

THE REPORT



Vincit Omnia Veritas

Maryland Troopers Association, Inc.

January 2011



President's Message

Greetings:

I would like to begin this month's message by thanking our lobbyist, Bernie Shaw, for his work thus far in monitoring the progress of the Maryland Retirement and Pension System Sustainability Commission over this past summer and prior to this year's General Assembly. As you will note in the following report, the Commission has formulated a number of recommendations to the Governor and the Legislature to ensure the future health of the system. Jimmy Dulay, President of SLEOLA, and Bernie both testified before the Commission to ensure that they were familiar with the facts that differentiate the State Police from the other systems. While some changes may be inevitable, it is the intention of the Maryland Troopers Association to ensure that legislators know the full impact of any changes may be considered.

The Maryland Troopers Association will host a Legislative Reception for members of the General Assembly on February 17, 2011 at the Miller Senate Office Building in Annapolis. The Board of Directors will meet with their local legislators during this reception to discuss the work of the Commission and to ensure that they are familiarized with the aspects of the State Police system that make it different from the other systems. We would like to recognize the Maryland State Police Alumni Association for their contribution to this year's reception. At the January meeting of the MSPAA, their Board voted to contribute \$1,000.00 to help offset the substantial costs associated with putting on the reception.

Last but not least, the Maryland Troopers Association Member and Dependant Scholarship Program is now accepting applications for scholarships. Any member or member dependant interested in submitting an application should contact the MTA office as soon as possible. All completed applications must be received prior to the March 31, 2011 deadline. As always, I am sure that this year's program will be highly competitive. We wish all of our applicants much success in pursuit of their academic goals. Until next time, I remain...

Fraternally yours,

A handwritten signature in black ink that reads "M. Kirk Daugherty". The signature is written in a cursive style with a large initial "M".

M. Kirk Daugherty
President

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The Maryland Troopers Association's January 2011 Executive Board Meeting was called to order on January 18, 2011 at 1700 hours by President Kirk Daugherty. Secretary Treasurer Vicki Patterson and Executive Director Bob Devers were present. Vice-President Chris Sasse was excused. Roll call was taken by the Secretary/Treasurer and the following Lodge Presidents were present:

Tri-County - C. Horner; Lodge 1 - D. Cameron; Lodge 13 - D. Morris; Lodge 14 - R. Ruff; Lodge 15 - A. Michael, Lodge 17 - B. Gill; Lodge 19 - Excused; Lodge 20 - E. Bredenburg; Lodge 40 - O. Artfitch; Lodge 51 - Excused; Lodge 76 - J. McLeary; Lodge 88 - B. Kloos; Lodge 96 - Excused. With a quorum present, the President declared the meeting in order.

The minutes from the December 2010 Executive Board meeting were distributed and reviewed. A motion was made by Tri-County Lodge to adopt the minutes as recorded. The motion was seconded by Lodge 40 and the motion passed.

President

M. Kirk Daugherty

I attended the Tri-County Lodge monthly meeting. The Vice-President asked that I pass on to the Board that he attended the Finance Committee meeting in January and that the latest edition of the TROOPER Magazine has gone to the printer and should be mailed shortly.

Vice-President

Christopher Sasse

Excused

Secretary/Treasurer's Report

Vicki Patterson

Nothing to Report

Executive Director's Report

Robert Devers

1. I received a call from Jack Howard, President of the Maryland State Police Alumni Association (MSPAA). He informed me that their board had voted to contribute \$1,000.00 toward the cost of the Legislative Reception in Annapolis. He noted that the contribution was contingent on

the MSPAA being recognized as a co-host of the event. How that would be accomplished was not discussed. Discussion was held concerning this issue and the Board determined that their contribution to the reception would be very much appreciated and that recognition could be accomplished by including a statement such as "in conjunction with the MSPAA" on the invitation. Bob Devers noted that he would inform Jack of the Board's decision on 1-19-11.

