

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

February 6, 2018

The Administrative Committee convened in the Boardroom of the SunTrust Building, 120 East Baltimore Street, 16th Floor, Baltimore, Maryland, beginning at 9:33 a.m.

The Trustees present included:

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

Sheila Hill
Marc Nicole (via phone)
Richard Norman

Agency Staff members attending included: R. Dean Kenderdine, Executive Director/Board Secretary
Melody Countess Angie Jenkins Harvey Raitzyk
Anne Gawthrop Van Lewis Ken Reott
Michael Golden Michelle Lowery David Rongione
Ira Greenstein Kim O'Keefe Janet Sirkis
Chandra Puranam

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

Other attendees included: William Morrow

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| Minutes | On a motion made by Mr. Norman and seconded by Ms. Brogan, the Administrative Committee approved the December 5, 2017 open session meeting minutes. |
| MPAS-3 Project Kick-Off Presentation | Mr. Kenderdine introduced William Morrow from LRWL, Inc., the consultant firm for the third and final phase of the MPAS project.

Mr. Morrow, Project Manager of the MPAS-3 project, presented to the Administrative Committee an overview of the MPAS-3 project work plan and the consultant team that will be supporting the effort. Mr. Morrow reported that the MPAS-3 project will involve assessment and re-engineering of the 48 business processes currently in place for benefits administration, accounting and member services. Mr. Morrow emphasized that the priority for the project will be to provide the System's members with on-line access to their accounts. The first phase of the on-line access would allow a member to (1) view their account information and (2) estimate a retirement benefit. Mr. Morrow reported that the work plan will be carried out over a four-year period. |

Ms. Brogan asked how much money the Agency has to cover the cost of this project.

Mr. Greenstein responded that for FY18 the Agency has \$2.275 million. Mr. Greenstein further reported that the Governor's allowance presently before the legislature has requested \$7.9 million for FY19, and no cuts have been recommended to that amount.

Ms. Brogan asked what role the "voice of customer" as well as LRWL's experience with other plans and their best practices will influence the re-engineering of our business processes.

Mr. Morrow responded that it will be a combination of Agency staff's ideas from their experience, as well as best practices from peers.

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

February 6, 2018

Mr. Kenderdine further responded that the Agency is close to entering into a contract to redesign the public website and there will be a purposeful coordination between MPAS and the website projects.

Ms. Lochte asked if there is one system for managing public plan business processes that is preferred.

Mr. Morrow responded that there is not a single approach and that what is built for each plan is based on the individual needs of that plan.

Mr. Harkins asked how the project management will interface with the Department of Information Technology (DoIT).

Mr. Morrow responded that bi-weekly status calls with DoIT have been scheduled.

Mr. Harkins asked if DoIT will enforce any milestones with regard to funding.

Mr. Greenstein responded that there is but one milestone at this point that is when we have completed the planning phase of the project and are prepared to move into the implementation phase of the project.

Ms. Brogan asked if security was part of what LRWL was responsible for.

Mr. Morrow responded yes, working in collaboration with the Agency's IT staff. System security, particularly what will be needed for member authentication to allow member access will be of highest priority.

Mr. Greenstein further commented that language for a Request for Proposal (RFP) for an independent testing firm for penetration testing and security systems validation is already in the works.

**2018 Legislative
Review**

Ms. Anne Gawthrop provided the Committee an updated overview of the 2018 pension related legislation introduced to the General Assembly to date. See Attachment A.

House Bill 164 / Senate Bill 176	Judges' Retirement System – Mandatory Retirement Age – Clarification of Eligibility for Allowance	Board Requested
Senate Bill 178	State Retirement and Pension System – Board of Trustees – Oath	Board Requested
Senate Bill 699	Alternate Contributory Pension System – Former Members – Member Contributions	Board Requested

**ADMINISTRATIVE COMMITTEE MINUTES
BOARD OF TRUSTEES
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February 6, 2018

