

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

March 18, 2014

The Board of Trustees for the Maryland State Retirement and Pension System met in the Board Room of the SunTrust Building, 120 East Baltimore Street, Baltimore, Maryland beginning at 9:35 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman (via phone)	James Harkins
Peter Franchot, Vice Chairman, presiding	Linda Herman (via phone)
David Blitzstein	F. Patrick Hughes
James Bush, Jr.	Major Morris Krome
John Douglass	Theresa Lochte
Robert Hagans	Harold Zirkin (via phone)
Kenneth Haines	Thurman Zollicoffer

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

Anne Budowski	Carla Foster	A. Melissa Moye
Robert Burd	Anne Gawthrop	Kim O'Keefe
Margaret Bury	Michael Golden	Kenneth Reott
Melody Countess	Ira Greenstein	Ben Robb
Brian Feilinger	Angie Jenkins	Fred Semko
Patricia Fitzhugh	Van Lewis	Charles So

Assistant Attorneys General present included: Deborah Bacharach, Kathy Brady, and Rachel Cohen.

Also attended by: John Kenney, Len Lazarick and Rick Norman.

Consent Agenda

On a motion made by Mr. Harkins and duly seconded, the Board approved the consent agenda, which included:

- February 18, 2014 Open Meeting Board Minutes
- February 18, 2014 Audit Committee Report
- February 18, 2014 Corporate Governance Report
- February 26, 2014 Investment Committee Report
- March 4, 2014 Administrative Committee Report

Mr. Bush abstained.

2014  
Legislative Update

Ms. Anne Gawthrop provided an update of the 2014 pension related legislation. *See Attachment A.*

Ms. Gawthrop reviewed the changes made by the Senate to the Budget Reconciliation and Financing Act of 2014 (SB172), including amendments to the schedule of payments of reinvested savings to the trust from fiscal 2014 through fiscal 2019 and provisions directing the Board of the Trustees to study and report to the General Assembly by January 1, 2015 on numerous factors that impact the employer contribution rate for the State Retirement and Pension System, including studying the effects of phasing out corridor funding, the change in the amount of reinvested savings received each year, and the System's investment performance as compared to other similar public pension systems.

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

March 18, 2014

On a motion made by Mr. Haines and seconded by Ms. Lochte, the Board approved the following 2014 legislative position:

House Bill 1483	State Retirement Contributory	No
/ Senate Bill	Employees' and Teachers' Pension	Position
1082	Systems – Prior Eligibility Service	

CIO Report

Dr. A. Melissa Moye noted that State Street is rerunning the reconciliation for February, so she could not present a report to the Board. However, a preliminary unaudited report shows that the total market value of the fund, as of the end of February, was \$43.9 Billion. Dr. Moye reported that there was a significant increase in global equity.

Overview of Benefits  
Administration

Ms. Margaret Bury introduced the following staff to the Board of Trustees: Charles So, Director of Benefits Processing, Carla Foster, Deputy Director of Benefits Processing, Fred Semko, Director of Data Control and Kim O'Keefe, Deputy Director of Data Control.

Ms. Bury presented to the Board an updated Benefits Administration Division FY2014 Performance Report.

The performance report provided highly detailed information regarding the staffing levels, major responsibilities, goals, backlogs and other statistics associated with each unit of the Benefits Administration Division as of February 2014.

Ms. Bury reported that the agency has 209 positions and that 105 of those positions are within the Benefits Administration Division.

Ms. Bury indicated that the Benefits Processing unit is processing between three thousand and thirty-five hundred retirement applications for a July 1, 2014 retirement date.

Ms. Bury also indicated that the division currently has twelve vacancies.

Mr. Hagans asked if the Agency could hire temporary labor to help with the division's backlog.

Ms. Bury responded that because the Agency administers twelve different retirement and pension systems and approximately fifty-one plans within those systems, temporary staff is not an option due to the complexity of rules in each system.

Ms. Bury also reported that the Agency submitted to the Department of Budget and Management, at the end of February, a request for five additional positions. To date, no response has been received.

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

March 18, 2014

Executive  
Director's  
Report

Mr. Kenderdine reminded the Board that the filing deadline for the Ethics (Financial Disclosure) reports is April 30, 2014.

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Mr. Kenderdine reminded the Board that the April Board of Trustees meeting will be held on Thursday, April 17, 2014, due to Passover.

