

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

March 20, 2018

The Board of Trustees for the Maryland State Retirement and Pension System convened at the Board Room of the SunTrust Building, 120 East Baltimore Street, 16th Floor Board Room, Baltimore, Maryland beginning at 9:32 a.m.

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding (via phone)	Sheila Hill
Peter Franchot, Vice Chairman (via phone)	Charles Johnson (via phone)
David Brinkley	Theresa Lochte (via phone)
David Hamilton (via phone)	Richard Norman (via phone)
James Harkins (via phone)	Douglas Prouty (via phone)
Linda Herman (via phone)	Michael Stafford (via phone)

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

Robert Burd	Angie Jenkins	Ben Robb
Melody Countess	Van Lewis	David Rongione
Anne Gawthrop	Kim O’Keeffe	Janet Sirkis
Michael Golden	Andrew Palmer	Toni Voglino
Ira Greenstein	Harvey Raitzyk	

Assistant Attorneys General present included: Rachel Cohen, Jody Shaw and Kathleen Wherthey (via phone)

Other attendees included: Susanne Brogan (via phone), John Kenney (via phone) and Jennifer O’Dell

Consent Agenda

Ms. Lochte requested that page 5 of the February 20, 2018 Board of Trustees open meeting minutes be corrected to reflect that the Maryland State Education Association (MSEA) and not the Maryland Retired School Personnel Association (MRSPA), testified in support of the investment staffing legislation, as the minutes indicate. MRSPA wrote letters in support of the legislation.

On a motion made by Ms. Hill and seconded by Ms. Lochte, the Board approved the consent agenda, which included:

- February 20, 2018 Open Meeting Board Minutes, as amended
- February 20, 2018 Corporate Governance Committee Meeting Summary
- March 6, 2018 Administrative Committee Meeting Summary

Recommendation of the Corporate Governance Committee regarding Changes to the System’s Proxy Voting Guidelines in the Investment Policy Manual

Ms. Toni Voglino reported that the Corporate Governance Committee at its February 20, 2018 meeting, reviewed and approved, for recommendation to the Board, amendments to the Investment Policy Manual (IPM) concerning proxy voting guidelines. The Board was provided with a red-lined version of the recommended changes.

On a motion made by Mr. Prouty and seconded by Secretary Brinkley, the Board voted and approved the recommendation of the Corporate Governance Committee regarding changes to the Investment Policy Manual and the proxy voting guidelines. Mr. Hamilton opposed the motion.

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Recommendation
of the Corporate
Governance
Committee
regarding
Changes to the
Investment Policy
Manual
concerning
Advocacy Letters

Ms. Voglino reported that the Corporate Governance Committee at its February 20, 2018 meeting, reviewed and approved, for recommendation to the Board, amendments to the Investment Policy Manual (IPM) concerning advocacy letters. The Board was provided with a red-lined version of the recommended changes.

On a motion made by Mr. Prouty and seconded by Mr. Norman, the Board voted and approved the recommendation of the Corporate Governance Committee regarding changes to the Investment Policy Manual concerning Advocacy Letters.

2018 Legislative
Update

Ms. Anne Gawthrop provided the Board of Trustees an update of the 2018 pension related legislation. See Attachment A.

Ms. Gawthrop reported that HB 1012/SB 899 (State Retirement and Pension System - Investment Division) was amended by the Senate to include provisions establishing an Objective Criteria Committee that would on or before December 31, 2018, and at least once every 5 years thereafter, make recommendations to the Board establishing objective criteria for the compensation and financial incentives for the chief investment officer and 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, venture capital in the State.

Ms. Gawthrop commented that she feels that the House would be receptive to the amendment that members of the Objective Criteria Committee be fiduciaries of the Committee.

Treasurer Kopp asked if the requirements of the bill related to the reinvested savings fit in with the Investment portfolio.

Mr. Palmer responded that it will be a challenge as the System has invested less than \$5 million so far in the Maryland Innovation Opportunity Fund and it will be difficult to accelerate the pace of investment and remain competitive with competing venture capital investments from a return and risk perspective. However, given time, the additional resources contemplated by the bill, and the ability to maintain a fiduciary lens, staff should be able to be responsive to the amendment.