Senate Bill 788	Pensions – Administrative and Operational Expenses – Limitation and Calculation	Board Requested
House Bill 36	Correctional Officers' Retirement System – Membership	No position - staff recommends providing informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff will also reach out to the sponsor and employee organizations supporting the legislation.
House Bill 414	Correctional Officers' Retirement System – Membership	No position - staff recommends providing informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff will also reach out to the sponsor and employee organizations supporting the legislation.
Senate Bill 510	Correctional Officers' Retirement System – Membership	No position - staff recommends providing informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff will also reach out to the sponsor and employee organizations supporting the legislation.
Senate Bill 63	Correctional Officers' Retirement System – Membership	No position - staff recommends providing informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff will also reach out to the sponsor and employee organizations supporting the legislation.

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

February 6, 2018

House Bill 354 / Senate Bill 299	Income Tax Subtraction Modification – Correctional Officers (Hometown Heroes Act of 2018)	With regard to the first component of the bill, staff recommends providing informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff will also reach out to the sponsor and employee organizations supporting the legislation. Inasmuch as the second component of the bill does not impact the Agency or the fund, staff recommends taking no position on this piece of legislation.
Senate Bill 620	Correctional Officers' Retirement System – Former Baltimore City Jail Employees	Oppose – while staff is aware of only one individual that currently meets the criteria of this legislation, the premise of the legislation erodes at the basis of Title 37 transfers of service credit. This legislation would open the door for any member of a State system to request legislation that would allow them to apply service credit from another system (State or local) to reach eligibility in the member's current system, while still allowing that member to receive a benefit from the previous plan.
House Joint Resolution 7 / Senate Joint Resolution 9	General Assembly Compensation Commission – Legislative Pension Plan – Closure to Current and Future Members	Staff is looking into whether this bill would present an impairment of contract issue for existing members. To the extent that it would, staff recommends submitting informational testimony to the Committees informing them of this issue.

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

February 6, 2018

Senate Bill 31	State Retirement and Pension System – State Employees and Teachers Benefits	No Position – staff recommends providing informational testimony regarding necessary changes relating to the implementation of the IPS and the financial impact such a plan would have on the System.
House Bill 822	Personnel and Pensions – Phased Retirement Plan – Development and Implementation	No position
Senate Bill 378	Military Service Credit – Eligibility	No position

In addition, Ms. Gawthrop reported that the following four bills were introduced after the posting of this update:

- Senate Bill 895 – State Police Retirement System – Deferred Retirement Option Program - Alterations
- Senate Bill 898 – Maryland Pension Climate Change Risk Act
- Senate Bill 899 – State Retirement and Pension System - Investment Division
- Senate Bill 988 – Correctional Officers’ Retirement System - Membership

Mr. Harkins asked how the bill regarding closure of the Legislative Pension Plan would affect current members.

Ms. Gawthrop responded that the bill would not affect current retirees, they would continue to receive their benefit. However, new members elected this term who are not vested would receive a return of contributions when they leave the legislature. Anyone in the plan who is vested as of January 9, 2019 would receive a benefit at retirement based on the service they had earned as of January 9, 2019.

On a motion made by Ms. Brogan and seconded by Ms. Hill, the Administrative Committee approved staff’s recommendations for recommendation to the Board.

Ms. Brogan commented that Ms. Gawthrop and staff have done a great job putting out fires before bills were introduced.

Member Services Update Mr. Raitzyk reported that the Member Services unit was able to meet its performance goals for both the call abandonment rate and for the average call wait time for December 2017. The unit’s call abandonment rate was 3.23% and the average speed of answer was 0:57.

Ms. Hill asked if the Agency’s receives more favorable survey comments from walk-in member appointments.

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

February 6, 2018

Mr. Raitzyk responded in the affirmative.

Ms. Brogan asked if the January numbers were in for the Member Services unit.

Mr. Raitzyk responded that the unit's call abandonment rate was 6.675% and the average speed of answer was 1:09 for January. The increase was due to increased called volume concerning 1099R tax documents, which is typical each year at this time.

