

HOUSE BILL 1318

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11r2427

By: **Delegate Serafini**

Introduced and read first time: March 3, 2011

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System – Board of Trustees and Investment**
3 **Committee – Membership**

4 FOR the purpose of altering the membership of the Board of Trustees for the State
5 Retirement and Pension System; altering the membership of the Investment
6 Committee of the Board of Trustees; specifying the terms of the new appointed
7 members of the Board of Trustees; and generally relating to the membership of
8 the Board of Trustees for the State Retirement and Pension System and its
9 Investment Committee.

10 BY repealing and reenacting, with amendments,
11 Article – State Personnel and Pensions
12 Section 21–104 and 21–115
13 Annotated Code of Maryland
14 (2009 Replacement Volume and 2010 Supplement)

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

17 **Article – State Personnel and Pensions**

18 21–104.

19 (a) The Board of Trustees consists of the following 14 trustees:

20 (1) the Secretary of Budget and Management, ex officio;

21 (2) the State Comptroller, ex officio;

22 (3) the State Treasurer, ex officio, who may appoint a deputy treasurer
23 as designee; and

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (4) 11 trustees [elected or], appointed [as follows:

2 (i) one trustee who is a member of the Correctional Officers'
3 Retirement System, the Employees' Pension System, the Employees' Retirement
4 System, the Judges' Retirement System, the Legislative Pension Plan, the Local Fire
5 and Police System, or the Law Enforcement Officers' Pension Plan, who shall be
6 elected as provided in subsection (b) of this section and may not be an employee of the
7 State Retirement Agency;

8 (ii) one trustee who is a retiree of the Correctional Officers'
9 Retirement System, the Employees' Pension System, the Employees' Retirement
10 System, the Judges' Retirement System, the Legislative Pension Plan, the Local Fire
11 and Police System, or the Law Enforcement Officers' Pension Plan, who shall be
12 elected as provided in subsection (b) of this section and may not be an employee of the
13 State Retirement Agency;

14 (iii) one trustee who is a member of the Teachers' Pension
15 System or the Teachers' Retirement System, who shall be elected as provided in
16 subsection (b) of this section and may not be an employee of the State Retirement
17 Agency;

18 (iv) one trustee who is a retiree of the Teachers' Pension System
19 or the Teachers' Retirement System, who shall be elected as provided in subsection (b)
20 of this section and may not be an employee of the State Retirement Agency;

21 (v) one trustee who is either a member or retiree of the State
22 Police Retirement System, who shall be elected as provided in subsection (b) of this
23 section and may not be an employee of the State Retirement Agency;

24 (vi) one trustee who represents the interests of participating
25 governmental units in the Employees' Pension System and the Employees' Retirement
26 System; and

27 (vii) five trustees] **BY THE GOVERNOR WITH THE ADVICE AND**
28 **CONSENT OF THE SENATE**, who:

29 [1.] **(I)** represent the interests of the public;

30 [2.] **(II)** are not members of any of the several systems;

31 [3.] **(III)** are not employees, directors, partners, or
32 officers of any of the external investment managers for the several systems;

33 [4.] **(IV)** do not have an ownership interest in any of the
34 external investment managers of the several systems that is greater than 5% of the
35 issued or outstanding stock;

1 **[5.] (V)** are not directors, partners, or officers of any
2 corporation or large organization in which any of the external managers for the
3 several systems own 10% or more of the issued or outstanding stock of the corporation
4 or large organization; and

5 **[6.] (VI)** have at least 10 years of substantial experience
6 overseeing similar pension systems, large foundations, or other similar large
7 organizations with fiduciary responsibilities relating to different classes of
8 participants.

9 **[(b) (1) (i)]** The trustees who are members or retirees of the
10 Correctional Officers' Retirement System, the Employees' Pension System, the
11 Employees' Retirement System, the Judges' Retirement System, the Legislative
12 Pension Plan, the Local Fire and Police System, or the Law Enforcement Officers'
13 Pension Plan shall be elected by the members and the retirees of those State systems.

14 (ii) The trustees who are members or retirees of the Teachers'
15 Pension System or the Teachers' Retirement System shall be elected by the members
16 and the retirees of those State systems.

17 (iii) The trustee who is a member or retiree of the State Police
18 Retirement System shall be elected by the members and the retirees of that State
19 system.

20 (iv) The elections shall be conducted under regulations that the
21 Board of Trustees adopts.

22 (2) The trustee who represents the interests of participating
23 subdivisions in the Employees' Pension System and the Employees' Retirement
24 System shall be appointed by the Governor.

25 (3) The trustees who represent the public shall be appointed by the
26 Governor with the advice and consent of the Senate.]

27 **[(c) (B) (1)]** Within 10 days after the appointment [or election] of an
28 individual as a trustee, the individual shall take and subscribe to an oath of office
29 that, so far as it devolves on the individual, as trustee the individual:

30 (i) will diligently and honestly administer the affairs of the
31 Board of Trustees; and

32 (ii) will not knowingly violate or willingly allow a violation of
33 the law applicable to the several systems.