Ms. Gawthrop reported on the following bills that had been introduced since the Board last met:

HB 1784	State Government – Prevention of Genocide and Crimes Against Humanity and the Commission on Genocide Prevention	Staff recommends opposing this legislation based on provisions in the bill are adverse to the Board's fiduciary duties and responsibilities.
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- HB 1625 Elected and Public Officials – Crimes – Pension Forfeiture (Clean Up Annapolis Act) – Staff recommends taking no position on this legislation. Staff contacted the sponsor and committee staff regarding provisions of the bill that are unconstitutional.
- SB 1252 Employees’ and Teachers’ Retirement and Pension Systems – Reemployment Earnings Limitation – Staff recommends taking no position on this legislation.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Board approved staff’s recommendations regarding this legislation.

On a motion made by Secretary Brinkley and seconded by Ms. Hill, the Board of Trustees approved the following election schedule for the Active Employees’ Systems Representative.

Trustee Election
Schedule – Active
Employees’
Systems
Representative

April 1, 2018 through April 30, 2018	An eligible voter may obtain a nomination form from the Executive Director.
June 15, 2018	Completed nomination forms must be submitted to the Executive Director by an eligible voter by 4:30 p.m.
June 20, 2018	Executive Director certifies that an eligible voter satisfies the conditions set forth in 22.03.01.06 of the Board of Trustees’ Regulations ¹
August 1, 2018 ²	Mailing of election materials to eligible voters, including candidate biographies and personal identification numbers for internet and IVR (telephone) access.
August 2, 2018 ²	IVR (telephone) and website (internet) open for voting.
September 4, 2018	Last date for voting. Deadline is 4:30 p.m.
September 18, 2018 ²	Executive Director announces election results at the July Board of Trustees meeting.
¹ If the Executive Director determines that only one eligible voter may be placed on the ballot as a candidate, in accordance with COMAR 22.03.01.06B, the eligible voter shall be considered nominated to serve as Trustee. The Executive Director shall discontinue the election process and report the results to the Board of Trustees, which shall certify and publish the results of the election and direct the Executive Director to notify the candidate. ² Date subject to change based on final arrangements reached with the vendor.	

Status Report on
Benefits
Administration

Harvey Raitzyk presented to the Board of Trustees a performance report as of February 2018, which gave a detailed overview of the Benefits Administration unit, including information on the Agency’s MPAS project. Mr. Raitzyk reported that MPAS-3, the final phase of the project, has begun.

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Secretary Brinkley asked, regarding legislation pending before the General Assembly which moves up the date for closing the so-called Medicare “donut-hole”, if there was any prohibition preventing the State Retirement Agency to share information from its participant database with the Department of Budget and Management (DBM) so that it could contact those who may be impacted.

Ms. Cohen responded that generally, retiree records are confidential under the Public Information Act; but that she would look into the issue further with regard to this request.

Treasurer Kopp thanked Mr. Raitzyk and staff for their hard work on the MPAS project thus far and asked if the Board could help in any way to support the expedition of MPAS-3.

Mr. Raitzyk responded that SRA staff and the vendor are currently working on the first phase of MPAS-3, which is the construction of the member access portal.

Mr. Kenderdine further responded that Mr. Will Morrow, project manager, will present a schedule, for the member access portal, at the April Administrative Committee meeting.

Mr. Raitzyk commented that challenge for the Agency with MPAS-3, will be in the testing phase of each project within MPAS-3, as it will require pulling from in-house resources, and this could result in units not meeting the Agency’s performance goals.

Chief Investment
Officer’s Report

Andrew Palmer provided the Board with a summary of the fund as of February, 2018, which indicated that the total fund value was \$51.8 billion. Mr. Palmer reported that the fund return was negative 2.18% for the month.

Mr. Palmer reported that as of March 19, 2018, the fiscal-year-to-date return increased from 7.3% to 7.6%.

Executive
Director’s Report

Mr. Kenderdine acknowledged and thanked Comptroller Franchot and his staff for allowing the Agency to publish an announcement, within the Comptroller’s annual unclaimed property publication. Mr. Kenderdine reported that the announcement provides a three-step process for former non-vested Maryland public employees and teachers to determine if they have any funds owed to them by the Maryland State Retirement and Pension System and how to claim them.