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Mr. Kenderdine informed the Board that a mediation hearing was scheduled for March 19, 2014, in the overpayment case involving Coreta Osborne.

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Mr. Blitzstein requested that a copy of the draft agenda for the Board of Trustees education session be distributed to the Board.

**CLOSED SESSION**

On a motion made by Mr. Harkins and seconded by Mr. Hughes, the Board voted to meet in a Closed Session (10:30 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

1. approving the closed session minutes, pursuant to State Government Article § 10-503(a)(1)(i), the exercise of an administrative function;
2. reviewing the Medical Board reports, pursuant to State Government Article § 10-508(a)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter;
3. discussing the lease renewal provisions for office space located at 120 E. Baltimore Street, pursuant to State Gov't Art., Section 10-508(a)(3), to consider the acquisition of real property for a public purpose and matters directly related thereto;
4. reviewing a legal memo on Fiduciary Duty of Loyalty, pursuant to State Gov't Art., Section 10-508(a)(7), to obtain legal advice;
5. reviewing the compensation for the Deputy Chief Investment Officer and Managing Directors, in accordance with State Personnel and Pensions Art., Section 21-122(a)(2), pursuant to State Gov't Art., Section 10-508(a)(1)(ii), the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of appointees, employees, or officials over whom it has jurisdiction; and
6. discussing applying the salary setting guidelines to the new Managing Director position, in accordance with State Personnel and Pensions Art., Section 21-122(a)(2), pursuant to State Gov't Art., Section 10-508(a)(1)(ii), the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of

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

March 18, 2014

appointees, employees, or officials over whom it has jurisdiction.

The Trustees present included:

Nancy K. Kopp, Chairman (via phone)  
Peter Franchot, Vice Chairman, presiding  
David Blitzstein  
James Bush, Jr.  
John Douglass  
Robert Hagans  
Kenneth Haines

James Harkins  
Linda Herman (via phone)  
F. Patrick Hughes  
Major Morris Krome  
Theresa Lochte  
Harold Zirkin (via phone)  
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Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary

Anne Budowski  
Margaret Bury  
Melody Countess  
Brian Feilinger

Patricia Fitzhugh  
Anne Gawthrop  
Michael Golden  
Angie Jenkins

Van Lewis  
A. Melissa Moye  
Kenneth Reott

Assistant Attorneys General present included: Deborah Bacharach, Kathy Brady, Rachel Cohen, Carla Goldman Katzenberg and Jill Leiner.

Also attended by: John Kenney

**OPEN SESSION**

The Board returned to open session at 11:05 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street.

Regina E. Ellerbe

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Regina E. Ellerbe for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Ms. Ellerbe appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

William J. Foard

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of William J. Foard for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Robin R. Cockey, Esq., Mr. Foard's attorney, appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt

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

March 18, 2014

the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

Dante L. Davis

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Dante L. Davis for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Mr. Davis appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendations. Ms. Jill R. Leiner, attorney for the Agency, addressed the Board, and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

David L. Chambers,  
Sr.

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of David L. Chambers, Sr. for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Neither Mr. Chambers nor anyone authorized to represent Mr. Chambers appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

Pamela M. Brunner

The Board considered the recommendation of the Administrative Law Judge in connection with the claim of Pamela M. Brunner for ACCIDENTAL DISABILITY retirement benefits. The Administrative Law Judge's report, a report by the Medical Board, and all related documents submitted by the parties were presented.

Neither Ms. Brunner nor anyone authorized to represent Ms. Brunner appeared before the Board to oppose the Agency's position and the Administrative Law Judge's recommendation. Ms. Carla Goldman Katzenberg, attorney for the Agency, addressed the Board and argued that the Board should adopt the Administrative Law Judge's recommendations. Following discussion, the Board deferred further consideration to Closed Session.

**CLOSED SESSION – APPEALS AND HEARINGS**

On a motion made by Mr. Haines and duly seconded, the Board voted to meet in a Closed Session (12:15 a.m.) in the Board Room of the SunTrust Building at 120 East Baltimore Street for the purpose of:

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

March 18, 2014

1. considering the disability appeal pursuant to State Government Section 10-503(a)(1)(iii), the exercise of a quasi- judicial function.

The Trustees present included:

Peter Franchot, Vice Chairman, Presiding  
David Blitzstein  
John Douglass  
Robert Hagans  
Kenneth Haines

Major Morris Krome  
Theresa Lochte  
Harold Zirkin (via phone)  
Thurman Zollicoffer

Agency Staff members attending included: R. Dean Kenderdine, Executive Director\ Board Secretary  
Margaret Bury  
Angie Jenkins

Assistant Attorney General present included: Deborah Bacharach and Rachel Cohen.

