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By: **Delegate Proctor (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 3, 2000

Assigned to: Appropriations

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 21, 2000

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CHAPTER 372

1 AN ACT concerning

2 **State Retirement and Pension System - Administrative Expense Cap**

3 FOR the purpose of altering the base upon which the limit on the amount of the  
4 administrative and operational expenses of the Board of Trustees of the State  
5 Retirement and Pension System and the State Retirement Agency is calculated;  
6 providing for the termination of this Act; and generally relating to the  
7 operations and expenses of the Board of Trustees of the State Retirement and  
8 Pension System and the State Retirement Agency.

9 BY repealing and reenacting, with amendments,  
10 Article - State Personnel and Pensions  
11 Section 21-315  
12 Annotated Code of Maryland  
13 (1997 Replacement Volume and 1999 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
15 MARYLAND, That the Laws of Maryland read as follows:

16 **Article - State Personnel and Pensions**

17 21-315.

18 (a) The Board of Trustees shall credit to the expense fund of each State system  
19 its pro rata share of:

20 (1) the amount provided in the annual State budget to pay the  
21 administrative and operational expenses of the Board of Trustees and the State  
22 Retirement Agency;

1 (2) the amounts authorized by the Board of Trustees under this section  
2 for investment management services; and

3 (3) the amount authorized by the Board of Trustees to implement a  
4 closing agreement with the Internal Revenue Service regarding former members of  
5 the Employees' Retirement System or the Teachers' Retirement System who elected to  
6 become members of or participate in those State systems under former Article 73B, §§  
7 2-206 and 3-206 of the Code.

8 (b) The Board of Trustees shall pay from the expense fund of each State  
9 system its pro rata share of:

10 (1) the administrative and operational expenses of the Board of Trustees  
11 and the State Retirement Agency, in accordance with the annual State budget;

12 (2) the amounts as authorized by the Board of Trustees necessary for  
13 investment management services; and

14 (3) the amounts as authorized by the Board of Trustees necessary to  
15 implement a closing agreement with the Internal Revenue Service regarding former  
16 members of the Employees' Retirement System or the Teachers' Retirement System  
17 who elected to become members of or participate in those State systems under former  
18 Article 73B, §§ 2-206 and 3-206 of the Code.

19 (c)(1) [Each] SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, EACH year the  
20 Board of Trustees shall estimate the amount[, not exceeding 0.22% of the payroll of  
21 members,] necessary for the administrative and operational expenses of the Board of  
22 Trustees and the State Retirement Agency.

23 (2) THE AMOUNT OF THE ADMINISTRATIVE AND OPERATIONAL  
24 EXPENSES OF THE BOARD OF TRUSTEES AND THE STATE RETIREMENT AGENCY MAY  
25 NOT EXCEED 0.22% OF THE SUM OF:

26 (I) THE PAYROLL OF THE MEMBERS OF THE STATE SYSTEMS;

27 (II) THE ALLOWANCES OF THE RETIREES AND SURVIVING  
28 BENEFICIARIES OF DECEASED MEMBERS, FORMER MEMBERS, OR RETIREES OF THE  
29 STATE SYSTEMS; AND

30 (III) THE AGGREGATED EARNABLE COMPENSATION OF THE  
31 FORMER MEMBERS OF THE STATE SYSTEMS AS OF THEIR DATE OF SEPARATION  
32 FROM EMPLOYMENT.

33 (d) Each quarter of the fiscal year the Board of Trustees shall estimate:

34 (1) one-fourth of an amount, not exceeding 1.2% of the market value as  
35 of the last day of the preceding quarter of assets externally invested in real estate,  
36 necessary for external real estate investment management services; and

1           (2)       one-fourth of an amount, not exceeding 0.3% of the market value as  
2 of the last day of the preceding quarter of invested assets that are externally managed  
3 exclusive of assets invested in real estate, necessary to procure and retain investment  
4 management services other than external real estate investment management  
5 services.

6       (e)       The amounts estimated under subsections (c) and (d) of this section shall  
7 be paid into the expense funds of the several systems during the ensuing year on a pro  
8 rata basis according to the total assets held by each system.

9       (f)       The Board of Trustees may combine the expense funds of the several  
10 systems for budgetary and administrative efficiency.

11       (g)       On or before December 31 of each year, the Board of Trustees shall report  
12 to the General Assembly the actual amount spent for investment management  
13 services during the preceding fiscal year.

14       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
15 July 1, 2000. It shall remain effective for a period of 3 years and, at the end of June  
16 30, 2003, with no further action required by the General Assembly, this Act shall be  
17 abrogated and of no further force and effect.