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

Introduced and read first time: February 24, 2003

Rules suspended

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System - Board of Trustees**

3 FOR the purpose of removing certain ex officio trustees from the Board of Trustees for
4 the State Retirement and Pension System; eliminating the election process of
5 any trustee on the Board of Trustees for the State Retirement and Pension
6 System; requiring the Governor to appoint certain trustees to the Board of
7 Trustees for the State Retirement and Pension System; authorizing certain
8 employee and retiree organizations to submit lists of certain names to the
9 Governor for appointment to the Board of Trustees for the State Retirement and
10 Pension System; adding additional trustees to the Board of Trustees for the
11 State Retirement and Pension System who meet certain criteria; requiring the
12 trustees to attend a certain percentage of meetings during a certain period of
13 time with certain exceptions; requiring the Governor to remove certain trustees
14 who do not attend a certain percentage of meetings during a certain period of
15 time and to fill any vacancies that result from that removal in a certain manner;
16 clarifying the responsibilities of the trustees; requiring the trustees to complete
17 a certain amount of fiduciary and investment training during a certain period of
18 time; requiring the State Retirement Agency to submit certain reports to the
19 Department of Legislative Services; and generally relating to the Board of
20 Trustees for the State Retirement and Pension System.

21 BY repealing and reenacting, with amendments,
22 Article - State Personnel and Pensions
23 Section 21-104 and 21-108
24 Annotated Code of Maryland
25 (1997 Replacement Volume and 2002 Supplement)

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

1 **Article - State Personnel and Pensions**

2 21-104.

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

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

5 (2) the State Comptroller, ex officio;

6 (3) [the State Superintendent of Schools, ex officio;

7 (4)] the State Treasurer, ex officio, who may appoint a deputy treasurer
8 as designee; AND

9 [(5) the Secretary of the State Police, ex officio;

10 (6)] (4) [two trustees who are members or retirees] ELEVEN TRUSTEES
11 APPOINTED BY THE GOVERNOR WITH THE ADVICE AND CONSENT OF THE SENATE AS
12 FOLLOWS:13 (I) ONE TRUSTEE WHO IS A MEMBER of the Correctional Officers'
14 Retirement System, the Employees' Pension System, the Employees' Retirement
15 System, the Judges' Retirement System, the Legislative Pension Plan, the Local Fire
16 and Police System, or the Law Enforcement Officers' Pension Plan, [only one of whom
17 may be a retiree of any of those State systems at the time of election under subsection
18 (b) of this section and neither of whom may be an employee of the State Retirement
19 Agency] WHO SHALL BE SELECTED FROM LISTS OF THREE NAMES SUBMITTED BY
20 EMPLOYEE ORGANIZATIONS REPRESENTING AT LEAST 100 INDIVIDUALS WHO ARE
21 MEMBERS OF ANY OF THE SYSTEMS LISTED IN THIS ITEM;22 (II) ONE TRUSTEE WHO IS A RETIREE OF THE CORRECTIONAL
23 OFFICERS' RETIREMENT SYSTEM, THE EMPLOYEES' PENSION SYSTEM, THE
24 EMPLOYEES' RETIREMENT SYSTEM, THE JUDGES' RETIREMENT SYSTEM, THE
25 LEGISLATIVE PENSION PLAN, THE LOCAL FIRE AND POLICE SYSTEM, OR THE LAW
26 ENFORCEMENT OFFICERS' PENSION PLAN, WHO SHALL BE SELECTED FROM LISTS OF
27 THREE NAMES SUBMITTED BY RETIREE ORGANIZATIONS REPRESENTING AT LEAST
28 50 INDIVIDUALS WHO ARE RETIREES OF ANY OF THE SYSTEMS LISTED IN THIS ITEM;29 [(7)] (III) [two trustees who are members or retirees] ONE TRUSTEE WHO
30 IS A MEMBER of the Teachers' Pension System or the Teachers' Retirement System,
31 [only one of whom may be a retiree of either State system at the time of election
32 under subsection (b) of this section] WHO SHALL BE SELECTED FROM LISTS OF
33 THREE NAMES SUBMITTED BY EMPLOYEE ORGANIZATIONS REPRESENTING AT
34 LEAST 100 INDIVIDUALS WHO ARE MEMBERS OF ANY OF THE SYSTEMS LISTED IN
35 THIS ITEM;36 (IV) ONE TRUSTEE WHO IS A RETIREE OF THE TEACHERS' PENSION
37 SYSTEM OR THE TEACHERS' RETIREMENT SYSTEM, WHO SHALL BE SELECTED FROM
38 LISTS OF THREE NAMES SUBMITTED BY RETIREE ORGANIZATIONS REPRESENTING