Also attended by: John Kenney

**OPEN SESSION**

The Board reported that during the closed session the Board reviewed and decided on the following disability appeals:

**Regina E. Ellerbe**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Regina E. Ellerbe's request for accidental disability benefits.

**William J. Foard**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** William J. Foard's request for accidental disability benefits.

**Dante L. Davis**

The Board **Deferred** Mr. Davis' case to the next regularly scheduled meeting of the Board.

**David L. Chambers,  
Sr.**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** David L. Chamber's request for accidental disability benefits.

**Pamela M. Brunner**

The Board voted to **ADOPT** the Administrative Law Judge's Proposed Decision and **DENY** Pamela M. Brunner's request for accidental disability benefits.

Adjournment

There being no further business before the Board, the meeting adjourned at 12:30 p.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

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

**AUDIT COMMITTEE MEETING REPORT  
February 18, 2014**

Participating Employer Audits – Year-5 Results	<p>The Committee was provided with a report summarizing the results of the 52 participating employer audits that were completed by CliftonLarsonAllen on the Agency's behalf during Year-5 (CY 2013) of their contract.</p> <p>Mr. Feilinger briefly summarized the audit results. A comparison of the Year-5 results to the audits previously performed on the same employers in Year-2 of the contract showed similar results. The number of employers with reportable findings in the areas of employee enrollment and payroll reporting was about the same. There was a slight reduction to the number of employers with reportable findings in the area of sick leave reporting. For some locations, the audits identified instances where other leave was improperly included in the sick leave balances reported to the Agency.</p> <p>In response to a question from Mr. Hughes, Mr. Reott confirmed that Retirement Administration sends letters signed by Dean Kenderdine to the top officials of employers that have audit findings. Internal Audit sends letters to the officials of employers where no findings are reported. Mr. Reott further stated that some employers make immediate corrections, while others need to be asked repeatedly to make them.</p>
Derivatives Operational Audit	<p>The Committee received a memo from staff informing them that the Agency received no responses to its Request for Proposal (RFP), seeking an outside contractor to perform an operational audit of the Agency's processes related to derivative investments. The memo also stated that the RFP will be reissued shortly, with some modifications.</p>
CY 2014 Audit Committee Meeting Dates	<p>On a motion by Mr. Bush, and seconded by Major Krome, the Committee approved its next meeting date. The Committee will meet on Friday May 9<sup>th</sup>, following the regularly-scheduled Investment Committee meeting. Other 2014 meeting dates will be determined later.</p>
Designation for Open Meetings Act Training	<p>Mr. Feilinger informed the Committee that he had completed Open Meetings Act training as the Committee's representative.</p>
Audits in Progress	<p>The Committee was advised that the following audits are currently in progress:</p> <ul style="list-style-type: none"><li>• Administrative Fees;</li><li>• Annual PGU Billing (Follow-up); and</li><li>• Disaster Recovery.</li></ul> <p>The Committee will be provided with reports for these audits, upon completion.</p>

**BOARD OF TRUSTEES**  
**MARYLAND STATE RETIREMENT AND PENSION SYSTEM**  
**CORPORATE GOVERNANCE COMMITTEE MEETING REPORT**  
**February 18, 2014**

**Informational Items for the Board**

- The Committee unanimously accepted the minutes from the November 19, 2013 meeting.
- The Committee was updated on the upcoming Council of Institutional Investors Spring meeting that will be held in Washington, D.C. on May 7-9, 2014.
- The Committee discussed members' recent attendance of the Ceres Conference in New York on January 15, 2014 on climate change.
- The Committee discussed the Mercer Proposal – Phase 2 on climate change and asked Dr. Moye to review the proposal and provide a recommendation to the Committee. Dr. Moye reported that a question regarding climate risk was included in the General Consultant RFP.

**Recommended Action Items for the Board**

**Item #1:      Iran-Sudan Divestment Update and Review**

- The Committee received the semi-annual Iran/Sudan Divestment Analysis. They reviewed and discussed staff's recommendations to remove one company from the Restricted List. The Committee unanimously agreed to accept staff's recommendation to remove the following name from the Restricted List:

<p><b><u>REMOVE</u></b></p> <ul style="list-style-type: none"><li>• Gazprom OAO</li></ul>
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- **ACTION:**      To approve the Committee's recommendations as stated above.