2. The LEAD Marketing and the TROOPER Magazine contracts are currently being negotiated for renewal. Both contracts have been reviewed by the Warnken Firm. The contract from LEAD Marketing has not changed from last year. The Magazine contract has. McKnight Publishing has eliminated the guarantee from our contract and has instituted a straight 24% of gross proceeds royalty. He has also increased the UPS courier fee from \$5 to \$10 per delivery. This increase in cost is a pass on increase from UPS. A motion was made by Lodge 40 to accept the terms of the contracts as presented. The motion was seconded by Lodge 1 and passed.

3. A By-Law Change has been submitted to the By-Laws Committee Chair for presentation to the Board of Directors. The need for this change became apparent when we encountered a question concerning eligibility for benefits of surviving spouses. In 1995, the Board discontinued eligibility for life insurance coverage of surviving spouses and grand-fathered in four survivors who were already covered. This change was never incorporated in the By-Laws. The change submitted for approval incorporates that decision into the By-Laws. Copies have been distributed for your review and action under the By-Laws Committee report.

4. I received an e-mail from the Bank of America concerning their intention to discontinue the MTA credit card royalty program when our contract expires on June 30, 2011. Quarterly revenues from this program were in the neighborhood of \$1,100.00. It was their desire to have us mutually agree to terminate the contract one quarter early on March 31, 2011. I spoke with their representative, Alex McLaughlin, who indicated that they were discontinuing all affinity programs without National exposure and scalability. I indicated that the MTA was not inclined to mutually agree to the early termination and that we would expect royalty payments for the first two quarters of 2011. As a result, we

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will be working on finding a new card issuer and we will notify MTA members who currently have the BOA card that it is no longer a benefit to the MTA for them to use it and to consider replacing that card with the new issuer.

National Troopers Coalition Liaison

Charles Horner

I sent out condolences to the family and co-workers of Trooper Chadwick LeCroy (Georgia State Patrol) who was killed in the line of duty.

I have distributed a report to the Board members which includes a number of articles from around the country.

I will be attending the NTC conference at the end of the month.

COMMITTEE REPORTS

By-Laws: B. Devers for S. Murphy - The survivor eligibility for life insurance by-law change was submitted to the Board for action. The by-law change was tabled for a decision by the President until the next regularly scheduled meeting pursuant to standing rules.

Finance: R. Devers for J. Diggs - On January 5, 2011 the Finance Committee held its monthly meeting at the MTA Office. In attendance were Finance Chairperson Jay Diggs, Bill Bernard, Earl Bredenburg, Pete Edge, Marvin Hollinger, Rick Norman, Mike Smith, Vice President Sasse and Executive Director Bob Devers.

The next meeting date will be February 2, 2011, 10am @ the MTA Office

STATE OF THE MTA:

1. UBS Account – \$510,472
2. Rick Norman provided the Finance Committee with a preliminary 2010 financial summary and we are projected to be in the black. The final 2010 report should be presented to the Finance Committee at its next meeting.

OLD BUSINESS:

1. The Board approved December's Finance Report

2. The 2011 Budget was approved by the Board
3. The Finance Committee is exploring fundraising ideas for the Children's Cancer Foundation. Should you have one let us know.
4. The 2011 Convention. – Marvin Hollinger briefed the Finance Committee on the proposed costs of rooms, etc. A Convention flyer will be sent out in the near future so make sure you make plans for September 29th through October 2nd.

NEW BUSINESS:

1. Requests for Donations: None

FORM 106 REVIEWS:

- A. Lobbyist Bernard Shaw's Form 106 for December in the amount of \$270.65 was reviewed. A motion was made, seconded and passed to accept this report.
- B. Executive Director Bob Dever's Form 106 for December in the amount of \$254.59 was reviewed. A motion was made, seconded and passed to accept this report.
3. The Treasurer's Report for December 2010 was reviewed. A motion was made, seconded and passed to accept this report.
4. A motion was made, seconded and passed to accept the contract renewal with Lead marketing for one year. The terms of the contract are identical to the previous year's contract.

