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

Introduced and read first time: January 17, 1997

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 11, 1997

CHAPTER ____

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

2

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

3 **Article - State Personnel and Pensions**

4 21-315.

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

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

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

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

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

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

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

23 (3) the amounts as authorized by the Board of Trustees necessary to
24 implement a closing agreement with the Internal Revenue Service regarding former
25 members of the Employees' Retirement System or the Teachers' Retirement System who
26 elected to become members of or participate in those State systems under former Article
27 73B, §§ 2-206 and 3-206 of the Code.

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

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

32 (D) EACH QUARTER OF THE FISCAL YEAR THE BOARD OF TRUSTEES SHALL
33 ESTIMATE:

34 [(2)] (1) [the] ONE-FOURTH OF AN amount, not exceeding 1.5% of the
35 ~~average of the market values~~ MARKET VALUE as of [July 1 and June 30 of the current
36 fiscal year] THE LAST DAY OF THE PRECEDING QUARTER of assets externally invested
37 in real estate, necessary for external real estate investment management services; and

38 [(3)] (2) [the] ONE-FOURTH OF AN amount, not exceeding 0.3% of the
39 market value as of [December 31 of the preceding fiscal year] THE LAST DAY OF THE

3

1 PRECEDING QUARTER of invested assets that are externally managed exclusive of assets
2 invested in real estate, necessary to procure and retain investment management services
3 other than external real estate investment management services.

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

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

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

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

14 **Article - State Personnel and Pensions**

15 21-315.

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

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

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

23 (3) the amount authorized by the Board of Trustees to implement a closing
24 agreement with the Internal Revenue Service regarding former members of the
25 Employees' Retirement System or the Teachers' Retirement System who elected to
26 become members of or participate in those State systems under former Article 73B, §§
27 2-206 and 3-206 of the Code.

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

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

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

34 (3) the amounts as authorized by the Board of Trustees necessary to
35 implement a closing agreement with the Internal Revenue Service regarding former
36 members of the Employees' Retirement System or the Teachers' Retirement System who
37 elected to become members of or participate in those State systems under former Article
38 73B, §§ 2-206 and 3-206 of the Code.

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

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

4 (D) EACH QUARTER OF THE FISCAL YEAR THE BOARD OF TRUSTEES SHALL
 5 ESTIMATE:

6 [(2)] (1) [the] ONE-FOURTH OF AN amount, not exceeding 1.2% of the
 7 market value as of [December 31 of the preceding fiscal year] THE LAST DAY OF THE
 8 PRECEDING QUARTER of assets externally invested in real estate, necessary for external
 9 real estate investment management services; and

10 [(3)] (2) [the] ONE-FOURTH OF AN amount, not exceeding 0.3% of the
 11 market value as of [December 31 of the preceding fiscal year] THE LAST DAY OF THE
 12 PRECEDING QUARTER of invested assets that are externally managed exclusive of assets
 13 invested in real estate, necessary to procure and retain investment management services
 14 other than external real estate investment management services.

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

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

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

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

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

26 SECTION 17. AND BE IT FURTHER ENACTED, That, at the end of June 30,
 27 [1997] 1999, and with no further action required by the General Assembly, § 21-315 of
 28 the State Personnel and Pensions Article, as enacted by Section 2 of this Act, shall be
 29 void, and § 21-315 of the State Personnel and Pensions Article as enacted by Section 3 of
 30 this Act shall take effect. This section supersedes the termination and abrogation
 31 provisions of Section 3 of Chapter 234 of the Acts of the General Assembly of 1993.

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

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

