

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 381

(Delegate B. Barnes)(Chair, Joint Committee on  
Pensions)

Appropriations

Budget and Taxation

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State Retirement and Pension System - Board of Trustees - Designee  
Appointments and Fiduciary Duties

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This bill authorizes the Secretary of Budget and Management and the State Comptroller to appoint a deputy secretary or deputy comptroller, respectively, as designees to the Board of Trustees of the State Retirement and Pension System. It also clarifies that any member of a committee created by the board is a fiduciary of the system.

The bill takes effect July 1, 2016.

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Fiscal Summary

**State Effect:** None. The bill is procedural in nature and has no effect on State pension liabilities or contribution rates.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary/Current Law:** Under current law, the Secretary of Budget and Management, State Treasurer, and State Comptroller serve as *ex officio* members of the Board of Trustees of the State Retirement and Pension System; the board has a total of 15 members. However, only the State Treasurer may appoint a deputy treasurer as a designee to the board. The bill authorizes both the Secretary and the Comptroller to appoint a deputy as a designee to the board.

Current statute specifies that members of the board and members of the Investment Committee are fiduciaries of the system (as are specified employees of the State Retirement Agency). However, there is no such specification for members of other committees established by the board under authority granted by statute. To the extent that *ex officio* members occasionally appoint designees to committees of the board, or the board names nonboard members to those committees, the bill clarifies that those individuals act as fiduciaries of the system.

As stated in current law, a fiduciary must discharge his or her duties solely in the interest of the participants and:

- for the exclusive purposes of providing benefits to the participants and for reasonable expenses of administering the several systems;
- with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent person acting in a like capacity and familiar with such matters would use;
- by diversifying the investment of the several systems to minimize the risk of large losses, unless it is clearly prudent not to do so;
- in accordance with the laws governing the several systems; and
- in accordance with the documents and instruments governing the several systems to the extent they are consistent with statute.

**Background:** The board recommended that legislation be introduced to (1) allow more flexibility in *ex officio* board members appointing designees to serve in their stead and (2) expand the definition of “fiduciary.” The Joint Committee on Pensions adopted these recommendations.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 321 (Senator Peters)(Chair, Joint Committee on Pensions) - Budget and Taxation.

**Information Source(s):** Comptroller’s Office, Maryland State Retirement Agency, Department of Legislative Services

**Fiscal Note History:**  
min/rhh

First Reader - February 1, 2016  
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