GOOD OF THE ORDER: Time Start: 1000 hours
Time Ended: 1230 hours

Our prayers go out to the family of Retired Sgt Dattilio who recently passed away.

The President called for a motion to accept the Finance Committee report as presented. The motion was made Lodge 76, seconded by Lodge 88 and passed.

Joe McLeary also added that Retired D/Sgt. Schlotterback also passed away since our last meeting.

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Legislative/Political Action: Bernie Shaw - Senator Kasemeyer, Chair of Budget and Taxation, has sponsored us for our legislative reception on February 17, 2011 from 5:00 - 8:00 PM. We have the west wing of the Miller Senate Building. Catering will be provided by the Costas Inn at a cost of \$6,100.00.

Senate Bills

Senate Bill 6 – Optional Retirement Program – State and Participating Governmental Unit Employees – Participation, Senator Colburn - Providing that only individuals serving as Governor on or before January 18, 2011, are eligible for a defined benefit retirement allowance; providing that, on or after July 1, 2011, specified individuals are not eligible to join the Employees' Pension System, the Teachers' Pension System, the State Police Retirement System, the Correctional Officers' Retirement System, the Law Enforcement Officers' Pension System, or the Judges' Retirement System; etc. We will oppose this bill as we did last year.

Senate Bill 14 – Vehicle Laws – Race-Based Traffic Stops – Reporting Requirements, Senator Gladden - Requiring law enforcement officers to record specified data pertaining to traffic stops; requiring law enforcement agencies to report the information to the Maryland Justice Analysis Center (MJAC); requiring the Police Training Commission to develop guidelines and a model format to record specified data; requiring MJAC to report to the Police Training Commission those law enforcement agencies that fail to comply with the reporting requirements of the Act; etc. There is no fiscal note attached to this bill and the statistics are captured automatically with the E-Ticket system. It is my recommendation that we take no position on this bill.

Bob Devers provided a copy of the Pension Sustainability Commission's letter to the Governor and Legislature concerning their recommendations for the 2011 Legislative Session.

December 21, 2010

The Honorable Martin J. O'Malley

The Honorable Thomas V. Mike Miller, Jr.

The Honorable Michael E. Busch

Gentlemen:

At the December 20, 2010 meeting of the Public Employees' and Retirees' Benefit Sustainability Commission, commission

members endorsed a set of recommendations to be included in the commission's first report, required under Chapter 484 of 2010. The complete report will be delivered to you in advance of the 2011 legislative session. The recommendations address four main areas examined by the commission at the seven meetings it held during the 2010 interim, which are:

1. health benefits for State employees and retirees;
2. projected State liabilities for retiree health benefits;
3. pension benefits for State employees and teachers; and
4. the distribution of the employer contribution toward pension benefits for employees of the school boards, community colleges, and library boards who are members of the combined teachers' pension and retirement system.

This letter summarizes the commission's key recommendations in each area. Additional background information, rationale, and details regarding these recommendations will be provided in the aforementioned report.

Health Benefits - The commission recommends that the State adopt a goal of reducing State expenditures on employee and retiree health benefits by 10% to bring them in line with those of peer states. Data presented to the commission shows that, on average, the State pays between 95 and 98% of covered charges under its health plan, whereas the share of costs paid by other large state plans is between 83 and 85%. The commission further recommends that this goal be accomplished through a combination of reductions to State premium subsidies for employees and retirees and plan design changes that reduce the State share of covered charges for medical services and/or prescription drugs purchased by State employees and retirees. To the extent that these changes are subject to collective bargaining with representatives of State employees, they should be submitted to that process. The Department of Budget and Management should monitor the structure of the State health plan on an ongoing basis to ensure that the State's share of covered charges retains equivalency with that of other states, and that a total compensation package adequate to recruiting and retaining a high-quality workforce remains in place. Moreover, special consideration in designing these changes should be given to their financial effects on low-income employees and retirees, and efforts should be taken to minimize those effects, such as the use of limitations on out-of-pocket expenditures.

