 2:20 for the month of February.

The issues impacting February's service were the 1099-Rs that were mailed in January, weather-related liberal leave days, which delayed the opening of the phone lines and reduced staffing in the call center, and a number of Retirement Benefits Specialists receiving a new monitor and computer, taking them out of service for answering calls for a brief periods.

On a motion made by Ms. Hill and seconded by Mr. Nicole, the Administrative Committee voted to meet in a Closed Session beginning at 10:20 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. receiving the performance evaluation results of the Executive Director, pursuant 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.

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CLOSED SESSION

The Trustees present included:

James Harkins, Chairman (via phone)
Theresa Lochte, Vice Chairman, Presiding
Susanne Brogan (via phone)

Sheila Hill
Marc Nicole
Richard Norman

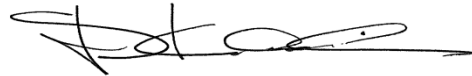
Other attendees included: Cindy Kollner

On a motion made by Mr. Norman and seconded by Mr. Nicole, the Administrative Committee returned to open session at 10:30 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

Adjournment

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

Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board

Legislative Update
2018 Session
April 3, 2018

BOARD REQUESTED LEGISLATION

1. House Bill 164/Senate Bill 176 (Barnes/Guzzone)

Judges' Retirement System - Mandatory Retirement Age - Clarification of Eligibility for Allowance

This Board requested legislation clarifies the eligibility for a retirement allowance for members of the JRS who reach the mandatory retirement age required by Article IV, § 3 of the Maryland Constitution and have less than 5 years of eligibility service.

- Returned passed

Board requested legislation

2. House Bill 1020/Senate Bill 178 (Barnes/Guzzone)

State Retirement and Pension System – Board of Trustees – Oath

This Board requested legislation alters from 10 to 30 days after the appointment or election of an individual to the Board of Trustees during which the individual is required to take the oath of office. The bill also clarifies that individuals appointed or elected to the Board take the constitutional oath required by Article I, § 9 of the Maryland Constitution and that such oath be taken before a clerk or deputy clerk of a circuit court.

- HB1020: Hearing scheduled in Appropriations – 2/22/18
- SB178: Hearing scheduled in Appropriations – 3/15/18

Board requested legislation

3. House Bill 1019/Senate Bill 699 (Barnes/Guzzone)

Alternate Contributory Pension Selection – Former Members – Member Contributions

This Board requested legislation requires that an individual who is an active members of the Reformed Contributory Pension Benefit in either the EPS or TPS, earn regular interest on any former member contributions in the Alternate Contributory Pension Selection that the member may have made if the member did not withdraw those former member contributions prior to joining the Reformed Contributory Pension Benefit.

- Returned passed

Board requested legislation

4. House Bill 1018/Senate Bill 784 (Barnes/Guzzone)

Pensions - Administrative and Operational Expenses - Limitation and Calculation

This Board requested legislation would expand the base upon which the Agency’s administrative and operating expense cap is calculated to include not just member payroll, but also retiree payroll, and former member projected payroll. Additionally, this legislation increases the Agency’s administrative and operating expense cap from .22% to .26% of this expanded payroll for fiscal years 2019 through fiscal 2022. However, this increase to the expense cap will only be increased if proposed legislation moving the Investment Division budget “off-budget” is passed by the legislature this session.

- Returned Passed

Board requested legislation.

5. House Bill 1012/Senate Bill 899

State Retirement and Pension System - Investment Division

This legislation requires the Board to adopt objective criteria for setting the qualifications and compensation of the Chief Investment Officer and the investment staff of the Investment Division. It also requires the Board to adopt objective criteria for granting financial incentives to investment staff in the Investment Division. The legislation authorizes the Board to determine and create the type and number of positions necessary for carrying out investment functions within the Investment Division. The funding for all positions, including financial incentives, and the operating expenses of the Investment Division are moved off budget and are to be paid for from the trust. The bill clarifies that the compensation of the Executive Director and non-Investment Division staff shall be as provided in the State budget. The bill also includes extensive and detailed reporting requirements to the General Assembly on a quarterly basis.

Senate Bill 899 was amended by the Senate to include provisions establishing an Objective Criteria Committee that on or before December 31, 2018, and at least once every 5 years thereafter, shall make recommendations to the Board establishing objective criteria for the compensation and financial incentives for the chief investment officer and the positions in the investment division. Additionally, as amended, Senate Bill 899 commits the \$75 million in reinvested savings over the next four years to 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.

- HB1012: Hearing scheduled in Budget and Tax – 3/22/18
- SB899: Hearing scheduled in Appropriations – 3/29/18

Board requested legislation.

INVESTMENTS

6. House Bill 993/Senate Bill 898 (Korman/Guzzone)

Maryland Pension Climate Change Risk Act

This legislation would require the Board of Trustees for the State Retirement and Pension System to amend its Investment Policy Manual (IPM) to include policies regarding the management of climate risks in the investment of System assets. Additionally, this bill requires the Board to conduct or commission a climate risk assessment of the investments of the several systems by

January 31, 2019 and every four years, thereafter. The Board is required to post a report about this assessment on its website.

