

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

April 17, 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, 16<sup>th</sup> Floor Board Room, Baltimore, Maryland beginning at 9:31 a.m.

The Trustees present included:

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

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary  
Angie Jenkins and Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen

Other attendees included: Susanne Brogan (via phone), John Kenney (via phone) and Justin Hayes, (via phone)

On a motion made by Mr. Norman and seconded by Ms. Lochte, the Board voted to meet in a Closed Session, beginning at 9:33 a.m., in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> Floor, for the purpose of:

- a. discussing the results of the Executive Director's Evaluation, pursuant to General Provisions Art., § 3-305(b)(1)(i), to discuss the appointment, employment, assignment, promotion, discipline, demotion, compensation, removal, resignation, or performance evaluation of an appointee, employee, or official over whom it has jurisdiction;
- b. reviewing the closed session Board minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function;
- c. 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 statutory requirement that prevents public disclosure, 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 psychological information; and
- d. reviewing a report regarding extraordinary salary increases, pursuant to General Provisions Art., § 3-305(b)(13), to comply with a specific statutory requirement that prevents public disclosure, namely, General Provisions Art., § 4-312 regarding the prohibition on disclosing retirement records.

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**CLOSED SESSION**

The Trustees present included:

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

Other attendees included: Susanne Brogan (via phone); John Kenney (via phone) and Justin Hayes (via phone)

Agency Staff members in attendance for agenda items b-d only included:

R. Dean Kenderdine, Executive Director/Board Secretary

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

Assistant Attorneys General in attendance for agenda items b-d only included: Rachel Cohen, Jody Shaw and Kathleen Wherthey.

On a motion made by Mr. Brotman and seconded by Ms. Lochte, the Board returned to open session at 9:55 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16<sup>th</sup> 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 March 20, 2018 closed session minutes.
Medical Board Reports	The Board reviewed and adopted the medical board reports from March 29, April 4 and April 12, 2018.
Extraordinary Salaries	The Board reviewed and approved the recommendations regarding the extraordinary salary increases as presented.
Consent Agenda	On a motion made by Mr. Brotman and seconded by Mr. Norman, the Board approved the consent agenda, which included: <ul style="list-style-type: none"><li>▸ March 20, 2018 Open Meeting Board Minutes</li><li>▸ April 3, 2018 Administrative Committee Meeting Summary</li></ul>
2018 Legislative Update	Ms. Anne Gawthrop provided the Board a final update of the 2018 pension related legislation considered by the General Assembly. <i>See Attachment A.</i>  Comptroller Franchot asked Ms. Gawthrop for the history of the amendment to SB 178 (State Retirement and Pension System – Board of Trustees – Oath), which provides that the Treasurer shall be the Chairman of the Board.

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Ms. Gawthrop responded that the System was not consulted regarding the amendment; and that the amendment had been offered by the House Appropriations Committee on the last day of the session before being adopted unanimously by the House and concurred in unanimously by the Senate.

Comptroller Franchot asked: (1) whether it was unusual for the System to not be consulted; (2) who offered the amendment, and (3) why the amendment was offered.

Ms. Gawthrop responded that the timing of the amendment to a pension bill was unusual, but not unprecedented and that the System not being consulted was unfortunate but not unusual. As to who offered the amendment and why, Ms. Gawthrop indicated she did not know and would have to follow up with legislative staff. Since staff was on post-Session vacation, she would have to wait to get the answers, but would do so and send the information to the Board.

Secretary Brinkley commented that the amendment is problematic because the Board was technically stripped of its powers to select a Chairman as provided by current law.

Comptroller Franchot asked Mr. Kenderdine to describe the general Chairman/Vice Chairman custom of the Board of Trustees.

Mr. Kenderdine responded that there is no provision in statute that requires that the Chairman or Vice Chairman be the Treasurer or Comptroller. Statute provides that the Board shall elect a Chairman and a Secretary. However, it has been customary for the Trustees to elect the Treasurer and Comptroller as Chairman and Vice Chairman, and for the more senior of the two officials, in terms of their service as Treasurer or Comptroller, to be elected to serve as the Chairman.

Mr. Brotman asked what recourse, if any, the Board has in terms of preserving its ability to select a Chairman.

Ms. Gawthrop responded that the Board could ask that the bill be vetoed.

Treasurer Kopp commented that a Board request to veto could be viewed as the Board injecting itself into an issue between the Comptroller and members of the Legislature, and that the issue of a gubernatorial veto may be resolved without Board action. The Treasurer also pointed out that the present system of the Board selecting the Chair is the result of action by the Legislature and the Legislature retains the authority to change the law, although the change can be vetoed by the Governor.

Comptroller Franchot commented that, while he raised the question of SB 178 in order to gain information and not to request Board action, if there was agreement, the Trustees on the Board should speak as a whole and write to the Governor asking for the bill to be vetoed in order to address the concerns the Board may have.

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Secretary Brinkley commented that in mid-May, the Governor will examine the bills and consider all actions he plans to take. It was clarified that the veto deadline is May 28<sup>th</sup>.

Treasurer Kopp commented that the Board meeting on May 15<sup>th</sup> would allow time, if necessary, for further discussion of a veto request letter to the Governor before the veto deadline.

Regarding HB 1012/SB 899 (State Retirement and Pension System – Investment Division), Treasurer Kopp congratulated Ms. Gawthrop, Mr. Palmer, Mr. Kenderdine and Ms. Brogan on their hard work in getting this bill passed.

