



Senate Bill 885

State Retirement and Pension System - Board of Trustees - County Representation

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

Date: March 7, 2013

From: Michael Sanderson

The Maryland Association of Counties (MACo) **SUPPORTS** SB 885. This bill would add two county government members to the Board of Trustees of the State Retirement and Pension System. Adding these Board members, and the required familiarity with county government finances, better reflects the new county role in supporting the System, and will add a valuable perspective to the Board's oversight and deliberations.

The Board of Trustees of the State Retirement and Pension System has full oversight over the System. The Board meets to adopt governance policies, guide investments, make decisions on legal proceedings, conduct benefits administration, ensure effective management of the State Retirement Agency, and approve the annual actuarial valuation of the System. The Board's varied work guides the System in which county governments have a newly expanded financial responsibility. Counties are well aware that the Board does not have responsibility for plan design or benefit structures – the seat being sought is intended to provide county input into the Board's auditing, investing, and oversight roles.

County governments recently took on a new role in the State Pension and Retirement System. In the Budget Reconciliation and Financing Act of 2012, substantial financial responsibility for the teacher pension costs was shifted to county governments, soon to exceed a quarter billion dollars annually. This new financial stake merits a position beyond that of "participating governmental unit," the categorical seat that has appropriately served the interests of counties, and others, voluntarily participating in the state system.

As county governments assume a role in financing the State Retirement and Pension System, membership on the Board of Trustees will provide them with a voice in the System's direction. The county trustees will be appointed by the Governor to four-year terms from a list submitted by the Maryland Association of Counties. One trustee will have ten years of experience in financial management and oversight of county government budgets, while the other trustees will have expertise in collective bargaining contracts and negotiations with

employee organizations. Both county trustees will carry the same fiduciary duties as all other Board members, even those who are elected by specific named organizations. With this membership, counties would appropriately share in the Board's direction of the State System.

To reflect the role of county government in the State Retirement and Pension System, and add a needed perspective to the Board's important oversight work, MACo urges the Committee to give SB 885 a **FAVORABLE** report.