**Item #2:      Proxy Voting Issues on Firearms**

- The Committee discussed the proxy voting policy on handguns and unanimously approved the recommendation that the System's current proxy voting policy on handguns be voted on a case-by-case basis.
- **ACTION:**      To approve the Committee's recommendation.



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

***INVESTMENT COMMITTEE MEETING REPORT  
February 26, 2014***

Minutes	On a motion that was made by Mr. Hagans and seconded by Mr. Hughes, the Investment Committee unanimously approved the November 8, 2013 open meeting minutes with the correction in meeting dates to November 14, 2013.
Public Member Position—Call for Nominations	Mr. Kenderdine stated that call for nominations had gone out for Public Advisor (Mr. Wayne Shaner) position that will expire on June 30, 2014. Mr. Kenderdine informed the committee that a number of recommendations have been received. Deadline for receiving nominations is Friday, March 1, 2014.
Report from CIO	The Committee received a performance update from the CIO as of December 31, 2013. The total fund performance for the quarter ending December 31, 2013 was 4.07%, exceeding the policy benchmark of 3.70%. The System's Net Asset Value is at 43.25 billion as of 12/31/13.

Performance number relative to benchmarks by asset class

Total Public Equity:

% Fund: 41.2%  
3 mos.: 7.61% →40 basis pts. over benchmark  
1 Year: 24.76% →195 basis pts. over benchmark

Total Fixed Income:

% Fund: 15.0%  
3 mos.: 0.34% →40 basis pts. over benchmark  
1 Year: -1.1% →39 basis pts. over benchmark

Total Credit/Debt Strategies

% Fund: 9.85%  
3 mos.: 2.47% →64 basis pts. over benchmark  
1 Year: 9.28% →723 basis pts. over benchmark

Total Real Estate:

% Fund: 5.92%  
3 mos.: 2.23% →27 basis pts. under benchmark  
1 Year: 10.18% →75 basis pts. under benchmark

Total Real Return:

% Fund: 11.59%  
3 mos.: -0.71% →59 basis pts. over benchmark  
1 Year: -3.74% →290 basis pts. over benchmark

Total Private Equity:

% Fund: 6.49%  
3 mos.: 7.54% → 219 basis pts. over benchmark  
1 Year: 18.12% →248 basis pts. over benchmark

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

***INVESTMENT COMMITTEE MEETING REPORT  
February 26, 2014***

Total Absolute Return:

% Fund: 8.22%

3 mos.: 2.06% → 139 basis pts. under benchmark

1 Year: 2.29% → 643 basis pts. under benchmark

Total Cash Aggregate:

% Fund: 1.77%

3 mos.: 0.02% → 1 basis pt. over benchmark

1 Year: 0.37% → 32 basis pts. over benchmark

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HEK Liquidity Analysis	Liquidity analysis discussion was covered in Item E below.
HEK Reports	Hewitt EnnisKnupp presented the December 31, 2013 performance update to the Committee. HEK also provided analysis of peer allocations, active management and liquidity.
Investment Reports	The Committee received the following investment reports: <ul style="list-style-type: none"><li>▪ State Street Performance Report</li><li>▪ Private Markets Performance Reports</li><li>▪ Securities Lending Report</li><li>▪ Division's FY14 Travel Plan – Update</li><li>▪ OPEB-PHBT Update</li><li>▪ Quarterly ORP Performance Report</li><li>▪ New Hire manager Report</li><li>▪ Investment Policy Manual</li></ul>
Closed Session	The Committee unanimously approved the November 8, 2013 and January 21, 2014 closed session minutes.
Adjournment	Meeting adjourned.

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT  
MARCH 4, 2014***

2014 Legislative  
Update

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

Ms. Anne Gawthrop provided the Committee an overview of the 2014 pension related legislation.

