

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 593

(Senator McFadden)(Chair, Joint Committee on Pensions)

Budget and Taxation

Appropriations

State Retirement and Pension System - Board of Trustees - Attendance and
Educational Training

This bill expands the reasons for which a member of the Board of Trustees of the State Retirement and Pension System may be granted an excused absence to include jury duty and attendance at investment or fiduciary training. It also repeals requirements that investment and fiduciary training for trustees be conducted in the State and by entities who are not affiliated with any of the system's external investment managers. Instead, the training must be approved by the chairman of the board. The bill specifies that an elected member of the board representing employees must be given reasonable time during work to attend board or committee meetings. By September 1 of each year, the board must submit a report to the Joint Commission on Pensions summarizing the cost and nature of travel expenses incurred by staff and board members during the prior fiscal year.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None. The changes have no effect on governmental finances; the board can prepare the required annual report with existing resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Board of Trustees of the State Retirement and Pension System consists of 14 members, including:

- three *ex officio* members (the Treasurer, Comptroller, and Secretary of Budget and Management);
- five members elected by members and retirees of the system's plans; and
- six members appointed by the Governor, including one member who represents the interests of local governments who participate in the system.

Trustees serve as fiduciaries for the system. All trustees must attend at least 80% of the monthly board meetings in a given calendar year, but they may be granted an excused absence for illness or family emergency. The Governor must remove any elected or appointed member who does not meet the attendance requirement, not including excused absences.

Each calendar year, all trustees must complete at least eight hours of investment and fiduciary training. The training must occur in the State and be conducted by entities who are not affiliated with any of the system's external investment managers.

Background: Chapter 403 of 2003 restructured the board following revelations that one of its external managers was under criminal investigation for mishandling system assets. Two *ex officio* positions and one elected position (representing the State Police) were eliminated and replaced with gubernatorial appointments. Among several other changes, the attendance and training requirements described in current law were also instituted.

For calendar 2008, all but one of the trustees achieved at least an 80% attendance rate, with six trustees achieving a 100% attendance rate. Only the Secretary of Budget and Management fell short, attending 58% of the board's meetings. As an *ex officio* member, she is not subject to removal by the Governor for failure to meet the attendance requirement.

Each year, the board dedicates one of its monthly meetings to fiduciary and investment training for its members. The annual session is well attended; any trustee who is unable to attend, however, may fulfill the eight-hour training requirement by attending other training opportunities in Maryland. Trustees also attend many other conferences and training opportunities outside of the State, but, under current law, that training cannot be counted toward the statutory requirement.

Additional Information

Prior Introductions: None.

Cross File: HB 446 (Delegate Griffith, *et al.*) (Chair, Joint Committee on Pensions) - Appropriations.

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

Fiscal Note History: First Reader - February 15, 2009
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