- HB993: Hearing scheduled in Budget and Tax – 3/22/18
- SB898: Hearing scheduled in Budget and Tax – 2/22/18

Staff supported this legislation. Staff reviewed the requirements this bill would impose on the Investment Division and believe much of what is being requested the Division is already addressing. The requirements that the Investment Division is currently not performing would not be a hardship to the division to complete. Finally, the sponsor asked the Agency to review his draft prior to introducing the bill. Staff informed the sponsor of the issues we had with the draft, and the sponsor accepted all of the changes to his draft that staff recommended.

7. House Bill 1787 (Ali)

State Government - Prevention of Genocide and Crimes Against Humanity and the Commission on Genocide Prevention

This legislation requires the Board to direct the Investment Committee to ensure that any shares held by the System are voted in favor of shareholder resolutions that ask the company to adopt a policy of refusing to do business with governments engaged in genocide or crimes against humanity. The bill also requires the Investment Committee to report to the Board and the Treasurer each year regarding the use of shareholder advocacy with companies that System invests in to persuade those companies to adopt and implement a policy of refusing to do business with governments that engage in genocide or crimes against humanity.

- Currently assigned to House Rules

Staff recommends opposing this legislation based on provisions in the bill that are adverse to the Board's fiduciary duties and responsibilities.

CORRECTIONAL OFFICERS' RETIREMENT SYSTEM LEGISLATION

8. House Bill 36 (Jackson)

Correctional Officers' Retirement System - Membership

This proposed legislation would require employees of the Department of Juvenile Services who are employed in positions that would require them to work in State juvenile correctional facilities, to become members of the CORS on July 1, 2018. All new employees in these positions would be members of the CORS.

- Hearing scheduled in Appropriations – 2/8/18.

Staff provided informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff also reached out to the sponsor and employee organizations that are supporting this legislation.

9. House Bill 414 (Vogt)

Correctional Officers' Retirement System - Membership

This proposed legislation would require employees of the Department of Juvenile Services who are employed in positions that would require them to work in State juvenile correctional facilities, to become members of the CORS on July 1, 2018. All new employees in these positions would be members of the CORS.

- Hearing scheduled in Appropriations – 2/8/18.

Staff provided informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff also reached out to the sponsor and employee organizations that are supporting this legislation.

10. Senate Bill 510 (Guzzone)

Correctional Officers' Retirement System - Membership

This proposed legislation would require employees of the Department of Juvenile Services who are employed in positions that would require them to work in State juvenile correctional facilities, to become members of the CORS on July 1, 2018. All new employees in these positions would be members of the CORS.

- Hearing scheduled in Budget and Tax – 2/8/18.

Staff provided informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff also reached out to the sponsor and employee organizations that are supporting this legislation.

11. Senate Bill 63 (Chair, Budget and Taxation Committee (By Request – Departmental – Public Safety and Correctional Services))

Correctional Officers' Retirement System - Membership

This legislation would require parole and probation administrators, psychology services chiefs, or Correctional Maintenance Services Administrators to become members of the CORS on July 1, 2018. All new employees in these positions would be members of the CORS.

- Hearing scheduled in B&T - 1/25/18

Staff provided informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff also reached out to the sponsor and employee organizations that are supporting this legislation.

12. House Bill 354/Senate Bill 299 (Speaker/President)

Income Tax Subtraction Modification - Correctional Officers (Hometown Heroes Act of 2018)

House Bill 354 has two components. The first component would require employees of the Department of Juvenile Services who are employed in positions that would require them to work in State juvenile correctional facilities, to become members of the CORS on July 1, 2018. All new employees in these positions would be members of the CORS.

The second component would allow retirement income to qualify for the State pension exclusion if the individual is at least age 50 and the retirement income is attributable to employment as a correctional officer of the United States, the State, or a local jurisdiction. This expansion of the pension exclusion is phased in over two years, beginning with tax year 2019.

The Senate amended Senate Bill 299 to limit the bill to only a CORS membership bill, removing the tax provisions from the bill.

- HB354: Hearing scheduled in Ways and Means – 2/21/18
- SB299: Hearing scheduled in Appropriations – 3/29/18

With regard to the first component of the bill (now the entirety of SB299), staff provided informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff also reached out to the sponsor and employee organizations that are supporting this legislation.

Inasmuch as the second component of the bill does not impact the Agency or the fund, staff took no position on this piece of the legislation.

13. House Bill 1182/Senate Bill 988 (Beitzel/Edwards)

Correctional Officers' Retirement System – Membership

This proposed legislation would require employees of the Department of Public Safety and Correctional Services who are employed as correctional maintenance officer supervisors or managers to become members of the CORS on July 1, 2018. All new employees in these positions would be members of the CORS.

- HB1182: Hearing scheduled in Appropriations – 2/22/18
- SB988: Hearing scheduled in Budget and Tax – 2/22/18

Staff provided informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff also reached out to the sponsor and employee organizations that are supporting this legislation.