Ms. Gawthrop reported that the following bills had been withdrawn:

- House Bill 377 – State Retirement and Pension System – Department of Public Safety and Correctional Services Employees – Forfeiture of Retirement Benefits for Criminal Conviction.
- House Bill 1171 – State Retirement and Pension System – Correctional, Police, and Law Enforcement Officers – Forfeiture of Retirement Benefits for Criminal Conviction.
- Senate Bill 885 – State Pension System – Concessionaires and Other Private Entities – Participation

Ms. Gawthrop also reported on the following bills:

- House Bill 612/Senate Bill 575 – State Retirement and Pension System – Code Simplification and Clarification. This Board requested legislation passed out of the Senate on February 27 and out of Appropriations on February 28, 2014.
- House Bill 630/Senate Bill 576 – Teachers' Retirement and Pension System – Reemployment of Retirees – Penalty for Failure to Submit Certification. This Board requested legislation passed out of the Senate on February 14 and out of Appropriations on February 28, 2014.
- House Bill 1046 – City of College Park Employees – Participation in the Employees' Pension System. This legislation would permit the employees of the City of College Park to join the EPS as a participating governmental unit and will receive service credit in the EPS equal to 60% of the employee's service with the City of College Park. The costs are covered by the employer. This bill passed out of Appropriations on February 28, 2014.
- House Bill 1483/Senate Bill 1082 – State Retirement Contributory Employees' and Teachers' Pension Systems – Prior Eligibility Service. This legislation would authorize a member participating in the EPS or TPS Reformed Contributory Pension Benefit who has prior eligibility service in the EPS or TPS to combine that service with the member's prior service credit in the RCPB if the member was previously vested in the EPS or TPS and the member deposits the member contributions from the prior service credit into the annuity savings fund for the RCPB.

Ms. Gawthrop reported that staff recommends taking no position on this

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

**ADMINISTRATIVE COMMITTEE MEETING REPORT  
MARCH 4, 2014**

legislation.

On a motion made by Mr. Haines and seconded by Major Krome, the Board approved staff recommendations.

**Member Services  
Update**

Ms. Anne Budowski updated the Committee on the performance of the Member Services Unit.

Ms. Budowski reported that for the month of January 2014, the average call wait time was 188 seconds and the call abandonment rate was 9.65%, missing the goal by 3.65%.

Ms. Budowski reported that the unit's ability to meet its goal continues to be a challenge due to three retirement benefit specialist vacancies and an additional vacancy in its disability unit.

In addition to the vacancies, the unit's performance goal was impacted by an increase of phone calls resulting from the over 1200 letters being mailed to inactive members; additional telephone inquiries regarding 1099s and four liberal leave days in January, which resulted in staffing be minimal.

Ms. Bury indicated that the Mr. Kenderdine would be sending a memorandum to the Department of Budget and Management regarding the Agency's ability to hire.

**Finance Reports  
Quarter Ending  
December 31, 2013**

Ms. Melody Countess presented the FY2014 Non-Budgeted Investment Manager and Service Related Fees Report. Within the Equity asset class, the fees paid as a percentage of assets during the first and second quarters of FY2014 were slightly lower than the fees paid during FY2013. The Equity asset class had a decrease of 3.5 basis points. The Fixed Income asset class had an increase of 1.3 basis points. Fees incurred for investment related service providers had an overall decrease as a result of renegotiated fee structures.

Ms. Countess also presented the Administrative Expenses Report for period ending December 31, 2013. Ms. Countess indicated that the Agency has spent 47.2% of the appropriations to date, which is on target.

Major Krome questioned the negative balances concerning postage and actuarial services.

Mr. Van Lewis responded that the negative amount concerning actuarial services is what has already been encumbered, it reports the amount that has already been paid and what is anticipated. Mr. Lewis also responded that the postage amount is a little high because the postage has been purchased in advance to apply to the meter to have available through June 30, 2014.

Mr. Lewis reported that the MBE Performance ending December 31, 2013 was 27.12%. Mr. Lewis reported that if the Agency removed the disabled

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

***ADMINISTRATIVE COMMITTEE MEETING REPORT  
MARCH 4, 2014***

and certified non-profit awards from the reporting, the MBE performance would drop to 2.3%.

Mr. Harkins asked if the Agency has an outreach plan in place to keep the MBE performance numbers steady.

Mr. Lewis responded that the Agency did not have a plan in place because the Code of Maryland Regulations dictates a hierarchy of who the Agency can purchase services and commodities.

# ***ATTACHMENT A***

## **Legislative Update 2014 Session March 18, 2014**

### **House Bill 128 (Frank)/Senate Bill 188 (Brochin)**

#### **State Retirement and Pension System – Military Service Credit - Exception**

These bills provide that judges who are unable to serve 10 years on the bench due to mandatory retirement at age 70, may apply for up to five years of military service if that judge has accrued at least eight years of service credit in the Judges' Retirement System at the time the individual turns 70 and is required to retire from the JRS. These bills will sunset on June 30, 2015.