Ms. Gawthrop also thanked the legal division, who played a big part in drafting language to protect the fiduciary responsibilities of the Board.

Chief Investment  
Officer’s Report

Mr. Palmer provided the Board with a summary of the fund as of March, 2018, which indicated that the total fund value was \$51.8 billion. Mr. Palmer reported that the fund return was up 7.50% fiscal-year-to-date, which was right on target.

Mr. Palmer reported that the policy benchmark for 1-year was 10.92%, which is within the median compared to our peers.

Executive  
Director’s Report

Mr. Kenderdine reported that there was a change in management at the parking garage and that the parking voucher coupons have now become a small sticker which could be easily lost. Mr. Kenderdine urged the Trustees to bring their parking ticket with them to each meeting, so that a validation sticker can be affixed to the ticket.

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Mr. Kenderdine reminded the Board that the financial disclosure reports are due to be filed with the State Ethics Commission by April 30, 2018.

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Mr. Kenderdine reported that the Agency has held successful webinars with union representatives and relevant state agency retirement coordinators for purposes of providing details regarding certain parole and probation employees’ ability to transfer their current Employees’ Pension System credit to the Correctional Officers’ Retirement System (CORS), until June 30, 2018.

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Mr. Kenderdine reported that a core team of senior Agency staff, which includes two team members from the MPAS-3 project contractor, has had two meetings with the new vendor hired to redesign the public website.

The target date to “go-live” with the member portal is expected to be provided to the Board at its next meeting.

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Mr. Kenderdine provided the Board with a copy of the correspondence that the Maryland Retired School Personnel Association (MRSPA) plans to mail to school retirees to recruit new members. Mr. Kenderdine reported one concern, in that the letter addresses past legislative efforts to offer alternative retirement plan designs but only mentions the 2017 session proposal by the Governor.

Mr. Kenderdine recommended that staff will contact MRSPA and request that they revise the language to generally refer to past such legislation.

Adjournment

There being no further business before the Board, on a motion made by Mr. Hughes and seconded by Mr. Johnson, the meeting adjourned at 10:48 a.m.

Respectfully submitted,



R. Dean Kenderdine  
Secretary to the Board

**BOARD OF TRUSTEES  
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**ADMINISTRATIVE COMMITTEE MEETING SUMMARY  
APRIL 3, 2018**

Evaluation of the  
Executive  
Director

**THIS MATTER WILL BE DISCUSSED OUTSIDE THE CONSENT AGENDA IN CLOSED SESSION.**

Cindy Kollner, Department of Budget and Management presented to the Administrative Committee the results of the performance evaluation of the Executive Director.

The Chairman of the Administrative Committee will present, in Closed Session, those results to the Board of Trustees.

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.

Overview of the  
MPAS-3  
(Participant  
Portal)

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:

- 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

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.

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***ADMINISTRATIVE COMMITTEE MEETING SUMMARY  
APRIL 3, 2018***

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.

**Legislative Update**  
**2018 Session**  
**April 17, 2018**

**PASSED 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.
- 2. Senate Bill 178 (Barnes/Guzzone)**  
**State Retirement and Pension System – Board of Trustees – Oath**  
This amended 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. Amendments to the bill clarify that the Treasurer shall be the Chairman of the Board.
- 3. House Bill 1019/Senate Bill 699 (Barnes/Guzzone)**  
**Alternate Contributory Pension Selection – Former Members – Member Contributions**  
This amended 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. Amendments to the bill provide that individuals who are active RCPB members on the effective date of this legislation and have abandoned member contributions in an ACPS account, will receive interest from the date the individual became an active member in the RCPB.
- 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.



**5. House Bill 1012/Senate Bill 899**

**State Retirement and Pension System - Investment Division**

As amended, 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.

This legislation includes 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. The Objective Criteria Committee is a Committee of the Board with all members of the Committee being fiduciaries to the Board. The Chairman of the Board will appoint the Chairman of the Committee. 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.

**6. House Bill 993 (Korman)**

**Maryland Pension Risk Mitigation Act**

As amended, 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 risk, including climate risks in the investment of System assets. Additionally, this bill requires the Board to submit a report annually to the General Assembly on the risk assessment of the several systems, including climate risk.

**7. House Bill 36/Senate Bill 299 (Jackson/President)**

**Correctional Officers' Retirement System - Membership**

As amended, this legislation would require the following individuals to become members of the CORS on July 1, 2018:

1. employees of the Department of Juvenile Services who are employed in positions that would require them to work in State juvenile correctional facilities;
2. parole and probation administrators, psychology services chiefs, or Correctional Maintenance Services Administrators; and
3. employees of the Department of Public Safety and Correctional Services who are employed as correctional maintenance officer supervisors or managers.

All new employees in these positions would be members of the CORS.

**8. 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.

**9. House Bill 1049/Senate Bill 895 (Barnes/Guzzone)**

**State Police Retirement System - Deferred Retirement Option Program – Alterations**

These amended 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.

**10. House Bill 822 (Krimm)**

**Personnel and Pensions - Phased Retirement Plan - Development and Implementation**

As amended, this legislation requires that on or before July 1, 2020, the Department of Budget and Management and the State Retirement Agency, to study the possibility of creating a 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 study of this program.

**11. 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.

**UNFAVORABLE OR NO ACTION**

**1. 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.

**2. 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.

**3. 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.

**4. 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.

**5. 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.

**6. 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.

**7. 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.

**8. 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.

**9. 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.

**10. 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.