1 AT LEAST 50 INDIVIDUALS WHO ARE RETIREES OF ANY OF THE SYSTEMS LISTED IN
2 THIS ITEM;

3 [(8)] (V) [two trustees who are members or retirees] ONE TRUSTEE WHO
4 IS EITHER A MEMBER OR RETIREE of the State Police Retirement System, [of whom
5 one is a retiree of the State Police Retirement System at the time of election under
6 subsection (b) of this section] WHO SHALL BE SELECTED FROM LISTS OF THREE
7 NAMES SUBMITTED BY EITHER EMPLOYEE OR RETIREE ORGANIZATIONS
8 REPRESENTING AT LEAST 75 INDIVIDUALS WHO ARE EITHER MEMBERS OR RETIREES
9 OF THE STATE POLICE RETIREMENT SYSTEM;

10 [(9)] (VI) one trustee who represents the interests of participating
11 governmental units in the Employees' Pension System and the Employees'
12 Retirement System; and

13 [(10)] (VII) [two] FIVE trustees who:

14 [(i)] 1. represent the interests of the public;

15 [(ii)] 2. are not members of any of the several systems; [and

16 [(iii)] 3. are [knowledgeable in the administration and operation of
17 pension systems and trust funds] NOT AFFILIATED WITH ANY OF THE EXTERNAL
18 INVESTMENT MANAGERS FOR THE SEVERAL SYSTEMS; AND

19 4. HAVE AT LEAST 10 YEARS OF SUBSTANTIAL EXPERIENCE
20 AS ANY ONE OR A COMBINATION OF THE FOLLOWING:

21 A. A PORTFOLIO MANAGER ACTING IN A FIDUCIARY
22 CAPACITY;

23 B. A SECURITIES ANALYST;

24 C. AN EMPLOYEE OR PRINCIPAL OF A TRUST INSTITUTION,
25 INVESTMENT ORGANIZATION, OR ENDOWMENT FUND ACTING EITHER IN A
26 MANAGEMENT- OR AN INVESTMENT-RELATED CAPACITY;

27 D. A CHARTERED FINANCIAL ANALYST IN GOOD STANDING;

28 E. A PROFESSOR AT THE UNIVERSITY LEVEL TEACHING
29 ECONOMICS OR INVESTMENT-RELATED SUBJECTS;

30 F. AN ECONOMIST; OR

31 G. A PROFESSIONAL ENGAGED IN A PUBLIC OR PRIVATE
32 FINANCIAL OR INVESTMENT FIELD THAT IS COMPARABLE TO THE FIELDS LISTED IN
33 THIS ITEM.

34 (b) [(1)] (i) The trustees who are members or retirees of the Correctional
35 Officers' Retirement System, the Employees' Pension System, the Employees'
36 Retirement System, the Judges' Retirement System, the Legislative Pension Plan, the

1 Local Fire and Police System, or the Law Enforcement Officers' Pension Plan shall be
2 elected by the members and the retirees of those State systems.

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

6 (iii) The trustees who are members or retirees of the State Police
7 Retirement System shall be elected by the members and the retirees of that State
8 system.

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

11 (v) A trustee is not eligible for reelection if:

12 1. the trustee becomes a retiree of the Correctional Officers'
13 Retirement System, the Employees' Pension System, the Employees' Retirement
14 System, the Judges' Retirement System, the Legislative Pension Plan, the Local Fire
15 and Police System, or the Law Enforcement Officers' Pension Plan, and the other
16 elected trustee for those State systems is already a retiree of one of those State
17 systems;

18 2. the trustee becomes a retiree of either the Teachers'
19 Pension System or the Teachers' Retirement System and the other elected trustee for
20 those State systems is already a retiree of one of those State systems; or

21 3. the trustee becomes a retiree of the State Police
22 Retirement System and the other elected trustee is already a retiree of that State
23 system.

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

27 (3) The trustees who represent the public shall be appointed by the
28 Governor with the advice and consent of the Senate] A TRUSTEE MAY NOT BE AN
29 EMPLOYEE OF THE STATE RETIREMENT AGENCY.

30 (c) EACH EMPLOYEE OR RETIREE ORGANIZATION MAY ONLY SUBMIT ONE
31 LIST FOR EACH VACANCY IN THE OFFICE OF A TRUSTEE.

32 (D) (1) Within 10 days after the appointment [or election] of an individual
33 as a trustee, the individual shall take and subscribe to an oath of office that, so far as
34 it devolves on the individual, as trustee the individual:

35 (i) will diligently and honestly administer the affairs of the Board
36 of Trustees; and

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

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

4 (i) certify the oath; and

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

7 [(d)] (E) (1) (i) The term of an appointed [or elected] trustee is 4 years.

