

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1318
Appropriations

(Delegate Serafini)

**State Retirement and Pension System - Board of Trustees and Investment
Committee - Membership**

This bill eliminates the five elected positions of the Board of Trustees of the State Retirement and Pension System (SRPS) that represent members and retirees of the several systems as well as the position appointed by the Governor to represent local governments. The six members are replaced by members appointed by the Governor to represent the public. Appointed board members serve staggered terms as specified in the bill. Consequently, all members of the board's investment committee are also appointed by the Governor instead of being required to include some elected members who represent members and retirees of the several systems

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: Special fund expenditures by the State Retirement Agency decline by about \$250,000 for contractual services in any year in which an election of a member of the board of trustees is held. At least one election is scheduled to be held every other year, but often, a scheduled election is not held because it is not contested. The bill has no discernible effect on State pension liabilities or contribution rates. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The SRPS board consists of 14 members, 5 of whom are elected to represent members or retirees of the several systems, and 1 of whom is appointed by the Governor to represent local governments that participate in either the Employees' Retirement System (ERS) or the Employees' Pension System (EPS). The 5 elected members, respectively, represent:

- active members of ERS, EPS, the Legislative Pension Plan, the Correctional Officers Retirement System, the Law Enforcement Officers' Pension System, or the Local Fire and Police System (now closed);
- retirees of the same State employee plans;
- active members of either the Teachers' Retirement System (TRS) or Teachers' Pension System (TPS);
- retirees of either TRS or TPS; and
- active members and retirees of the State Police Retirement System.

In addition, the board includes three *ex officio* members (the State Treasurer, the State Comptroller, and the Secretary of Budget and Management) and five members appointed by the Governor with the advice and consent of the Senate of Maryland to represent the public. The public members may not be members of the several systems; are not employees, directors, partners, or officers of any of the board's external investment managers or in any firm in which an external manager owns at least 10%; and do not have an ownership stake of more than 5% in any of the external management firms. They must also have at least 10 years of experience overseeing pension systems, large foundations, or other similar organizations with fiduciary responsibilities related to different classes of participants.

The board designates by resolution the number of members of its investment committee, but the committee must have three public members who are not members of the board with at least 10 years of investment management experience, as designated in statute. It must also have at least three elected members representing either active members or retirees of State employees, teachers, and the State Police. Currently, the investment committee consists of 11 board members plus the 3 additional public members.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland State Retirement Agency, Department of Legislative Services

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