- Hearing in Appropriations – 2/11/14, 1:00 pm
- Hearing in Budget and Tax – 2/6/14, 9:00 am

**The board is taking no position on this legislation.**

### **House Bill 194 (Rosenberg)**

#### **Optional Retirement Program – Payment of Benefits – Criteria**

This legislation requires that benefits payable under the Optional Retirement Program begin at the earlier of the date when the participating employee separates from employment or reaches age 70 ½ .

- Voted unfavorable in Appropriations – 3/10/14

**The board is taking no position on this legislation.**

### **House Bill 231 (The Speaker (By Request - Governor's Salary Commission))/**

### **Senate Bill 235 (The President (By Request - Governor's Salary Commission))**

#### **Governor – Pension and Health Benefits**

These bills provide that an individual serving as Governor on or after January 21, 2015, is entitled to retiree health benefits upon retirement equal to 1/16<sup>th</sup> of the State subsidy allowed a state employee for each year served as Governor. In addition, these proposals increase the normal retirement age for an individual serving as Governor on or after January 21, 2015, from age 55 to age 62.

- Hearing in House Rules and Executive Nominations Committee – 2/24/14, 1:00 pm
- Hearing in Budget and Tax – 1/28/14, 1:45 pm

**The board is taking no position on this legislation.**

**House Bill 377 (Anderson)**

**State Retirement and Pension System – Department of Public Safety and Correctional Services Employees – Forfeiture of Retirement Benefits for Criminal Conviction**

House Bill 377 prohibits an employee of the Department of Public Safety and Correctional Services who commits a crime subject to a penalty of at least 1 year incarceration from receiving benefits under the CORS if the member is found guilty of the crime.

- Withdrawn

**House Bill 609 (Serafini)**

**Employees' Pension System – Cash Balance Plan**

This proposed legislation provides existing members of the EPS the option to terminate their membership in the EPS and begin participating in a cash balance plan. In addition, the proposed legislation also gives new employees who would otherwise be enrolled in the EPS as a condition of employment, the option to participate in a cash balance plan rather than the EPS.

- Voted unfavorable hearing in Appropriations – 2/11/14, 1:00 pm

**After review by the Board, written and oral testimony expressing concerns with the legislation were presented at the bill hearing before the House Appropriations Committee on February 11, 2014.**

**House Bill 612 (Griffith, as chair of the JCP)/Senate Bill 575 (Jones-Rodwell, as chair of the JCP)  
State Retirement and Pension System – Code Simplification and Clarification**

This is board requested legislation and is the code simplification bill making technical corrections to various sections of the State Personnel and Pensions Article. Specifically, this bill makes technical and clarifying changes to: (1) the provisions addressing reemployment of Local Fire and Police retirees; (2) provisions addressing LEOPS and SPRS DROP and special disability awards; (3) withdrawn contributions from the pension systems; (4) obsolete purchase of service credit provisions in the TPS; (5) interest earned on accumulated contributions for former non-vested members; (6) the rollover provisions as they address Roth IRAs; and (7) the 2011 pension reforms.

- No hearing scheduled in Budget and Tax at this time
- Hearing in Appropriations – 3/20/14, 1:00 pm

**Board Requested Legislation**

**House Bill 630 (Griffith, as chair of the JCP)/Senate Bill 576 (Jones-Rodwell, as chair of the JCP)  
Teachers' Retirement and Pension System – Reemployment of Retirees – Penalty for Failure to Submit Certification**

This is board requested legislation amends the penalty assessed on school systems for fail to report reemployed retirees who are eligible to participate in the retire/rehire program. The current amount of the penalty equals the amount of the earnings offset that would have been applied if the retiree was not eligible to participate. House Bill 630/Senate Bill 576 reduce this penalty to \$50/month not to exceed \$1,000 for each retiree that is eligible to participate in the program but is not reported by the school system.

- No hearing scheduled in Budget and Tax at this time
- Hearing in Appropriations – 3/20/14, 1:00 pm

**Board Requested Legislation**

**House Bill 655 (Barkley)**

**State Retirement and Pension System – Member Contribution Rate – Reduction**

House Bill 655 reduces the rate of member contributions for members of the Employees' Pension System, Teachers' Pension System, and Law Enforcement Officers' Pension System from 7% to 6% beginning July 1, 2014.