34 (2) The officer before whom the individual takes the oath shall:

1 (i) certify the oath; and

2 (ii) submit the oath immediately to the office of the Secretary of
3 State for filing in that office.

4 **[(d)] (C)** (1) (i) The term of an appointed [or elected] trustee is 4
5 years.

6 (ii) [Trustees who represent the public serve staggered 4-year
7 terms] **THE TERMS OF MEMBERS ARE STAGGERED AS REQUIRED BY THE TERMS
8 PROVIDED FOR MEMBERS OF THE BOARD OF TRUSTEES ON JULY 1, 2011.**

9 **[(2)** A trustee who is a member but not a retiree of the Correctional
10 Officers' Retirement System, the Employees' Pension System, the Employees'
11 Retirement System, the Judges' Retirement System, the Legislative Pension Plan, the
12 Local Fire and Police System, the Law Enforcement Officers' Pension Plan, the
13 Teachers' Pension System, or the Teachers' Retirement System at the time of election
14 of the trustee may complete the term of office even if, during the term, the trustee:

15 (i) becomes a retiree of the State system of which the trustee
16 was a member at the time of election; and

17 (ii) has completed more than 3 years of the trustee's term of
18 office.]

19 **[(3)] (2)** A vacancy in the office of a trustee shall be filled for the
20 unexpired term in the same manner as the office was previously filled.

21 **[(4)] (3)** At the end of a term, a trustee continues to serve until a
22 successor is appointed or elected.

23 **[(5)] (4)** A trustee who is appointed after a term has begun serves
24 only for the rest of the term and until a successor is selected and qualifies.

25 **[(e)] (D)** (1) Except as provided in paragraph (2) of this subsection, each
26 trustee shall attend at least 80% of the monthly Board of Trustees meetings held
27 during a 1-year period beginning January 1.

28 (2) (i) A trustee may be granted an excused absence by the
29 chairman of the Board or another officer of the Board due to:

30 1. illness;

31 2. family emergencies;

32 3. jury duty; or

1 4. attendance at investment or fiduciary training.

2 (ii) An excused absence under this paragraph may not be
3 considered an absence for the purposes of paragraph (1) of this subsection.

4 (3) (i) Any [elected or] Governor–appointed trustee [that] WHO
5 fails to attend at least 80% of the meetings, not including excused absences under
6 paragraph (2) of this subsection, shall be removed from the Board of Trustees by the
7 Governor.

8 (ii) The Governor shall fill the vacancy for the office of the
9 trustee for the unexpired term in the same manner as the office was previously filled.

10 (iii) The State Retirement Agency shall submit a trustee
11 attendance report to the Department of Legislative Services by June 30 and December
12 31 of each year.

13 [(4) An elected trustee representing employees of any of the several
14 systems shall be given reasonable time during work to attend monthly meetings of the
15 Board of Trustees or committee meetings of the Board of Trustees.]

16 [(f)] (E) Notwithstanding subsection [(d)] (C) of this section, the Governor
17 may remove a Governor–appointed trustee for incompetence or misconduct.

18 21–115.

19 (a) The Board of Trustees shall:

20 (1) specify by resolution the number of members of the Investment
21 Committee; and

22 (2) except as provided in subsection (b)(2) of this section, appoint
23 annually the members of the Investment Committee from the members of the Board of
24 Trustees.

25 (b) The Board of Trustees shall ensure that the membership of the
26 Investment Committee includes[:

27 (1) a representative of each of:

28 (i) the Employees' Pension System or the Employees'
29 Retirement System;

30 (ii) the Teachers' Pension System or the Teachers' Retirement
31 System; and

32 (iii) the State Police Retirement System; and

1 (2)] three representatives from the public appointed by the Board of
2 Trustees with the approval of the Board of Public Works for staggered 3-year terms
3 who:

4 [(i)] (1) are not members, retirees, or beneficiaries under any
5 of the several systems;

6 [(ii)] (2) have had experience in the management and control
7 of large investments; and

8 [(iii)] (3) have at least 10 years of substantial experience as any
9 one or a combination of the following:

10 [1.] (I) a portfolio manager acting in a fiduciary
11 capacity;

12 [2.] (II) an employee or principal of a trust institution,
13 investment organization, or endowment fund acting either in a management-related
14 capacity or an investment-related capacity;

15 [3.] (III) a chartered financial analyst in good standing;
16 or

17 [4.] (IV) a professional engaged in a public or private
18 financial or investment field that is comparable to the fields listed in this item.

19 (c) The Board of Trustees may:

20 (1) set additional qualifications for public members; and

21 (2) adopt regulations on ethical standards and conflicts of interest for
22 public members.

23 (d) By resolution, the Board of Trustees shall designate the chairman of the
24 Investment Committee.

25 SECTION 2. AND BE IT FURTHER ENACTED, That the terms of the new
26 appointed members of the Board of Trustees for the State Retirement and Pension
27 System shall expire as follows:

28 (1) one member in 2012;

29 (2) one member in 2013;

30 (3) two members in 2014; and

1 (4) two members in 2015.

2 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
3 July 1, 2011.