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee voted to meet in a Closed Session beginning at 10:32 a.m. in the Boardroom of the SunTrust Building at 120 East Baltimore Street, 16th Floor, for the purpose of:

1. reviewing the closed session Administrative Committee meeting minutes, pursuant to General Provisions Art., § 3-103(a)(1)(i), the exercise of an administrative function.

CLOSED SESSION

The Trustees present included:

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

Sheila Hill
Marc Nicole (via phone)
Richard Norman

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

Melody Countess	Van Lewis	Harvey Raitzyk
Anne Gawthrop	Michelle Lowery	Ken Reott
Michael Golden	Kim O'Keeffe	David Rongione
Angie Jenkins		Janet Sirkis

Assistant Attorneys General present included: Rachel Cohen and Kathleen Wherthey

On a motion made by Ms. Hill and seconded by Mr. Norman, the Administrative Committee returned to open session at 10:33 a.m. in the Board Room of the SunTrust Building at 120 East Baltimore Street, 16th Floor.

OPEN SESSION

During closed session, the Committee discussed and took action on the following matters:

Closed Session Minutes	The Committee approved the December 5, 2017 closed session minutes.
Other Business	Ms. Brogan commented that there was an article from Pensions and Investments (P&I) regarding North Carolina updating their tax withholding tables and asked if the Agency updated its tax tables for our retirees or would the update come from the State.

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

February 6, 2018

Mr. Raitzyk responded that the Agency updated its system to reflect the new federal tax withholding rates and that retirees saw that change in their January benefit payment. Mr. Raitzyk further responded that since there was a change in the amount of the retirement benefit, those retirees who receive direct deposit, were provided an advice slip describing the change. In addition, a notice was put on the Agency's website regarding the federal tax changes.

Ms. Hill acknowledged Ken Reott and Angie Jenkins for their assistance with the State personnel who were transferred to the Clifton T. Perkins Hospital Center and who had questions regarding their transfer of service credit.

Mr. Reott responded that he is still reaching out to those employees who are still eligible to request that their service credit be transferred.

Ms. Brogan reported that there Senate Bill hearings are being heard today at 1:00 p.m. and that the House Bill hearing will be heard on Friday.

Adjournment There being no further business before the Committee, on a motion made by Ms. Brogan and seconded by Ms. Lochte, the meeting adjourned at 10:44 a.m.

Respectfully submitted,



R. Dean Kenderdine,
Secretary to the Board

**Legislative Update
2018 Session
February 6, 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 Appropriations – 2/8/18
- SB176: Passed the Senate, no hearing scheduled in Appropriations

Board requested legislation

2. Senate Bill 178 (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.

- Passed the Senate; no hearing scheduled in Appropriations

Board requested legislation

3. Senate Bill 699 (Guzzone)

Alternate Contributory Pension Selection – Former Members – Member Contributions

This Board requested legislation requires that an individual who is an active member 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.

- No hearing scheduled in Budget and Tax

Board requested legislation

4. Senate Bill 788 (Guzzzone)

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.

- No hearing scheduled in Budget and Tax

Board requested legislation.

CORRECTIONAL OFFICERS' RETIREMENT SYSTEM LEGISLATION

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

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

7. Senate Bill 510 (Guzzzone)

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

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

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

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

This bill 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.

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

With regard to the first component of the bill, staff recommends providing informational testimony addressing the strain on Agency resources that similar legislation passed in previous years has caused. Staff will also reach 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 recommends taking no position on this piece of the legislation.

10. 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.

- No hearing has been scheduled 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, the premise of the legislation erodes at the basis of Title 37 transfers of service credit. This legislation would open the door for any member of a State system to request legislation that would allow them to apply service credit from another system (State or local) to reach eligibility in the member's current system, while still allowing that member to receive a benefit from the previous plan.

PLAN CLOSURES

11. 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: No hearing scheduled in Appropriations
- SJ9: No hearing scheduled 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 recommends submitting informational testimony to the Committees informing them of this issue.

12. 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 recommends submitting 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.

MISCELLANIOUS

13. 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.

- No hearing scheduled in Appropriations at this time

Staff recommends taking no position on this legislation.

14. Senate Bill 378 (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.

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

Staff recommends taking no position on this legislation.