- Hearing in Appropriations – 2/18/14, 1:00 pm

**The Board is opposing this legislation.**

**House Bill 708 (Serafini)/Senate Bill 665 (Edwards)**

**Correctional Officers' Retirement System – Membership**

This proposed legislation alters membership in the CORS to include individuals who begin serving in positions as security chief, facility administrator, assistant warden, and warden on or after July 1, 2014. In addition, House Bill 708/Senate Bill 665 also provide that individuals currently serving in those positions and who are members of the EPS may elect to transfer to the CORS on or before December 31, 2014.

- Hearing in Appropriations – 2/25/14, 1:00 pm
- Hearing in Budget and Tax – 2/20/14, 8:30 am

**The Board is taking no position on this legislation.**



**House Bill 805 (Haddaway-Ricco)/Senate Bill 763 (Colburn)**

**Talbot County – Child Support Enforcement Administration – Transfer of Personnel**

These bills transfer the functions, powers, duties, and personnel of the Talbot County Department of Social Services Office of Child Support Enforcement to the Child Support Enforcement Administration on July 1, 2014. House Bill 805/Senate Bill 763 require that each transferred employee retain their service credit in the Employees' Pension System at the time of the transfer since current employees are already members of the EPS through their employment with Talbot County.

- Passed the House – 3/13/14
- Hearing in Appropriations – 3/20/14, 1:00 pm

**The Board is taking no position on this legislation.**

**House Bill 839 (Serafini)**

**Law Enforcement Officers' Pension System - Deferred Retirement Option Program - Expanded Eligibility**

This proposal would authorize members of LEOPS to participate in the DROP for 2 years if the member has at least 29 years and fewer than 34 years of creditable service. Currently, members of LEOPS may only participate in the DROP if they have less than 30 years of service.

- Hearing in Appropriations – 3/4/14, 1:00 pm

**The Board is taking no position on this legislation.**

**House Bill 1046 (Prince George's County Delegation)**

**City of College Park Employees – Participation in the Employees' Pension System**

This proposed legislation would permit the employees of the City of College Park to join the EPS as a participating governmental unit. The provisions of House Bill 1046 provide that current employees of the City of College Park will receive service credit in the EPS equal to 60% of the employee's service with the City of College Park.

- Passed the House – 3/6/14

**The Board is taking no position on this legislation.**

**House Bill 1047 (Prince George's County Delegation)**

**Employees' Pension System – Prince George's County – Optional Membership**

This legislation provides that certain Prince George's County elected or appointed officials may elect to join the Employees' Pension System. House Bill 1047 also clarifies that membership is mandatory for certain Prince George's County elected or appointed officials who are already enrolled in the EPS.

- Passed the House – 3/14/14

**The Board is taking no position on this legislation.**

**House Bill 1171 (Carter)**

**State Retirement and Pension System – Correctional, Police, and Law Enforcement Officers – Forfeiture of Retirement Benefits for Criminal Conviction**

House Bill 1171 prohibits public safety employees of the State who commits a crime subject to a penalty of at least 1 year incarceration from receiving benefits under their respective pension or retirement systems if the member is found guilty of the crime.

- Withdrawn

**House Bill 1201(Smigel)/Senate Bill 403 (Kelley)**

**State and Local Retirement and Pension Systems – Assignment of Benefits to Trust for Disabled Individuals**

House Bill 1201/Senate Bill 403 provide that a retiree or beneficiary of one of the several systems or any local system throughout the state may have their retirement allowance assigned to a special needs trust established for their benefit. The Board of Trustee is responsible for ensuring that the trust document submitted on behalf of a retiree or beneficiary of one of the several systems establishes a valid trust.

- Voted unfavorable by Appropriations – 3/10/14
- Voted unfavorable by Budget and Tax – 3/12/14

**The Board is opposing this legislation, but also recommends to the legislature that the issue be given further review over the 2014 interim to address legal and administrative concerns.**

**House Bill 1209 (DeBoy)/Senate Bill 916 (Peters)**

**State Retirement and Pension System – Parole and Probation Employees – Membership in Correctional Officers’ Retirement System**

This proposed legislation would transfer parole and probation employees who are currently members of the EPS into the CORS.