Mr. Kenderdine reported that the Agency has successfully procured the services of Digital Deployment to help in the re-design of the Agency’s public website. Digital Deployment has experience with public pension plans, specifically the California Teachers’ Retirement System and the New York City Employees’ System.

Mr. Kenderdine reported that the Agency has received three bids on the Board Governance Consulting procurement and that we are in the process of receiving the best and final offers (BAFOs) from the bidders.

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

1. reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
2. reviewing the Medical Board reports regarding individual participants' claims for disability retirement benefits, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific constitutional, statutory, or judicially imposed requirement that prevents public disclosures about a particular proceeding or matter namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records, and General Provisions Art., § 4-329 regarding the prohibition on disclosing medical and personal information; and
3. discussing the compensation of the Senior Investment Staff, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction.

CLOSED SESSION

The Trustees present included:

Nancy K. Kopp, Chairman, Presiding (via phone)	Sheila Hill
Peter Franchot, Vice Chairman (via phone)	Charles Johnson (via phone)
David Brinkley	Theresa Lochte (via phone)
David Hamilton (via phone)	Richard Norman (via phone)
James Harkins (via phone)	Douglas Prouty (via phone)
Linda Herman (via phone)	Michael Stafford (via phone)

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary Robert Burd and Andrew Palmer

Other attendees included: Susanne Brogan (via phone) and John Kenney (via phone).

On a motion made by Secretary Brinkley and seconded by Ms. Hill, the Board returned to open session at 10:25 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Board of Trustees discussed and took action on the following matters:

Closed Session Minutes	The Board reviewed and approved the February 20, 2018 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from February 21, March 1, March 7 and March 15, 2018.
Senior Investment Staff Compensation	The Board reviewed and approved the recommended modifications to the base salaries of certain Managing Directors within the Investment Division.

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Adjournment

There being no further business before the Board, on a motion made by Ms. Hill and seconded by Mr. Norman, the meeting adjourned at 10:25 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'R. Dean Kenderdine', written in a cursive style.

R. Dean Kenderdine
Secretary to the Board

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

**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
February 20, 2018**

Update and
Review of Iran-
Sudan
Divestment

The Committee considered staff's recommendation to approve the proposed Iran and Sudan Restricted List. Ms. Voglino informed the Committee that one company, ASEC Co. for Mining, is recommended for removal from the Restricted List. ASEC Co. for Mining was previously on the Restricted List due to its involvement in mineral extraction activities in Sudan. However, due to an expired contract, the company is no longer involved in mineral extraction activities in Sudan and therefore no longer meets the divestment requirements of Maryland law. Ms. Voglino further detailed that one company, CNOOC Curtis Funding, is a recommended addition to the Restricted List. CNOOC Curtis Funding is a wholly owned subsidiary of China National Offshore Oil, a Chinese state-owned company that has over \$20 million investment in oil in Iran. Maryland law requires that any wholly owned subsidiary of a company that meets the divestment requirements of the law, is also subject to divestment. Ms. Voglino confirmed that all 20 companies on the proposed Iran-Sudan Restricted List currently meet the requirements of the Maryland Iran-Sudan divestment statute SPP 21-123.1.

Ms. Voglino provided the semi-annual Iran & Sudan Divestment Impact Analysis to the Committee as prepared by Meketa Investment Group, the System's general investment consultant. The report provided an updated analysis of all companies on the proposed Iran-Sudan Restricted List and the divestment impact regarding these companies. The report indicated that the impact to the portfolio due to divestment of the companies on the proposed Restricted List is minimal.

On a motion by Mr. Johnson and seconded by Ms. Kopp, the Committee unanimously agreed to approve staff's recommendation of the Iran-Sudan Restricted List, and to recommend the list, set forth below, to the Board of Trustees for approval at their meeting on March 20, 2018.