14. Senate Bill 620 (Klausmeier)

Correctional Officers' Retirement System – Former Baltimore City Jail Employees

This legislation would apply to an individual who when serving as a Baltimore City Jail employee elected to stay in the Baltimore City Employees' Retirement System and who later accepted employment with the State and is now a vested member of the CORS. This bill provides that individuals meeting those criteria would be entitled to combine their Baltimore City ERS service with their CORS service for purposes of reaching 20 years of eligibility service in the CORS.

- Hearing canceled in Budget and Tax

Staff recommends opposing this legislation. While staff is aware of only one individual that currently meets the criteria of this legislation, that individual is a retiree of the CORS and is seeking to have his creditable service adjusted to reflect his time with Baltimore City. The

Board has historically opposed any legislation that would amend an individual's service after the individual has retired.

PUBLIC SAFETY LEGISLATION

15. House Bill 1042 (Barnes)

Law Enforcement Officers' Pension System – Benefit Cap Increase

This legislation increases the maximum benefit a member of the LEOPS may earn as an active member of the plan from 60% to 65% of the member's average final compensation.

- Hearing scheduled in Budget and Tax – 3/22/18

Staff took no position on this legislation.

16. House Bill 1049/Senate Bill 895 (Barnes/Guzzone)

State Police Retirement System - Deferred Retirement Option Program – Alterations

These bills increase the maximum number of years of eligibility service that a member of the State Police Retirement System may have to participate in the Deferred Retirement Option Program (DROP) from 29 to 30. The legislation also increases the number of years that a member of the State Police Retirement System may participate in the DROP from four to five years.

- Returned Passed

Staff took no position on this legislation.

17. House Bill 1165/Senate Bill 378 (Young/DeGrange)

Military Service Credit – Eligibility

This legislation would remove the restriction to claim military service credit in either the SPRS, LEOPS, or CORS, if the member is already receiving or will receive a benefit on that same military service from another pension system.

- HB1165: Hearing scheduled in Appropriations – 2/22/18
- SB378: Hearing scheduled in Budget and Tax – 2/8/18

Staff took no position on this legislation.

PLAN CLOSURES

18. House Joint Resolution 7/Senate Joint Resolution 9 (Krebbs/Serafini) General Assembly Compensation Commission - Legislative Pension Plan - Closure to Current and Future Members

These resolutions would close the Legislative Pension Plan for all members on January 9, 2019.

- HJ7: Hearing scheduled in Rules and Executive Nominations – 2/26/18
- SJ9: Hearing cancelled in Budget and Tax

Staff is looking into whether this bill would present an impairment of contract issue for existing members of the Legislative Pension Plan. To the extent that it would, staff will address these issues with the House Rules and Executive Nominations Committee members and staff.

19. Senate Bill 31 (Bates)

State Retirement and Pension System - State Employees and Teachers - Benefits

This proposed legislation is a reintroduction from last session. It proposes to close 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, 2019. 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 that allows for employee contributions in accordance with the IRC. 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 B&T - 1/25/18

Staff submitted informational testimony on behalf of the Board, regarding any necessary changes relating to the implementation of the IPS and the financial impact such a plan would have on the System. Following the bill hearing, staff met with the sponsor to assist in drafting amendments to address the concerns raised in our testimony.

MISCELLANIOUS

20. House Bill 822 (Krimm)

Personnel and Pensions - Phased Retirement Plan - Development and Implementation

This legislation requires that on or before July 1, 2020, the Department of Budget and Management and the State Retirement Agency develop and, to the extent authorized under law, implement a certain phased retirement plan for certain eligible individuals. Additional reporting requirements are included in the bill that require DBM and the Agency to report to the budget committees and DLS on the progress of the development of this program.

- Hearing scheduled in Budget and Tax – 3/22/18

Staff provided informational testimony stating that staff does not foresee any issues in working with DBM to develop a phased retirement program for State employees and teachers.

21. House Bill 1625 (Miele)

Elected and Public Officials - Crimes - Pension Forfeiture (Clean Up Annapolis Act)

This legislation amends the existing forfeiture provisions to include certain State employees and the members of the LPP. House Bill 1625 also removes any discretion currently allowed by the courts to only have a portion of the member's pension forfeited. This discretion is based on the court weighing a number of factors included in the current forfeiture provisions. This bill also removes those factors.

- Hearing scheduled in Environment and Transportation - 3/6/18

Staff contacted the sponsor and committee staff regarding provisions of the bill that are unconstitutional.

22. Senate Bill 1252 (Peters)

Employees' and Teachers' Retirement and Pension Systems – Reemployment of Earnings Limitation

This legislation clarifies that a retiree of the Employees' or Teachers' Systems who is reemployed by the same employer from which the individual retired is not subject to a reemployment earnings limitation if the current employer is a unit of State government and compensation does not include any State funds. Individuals who retired on or after October 1, 1994, who were subsequently reemployed by the same employer and whose compensation did not include any State funds are entitled to a return of the earnings that were offset by Agency.

- Hearing scheduled in Appropriations – 3/29/18

Staff recommends taking no position on this legislation.