- Voted unfavorable by Appropriations – 3/10/14
- Hearing in Budget and Tax – 3/6/14, 8:30 am

**The Board is taking no position on this legislation.**

**House Bill 1251 (Hucker)/Senate Bill 921 (Rosapepe)**

**Maryland Secure Choice Retirement Savings Program and Trust**

This proposal establishes a Maryland Secure Choice Retirement Savings Trust intended to promote greater retirement savings for Maryland private sector employees in a convenient, voluntary, low-cost, and portable manner. The Trust is managed by a board of eight individuals, including the Treasurer, the Comptroller, the Secretary of Budget and Management, and five individuals appointed by the Governor. The funds of the Trust may be invested by the Treasurer, through a contract with the Board of Trustees for the State Retirement and Pension System, or private money managers. The bill provides that private sector employers shall offer their employees the option to participate in a payroll-deposit IRA arrangement. For the first three months, employer participation in this program is optional. Beginning at the start of the fourth month, and every three months thereafter, employer participation is mandatory depending on the number of employees each eligible employer has employed. Full participation is mandated by the ninth month of the program's inception.

- Hearing in Economic Matters – 3/4/14, 1:00 pm
- Hearing in Budget and Tax – 2/20, 8:30 am

**The Board is taking no position on this legislation**

**House Bill 1274 (Cluster)**

**Correctional Services – Baltimore City Detention Center – Transfer of Ownership**

House Bill 1274 transfers ownership of the Baltimore city Detention Center from the State to Baltimore City beginning January 1, 2015. All current employees of the Baltimore City Detention Center will be terminated from State employment on December 31, 2014. The Mayor for Baltimore City will have the option to hire these same individuals. Current employees of the Baltimore City Detention Center will have the option to remain in the CORS or join the Baltimore City Employees' Retirement System. For those employees who remain in the CORS, Baltimore City will be responsible for submitting the employer contributions for these individuals to the State.

- Hearing in Appropriations– 3/6/14, 1:00 pm

**The Board is taking no position on this legislation**

**House Bill 1483 (Hucker)/Senate Bill 1082 (Madaleno)**

**State Retirement Contributory Employees' and Teachers' Pension Systems – Prior Eligibility Service**

These proposals would authorize a member participating in the EPS or TPS Reformed Contributory Pension Benefit who has prior eligibility service in the EPS or TPS to combine that service with the member's prior service credit in the RCPB if the member was previously vested in the EPS or TPS and the member deposits the member contributions from the prior service credit into the annuity savings fund for the RCPB.

- No hearing scheduled in Appropriations at this time
- Hearing in Budget and Tax – 3/12/14, 8:30 am

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

**House Joint Resolution 1 (Serafini)**

**General Assembly Compensation Commission – Recommendations – Employees’ Pension System**

This resolution rejects all recommendations made by the General Assembly Compensation Commission in its 2014 Resolution to the General Assembly, including those recommendations addressing legislative salaries and retirement benefits. In addition, House Joint Resolution 1 provides that beginning January 14, 2015, every member of the General Assembly shall become a member of the Employees’ Pension System. Members of the General Assembly who are enrolled in the Legislative Pension Plan before January 14, 2015, and have 8 or more years of service as of that date will receive a benefit from the Legislative Pension Plan based on that service and may not transfer that service into the Employees’ Pension System. Members of the General Assembly who are enrolled in the Legislative Pension Plan before January 14, 2015, and have less than 8 years of service as of that date may purchase the additional years needed to reach 8 years, receive a refund of their employee contributions from the Legislative Pension Plan, or transfer their service credit from the Legislative Pension Plan to the Employees’ Pension System.

- Hearing in House Rules and Executive Nominations Committee – 2/24/14, 1:00 pm

**The board is taking no position on this legislation.**

**Senate Bill 885 (Jones-Rodwell)**

**State Pension System – Concessionaires and Other Private Entities – Participation**

Senate Bill 885 requires that a concessionaire or other private entity that performs services under a public-private partnership that includes activities related to a transit facility and the employees of the concessionaire or other private entity to participate in the EPS.

- Withdrawn

**Senate Bill 939 (Shank)**

**State Retirement and Pension System - Service Credit for Leave of Absence – Extension of Purchase Period**

This proposed legislation authorizes the Executive Director of the State Retirement Agency under certain circumstances to extend the period of time during which members of the State Retirement and Pension System who are separated from employment may purchase service credit for a leave of absence if the purchased service credit would allow the member to meet the eligibility service requirements to apply for an ordinary disability retirement.

- Hearing in Budget and Tax – 3/12/14, 8:30 am

**The board is taking no position on this legislation.**