ISSUER NAME	Country	Sudan or Iran
AviChina Industry & Technology Company Limited	China	Sudan
Bharat Heavy Electricals Limited	India	Sudan
China National Petroleum Corporation (PetroChina Co)	China	Both
Daelim Industrial Co.,Ltd.	Korea	Iran
El Sewedy Electric Co. SAE	Egypt	Sudan
Energy House Holding Company	Kuwait	Sudan
Harbin Power Equipment Co., Ltd	China	Sudan
Jiangxi Hongdu Aviation Industry Co., Ltd.	China	Sudan
Kuwait Finance House K.S.C.	Kuwait	Sudan
LS Industrial Systems Co., Ltd	Korea	Sudan
Managem S.A.	Morocco	Sudan
Oil and Natural Gas Corporation Limited	India	Sudan
Oil India Ltd.	India	Sudan
ONGC Videsh Limited	India	Sudan
Orca Gold Inc.	Canada	Sudan
Petroliam Nasional Berhad (Petronas)	Malaysia	Sudan
Petronas Capital Limited	Malaysia	Sudan
Petronas Global Sukuk Ltd	Malaysia	Sudan
Schneider Electric S.A.	France	Sudan
CNOOC Curtis Funding NO.1 PTY LTD	Australia	Iran

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**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
February 20, 2018**

Review and
Update of
Proxy Voting
Guidelines

**THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE
CONSENT AGENDA IN OPEN SESSION**

The Committee reviewed staff's memorandum outlining four recommended changes to the System's proxy voting guidelines, which was presented to the Committee by Ms. Voglino, along with Mr. Garcia and Ms. Kuhns from ISS (Institutional Shareholder Services).

Ms. Voglino explained a recommendation to alter the System's proxy guideline related to director elections and poison pills. The recommendation was to clarify that the System would vote against directors if a board put in place a poison pill without shareholder approval until the board either removed the poison pill or received shareholder approval and vote on a case-by-case basis for nominees if the board put in a place a poison pill with a term of one year or less. The second recommendation explained by Ms. Voglino was to add a policy outlining that the System would vote against compensation committee members, or in rare cases the full board, if the company failed to include a say-on-pay or a say-on-pay frequency vote on the proxy ballot. The third recommendation explained by Ms. Voglino was to clarify that the System's policy to vote against directors in elections for not attending at least 75% of meetings would not apply to new director nominees. The last recommendation explained by Ms. Voglino was an addition to the policy and related to gender diversity. Ms. Voglino recommended adding a policy to vote case-by-case on proxy proposals that request reports on a company's pay data by gender, or a report on a company's policies and goals to reduce gender pay gaps. Consideration regarding a company's current policies, disclosures, and practices, any pay gap issues, and peer comparisons will be taken. After discussion by the Committee on the specific proxy topics and suggested changes, the Committee considered the recommendations to alter the language of four of the proxy voting guidelines within the Investment Policy Manual.

On a motion by Mr. Johnson, and seconded by Ms. Kopp, the Committee voted, all in favor, to approve staff's recommended changes to the System's proxy voting guidelines in the Investment Policy Manual as outlined in the memorandum.

The proxy voting guideline changes approved by the Committee will be presented at the Board of Trustees meeting on March 20, 2018, for approval.

Update of the
Investment
Policy Manual

**THIS MATTER WILL BE DISCUSSED AND VOTED ON OUTSIDE OF THE
CONSENT AGENDA IN OPEN SESSION**

The Committee reviewed staff's memorandum and the related excerpt from the Investment Policy Manual outlining the recommended changes to the System's Investment Policy Manual. Ms. Voglino discussed the recommendation and explained that the proposed change to the policy would allow the Chairman of the Board of Trustees, in addition to the already noted Executive Director, to sign-on to advocacy letter, on behalf of the Board, if the governance topic of the letter was in agreement with the System's policies. The policy to notify the Board of any action taken in regards to advocacy letters remains in place.

**BOARD OF TRUSTEES
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**CORPORATE GOVERNANCE COMMITTEE MEETING SUMMARY
February 20, 2018**

On a motion by Mr. Johnson, and seconded by Ms. Kopp, the Committee voted, all in favor, to approve staff's recommended changes to the System's Investment Policy Manual as outlined in the memorandum.

The Investment Policy Manual changes approved by the Corporate Governance Committee will be presented at the Board of Trustees meeting on March 20, 2018, for approval.