8 (ii) Trustees who represent the public serve staggered 4-year
9 terms.

10 (2) A trustee who is a member but not a retiree of the Correctional
11 Officers' Retirement System, the Employees' Pension System, the Employees'
12 Retirement System, the Judges' Retirement System, the Legislative Pension Plan, the
13 Local Fire and Police System, the Law Enforcement Officers' Pension Plan, the State
14 Police Retirement System, the Teachers' Pension System, or the Teachers' Retirement
15 System at the time of [election] APPOINTMENT of the trustee may NOT complete the
16 term of office [even] if, during the term, the trustee becomes a retiree of the State
17 system of which the trustee was a member at the time of [election] APPOINTMENT.

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

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

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

24 [(e)] (F) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
25 EACH TRUSTEE SHALL ATTEND AT LEAST 80% OF THE MEETINGS HELD BY THE
26 BOARD OF TRUSTEES DURING A 1-YEAR PERIOD BEGINNING JANUARY 1.

27 (2) (I) A TRUSTEE MAY BE GRANTED AN EXCUSED ABSENCE BY THE
28 CHAIRMAN OF THE BOARD OR ANOTHER OFFICER OF THE BOARD DUE TO ILLNESS
29 OR FAMILY EMERGENCIES.

30 (II) AN EXCUSED ABSENCE UNDER THIS PARAGRAPH MAY NOT BE
31 CONSIDERED AN ABSENCE FOR THE PURPOSES OF PARAGRAPH (1) OF THIS
32 SUBSECTION.

33 (3) (I) ANY GOVERNOR-APPOINTED TRUSTEE THAT FAILS TO ATTEND
34 AT LEAST 80% OF THE MEETINGS, NOT INCLUDING EXCUSED ABSENCES UNDER
35 PARAGRAPH (2) OF THIS SUBSECTION, SHALL BE REMOVED FROM THE BOARD OF
36 TRUSTEES BY THE GOVERNOR.

1 (II) THE GOVERNOR SHALL FILL THE VACANCY FOR THE OFFICE OF
2 THE TRUSTEE FOR THE UNEXPIRED TERM IN THE SAME MANNER AS THE OFFICE
3 WAS PREVIOUSLY FILLED.

4 (III) THE STATE RETIREMENT AGENCY SHALL SUBMIT A TRUSTEE
5 ATTENDANCE REPORT TO THE DEPARTMENT OF LEGISLATIVE SERVICES BY JUNE 30
6 AND DECEMBER 31 OF EACH YEAR.

7 (G) [The] NOTWITHSTANDING SUBSECTION (E) OF THIS SECTION, THE
8 Governor may remove a Governor-appointed trustee for incompetence or misconduct.
9 21-108.

10 (a) (1) The responsibility for the management, general administration, and
11 proper operation of the several systems is vested in the Board of Trustees.

12 (2) THE BOARD OF TRUSTEES IS NOT RESPONSIBLE FOR:

13 (I) REVIEWING THE BENEFIT STRUCTURES FOR ANY OF THE
14 SEVERAL SYSTEMS, EXCEPT FOR THE PURPOSE OF MAKING TECHNICAL
15 CORRECTIONS; OR

16 (II) CONSIDERING BENEFIT ENHANCEMENTS FOR ANY OF THE
17 SEVERAL SYSTEMS.

18 (3) (I) EACH TRUSTEE ON THE BOARD OF TRUSTEES IS REQUIRED TO
19 COMPLETE 4 HOURS OF INVESTMENT AND FIDUCIARY TRAINING DURING A 1-YEAR
20 PERIOD BEGINNING JANUARY 1.

21 (II) THE TRAINING SHALL BE CONDUCTED AT THE STATE
22 RETIREMENT AGENCY BY AN ENTITY NOT AFFILIATED WITH ANY OF THE EXTERNAL
23 INVESTMENT MANAGERS FOR THE SEVERAL SYSTEMS.

24 (III) ON OR BEFORE JUNE 30 AND DECEMBER 31 OF EACH YEAR, THE
25 STATE RETIREMENT AGENCY SHALL SUBMIT A REPORT TO THE DEPARTMENT OF
26 LEGISLATIVE SERVICES THAT PROVIDES A SUMMARY OF THE TRAINING REQUIRED
27 BY THIS PARAGRAPH THAT WAS COMPLETED BY EACH TRUSTEE DURING THAT
28 6-MONTH PERIOD.

29 (b) In addition to the Investment Committee established under § 21-114 of
30 this subtitle, the Board of Trustees may establish other committees.

31 (c) Subject to § 21-123 of this subtitle, the Board of Trustees shall have full
32 power to invest the assets of the several systems.

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
34 July 1, 2003.