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**By: Senator Amoss (Chairman, Joint Committee on Pensions)**

Introduced and read first time: January 17, 1997

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

**2 Pensions - Expense Fund - Limitation on Investment Management Fees**

3 FOR the purpose of altering the method of computing certain limitations on fees to be  
4 paid for certain investment management services; extending a certain termination  
5 date that relates to a certain limitation on the amount estimated and paid for  
6 certain real estate investment management services; and generally relating to  
7 limitations on expenses of the Board of Trustees of the State Retirement and  
8 Pension System.

9 BY repealing and reenacting, with amendments,  
10 Article - State Personnel and Pensions  
11 Section 21-315  
12 Annotated Code of Maryland  
13 (1994 Volume and 1996 Supplement)

14 BY repealing and reenacting, with amendments,  
15 Article - State Personnel and Pensions  
16 Section 21-315  
17 Annotated Code of Maryland  
18 (1994 Volume and 1996 Supplement)  
19 (As enacted by Chapter 6 of the Acts of the General Assembly of 1994)

20 BY repealing and reenacting, with amendments,  
21 Chapter 6 of the Acts of the General Assembly of 1994, as amended by Chapter 366  
22 of the Acts of the General Assembly of 1995)  
23 Section 17

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

**26 Article - State Personnel and Pensions**

27 21-315.

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

2

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

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

6 (3) the amount authorized by the Board of Trustees to implement a closing  
7 agreement with the Internal Revenue Service regarding former members of the  
8 Employees' Retirement System or the Teachers' Retirement System who elected to  
9 become members of or participate in those State systems under former Article 73B, §§  
10 2-206 and 3-206 of the Code.

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

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

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

17 (3) the amounts as authorized by the Board of Trustees necessary to  
18 implement a closing agreement with the Internal Revenue Service regarding former  
19 members of the Employees' Retirement System or the Teachers' Retirement System who  
20 elected to become members of or participate in those State systems under former Article  
21 73B, §§ 2-206 and 3-206 of the Code.

22 (c) Each year the Board of Trustees shall estimate[:

23 (1)] the amount, not exceeding 0.2% of the payroll of members, necessary for  
24 the administrative and operational expenses of the Board of Trustees and the State  
25 Retirement Agency[;].

26 (D) EACH QUARTER OF THE FISCAL YEAR THE BOARD OF TRUSTEES SHALL  
27 ESTIMATE:

28 [(2)] (1) [the] ONE-FOURTH OF AN amount, not exceeding 1.5% of the  
29 average of the market values as of [July 1 and June 30 of the current fiscal year] THE  
30 LAST DAY OF THE PRECEDING QUARTER of assets externally invested in real estate,  
31 necessary for external real estate investment management services; and

32 [(3)] (2) [the] ONE-FOURTH OF AN amount, not exceeding 0.3% of the  
33 market value as of [December 31 of the preceding fiscal year] THE LAST DAY OF THE  
34 PRECEDING QUARTER of invested assets that are externally managed exclusive of assets  
35 invested in real estate, necessary to procure and retain investment management services  
36 other than external real estate investment management services.

37 [(d)] (E) The amounts estimated under [subsection (c)] SUBSECTIONS (C) AND  
38 (D) of this section shall be paid into the expense funds of the several systems during the  
39 ensuing year on a pro rata basis according to the total assets held by each system.

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1 [(e)] (F) The Board of Trustees may combine the expense funds of the several  
2 systems for budgetary and administrative efficiency.

3 [(f)] (G) On or before December 31 of each year, the Board of Trustees shall  
4 report to the General Assembly the actual amount spent for investment management  
5 services during the preceding fiscal year.

6 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
7 read as follows:

8 **Article - State Personnel and Pensions**

9 21-315.

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

12 (1) the amount provided in the annual State budget to pay the  
13 administrative and operational expenses of the Board of Trustees and the State  
14 Retirement Agency;

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

17 (3) the amount authorized by the Board of Trustees to implement a closing  
18 agreement with the Internal Revenue Service regarding former members of the  
19 Employees' Retirement System or the Teachers' Retirement System who elected to  
20 become members of or participate in those State systems under former Article 73B, §§  
21 2-206 and 3-206 of the Code.

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

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

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

28 (3) the amounts as authorized by the Board of Trustees necessary to  
29 implement a closing agreement with the Internal Revenue Service regarding former  
30 members of the Employees' Retirement System or the Teachers' Retirement System who  
31 elected to become members of or participate in those State systems under former Article  
32 73B, §§ 2-206 and 3-206 of the Code.

33 (c) Each year the Board of Trustees shall estimate[:

34 (1)] the amount, not exceeding 0.2% of the payroll of members, necessary for  
35 the administrative and operational expenses of the Board of Trustees and the State  
36 Retirement Agency[;].

37 (D) EACH QUARTER OF THE FISCAL YEAR THE BOARD OF TRUSTEES SHALL  
38 ESTIMATE:

1           [(2)] (1) [the] ONE-FOURTH OF AN amount, not exceeding 1.2% of the  
2 market value as of [December 31 of the preceding fiscal year] THE LAST DAY OF THE  
3 PRECEDING QUARTER of assets externally invested in real estate, necessary for external  
4 real estate investment management services; and

5           [(3)] (2) [the] ONE-FOURTH OF AN amount, not exceeding 0.3% of the  
6 market value as of [December 31 of the preceding fiscal year] THE LAST DAY OF THE  
7 PRECEDING QUARTER of invested assets that are externally managed exclusive of assets  
8 invested in real estate, necessary to procure and retain investment management services  
9 other than external real estate investment management services.

10          [(d)] (E) The amounts estimated under [subsection (c)] SUBSECTIONS (C) AND  
11 (D) of this section shall be paid into the expense funds of the several systems during the  
12 ensuing year on a pro rata basis according to the total assets held by each system.

13          [(e)] (F) The Board of Trustees may combine the expense funds of the several  
14 systems for budgetary and administrative efficiency.

15          [(f)] (G) On or before December 31 of each year, the Board of Trustees shall  
16 report to the General Assembly the actual amount spent for investment management  
17 services during the preceding fiscal year.

18          SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
19 read as follows:

20 **Chapter 6 of the Acts of 1994, as amended by Chapter 366 of the Acts of 1995**

21          SECTION 17. AND BE IT FURTHER ENACTED, That, at the end of June 30,  
22 [1997] 1999, and with no further action required by the General Assembly, § 21-315 of  
23 the State Personnel and Pensions Article, as enacted by Section 2 of this Act, shall be  
24 void, and § 21-315 of the State Personnel and Pensions Article as enacted by Section 3 of  
25 this Act shall take effect. This section supersedes the termination and abrogation  
26 provisions of Section 3 of Chapter 234 of the Acts of the General Assembly of 1993.

27          SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
28 take effect on the taking effect of the termination provision specified in Section 17 of  
29 Chapter 6 of the Acts of the General Assembly of 1994, as amended by Chapter 366 of the  
30 Acts of the General Assembly of 1995, and as amended by Section 3 of this Act. If that  
31 termination provision takes effect, Section 1 of this Act shall be void.

32          SECTION 5. AND BE IT FURTHER ENACTED, That, subject to the provisions  
33 of Section 4 of this Act, this Act shall take effect July 1, 1997.