Proxy Voting
Agent Contract
Renewal

The Committee considered staff's recommendation to exercise the System's last of two one-year extension options for ISS. Ms. Voglino detailed that the contract for proxy voting services is due to expire June 30, 2018 and the System has the choice to either renew the contract for one year or solicit bids through the Request for Proposal (RFP) process.

On a motion by Mr. Johnson and seconded by Ms. Kopp, the Committee unanimously agreed to approve staff's recommendation to extend the contract with ISS for proxy voting services through June 30, 2019.

Iran and Sudan
Data Contract
Renewal

The Committee considered staff's recommendation to exercise the System's last of two one-year extension options for MSCI ESG. Ms. Voglino detailed that the contract for Iran-Sudan research and data feed services is due to expire June 30, 2018 and the System has the choice to either renew the contract for one year or solicit bids through the Request for Proposal (RFP) process.

On a motion by Ms. Kopp and seconded by Mr. Johnson, the Committee unanimously agreed to approve staff's recommendation to extend the contract with MSCI ESG for Iran-Sudan research and data feed services through June 30, 2019.

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

**ADMINISTRATIVE COMMITTEE MEETING SUMMARY
MARCH 6, 2018**

2018 Legislative Review	THIS MATTER WILL BE DISCUSSED OUTSIDE OF THE CONSENT AGENDA IN OPEN SESSION.
	Ms. Anne Gawthrop provided the Committee an updated overview of the 2018 pension related legislation introduced to the General Assembly to date.
Member Services Update	Mr. Raitzyk reported that the Member Services unit was able to meet its performance goals for January 2018 under the FY18 goals, but would not have been able to meet the performance goals under the previous FY17 threshold. The unit's call abandonment rate was 6.67% and the average speed of answer was 1:09. Mr. Raitzyk reported that the heavier call volume was due to the Agency's distribution of 1099Rs to retirees, and typical for this time of year.
Finance Reports	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 FY2018 and provided a discussion for several line items in the Agency's budget.
	Mr. Kenderdine reported that a five-year contract for custodial banking services, with an option to extend the contract up to an additional four years, has been signed with State Street Bank and Trust Company. The contract took effect on March 1, 2018.
	Ms. Countess reported that the Agency, as of December 31, 2017, has expended/encumbered thirty-eight percent of its appropriation.
	Ms. Lochte asked if fringe benefits were directly related to salaries.
	Mr. Lewis responded that some fringe benefits, like social security benefits, are calculated by salary, but others, such as healthcare costs, are not.
	Mr. Norman commented that, according to his calculations, after the \$1.3 million is applied to the MPAS-3 project, the Agency should have a surplus of approximately \$600,000 and asked if that was correct.
	Mr. Lewis responded that from the \$1.9 million surplus, attributed to the custodial banking contract, the Agency will apply \$1.3 million to the MPAS-3 project, as requested by the Department of Budget and Management. In addition, the remaining funds will be reduced by \$186,000 to reflect health insurance savings due to two additional payroll health deduction holidays approved by the Governor's budget bill. Therefore, the Agency calculates its end-of-year surplus to be approximately \$402,000.
	Mr. Lewis presented the MBE Performance Report for the quarter ending December 31, 2017. Mr. Lewis reported that MBE performance was 30.53%, with the majority of MBE awards going to women owned businesses. Mr. Lewis reported that the MBE performance remains within the Governor's participation goal of 29%.

**Legislative Update
2018 Session
March 20, 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.

- HB164: Hearing scheduled in Budget and Tax – 3/22/18
- SB176: Hearing cancelled

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.

- HB1019: Hearing scheduled in Budget and Tax - 3/22/18
- SB699: No hearing scheduled in Appropriations

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.

- HB1018: Hearing scheduled in Budget and Tax – 3/22/18
- SB784: No hearing scheduled in Appropriations

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: No hearing scheduled in Appropriations

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: No hearing scheduled in Appropriations

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.

- No hearing scheduled in Budget and Tax

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.

- HB1049: Hearing scheduled in Budget and Tax – 3/22/18
- SB895: No hearing scheduled in Appropriations

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.

MISCELLANEOUS

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.

- No hearing scheduled in Appropriations

Staff recommends taking no position on this legislation.