Retiree Health Liability - The commission recommends that the State establish a goal of reducing its unfunded actuarial liability for other post-employment benefits by 50%, and also commit to fully funding its annual required contribution

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within 10 years. The changes to the employee and retiree health plan outlined above are an important component of the overall strategy to achieve both of these goals, but additional steps are required. Therefore, the commission recommends that the State change the eligibility criteria for State employees to qualify for retiree health benefits in the ways described below. To the extent that the State's liability associated with the retiree health benefit continues to grow at an unsustainable rate even after the implementation of these changes, the Department of Budget and Management (DBM) should establish a contingency plan to further restrict the scope of retiree health benefits, including potentially restricting access to those benefits only to Medicare-eligible retirees. DBM should report the details of its contingency plan to the General Assembly.

. Employees with less than 15 years of service credit as of June 30, 2010, should be required to earn 15 years of service credit with the State, up from 5, to qualify for participation in the State health plan as retirees.

. Employees with less than 15 years of service credit as of June 30, 2010, should be required to earn 25 years of service credit with the State, up from 16, to qualify for the maximum premium subsidy provided to retirees, with the subsidy prorated for those with between 15 and 25 years of service credit.

. Employees should be required to retire directly from State service to qualify for retiree health benefits from the State; former employees who were eligible for retiree health benefits at the time they separated from State service should still be eligible to receive retiree health benefits from the State when they reach normal retirement age.

. During the 2011 interim, the General Assembly should review the current provisions under Title 37 of the State Personnel and Pensions Article that govern transfers of service credit between any State or local retirement or pension system, and how those rules affect eligibility for both retiree health benefits and pension benefits for employees who transfer between State and local government service.

Last, the commission recommends that the State establish in statute a requirement that, by the year 2020, all Medicare-eligible State retirees must join Medicare Part D for prescription drug coverage, and that they no longer be eligible to participate in the State prescription drug plan. This recommendation is largely based on the assumption that, under the federal Patient Protection and Affordable Care Act of 2010, the Part D coverage gap will be eliminated by 2020. To the extent that the coverage gap is not eliminated, the commission recommends that DBM devise a contingency plan to provide supplemental pharmaceutical drug benefits through an Employer Group Waiver Plan or other similar

mechanism. Conversely, to the extent that retiree out-of-pocket expenses under Part D are reduced through mechanisms such as pharmaceutical manufacturer rebates, the State may explore requiring Part D participation at an earlier date, either with or without supplemental coverage from the State.

Pension Benefits - The commission recommends that the State establish two goals: achieving actuarial funding levels of 80% within 10 years and 100% within 30 years for the State Retirement and Pension System (SRPS). Based on data presented to the commission, these goals can be accomplished only by increasing the flow of assets into the system to pay down the unfunded liabilities. However, in the current economic and budgetary environment, the State simply does not have the resources necessary to infuse the system with sufficient funds to accomplish either goal. Moreover, over the past decade, pension contributions paid by the State have grown more than three times faster than revenues, making the current benefit unsustainable. Therefore, the commission recommends that the State consider options for restructuring benefits for both current and future SRPS members in a manner that reduces future liabilities but does not diminish accrued benefits. The commission further recommends that the State use the savings generated by those changes to increase funding levels for the system. The amount of savings that is re-invested in the system annually should be subject to a cap that provides enough additional contributions to achieve the commission's goal of achieving 80% funding in 10 years, with excess savings credited to the appropriate funding sources.

The benefit restructuring recommended by the commission should include all plans within the system over which the General Assembly has jurisdiction, but by necessity should focus on the system's two largest plans, the Teachers' Pension System (TPS) and Employees' Pension System (EPS). In particular, the State should consider the feasibility of offering current and/or future members of TPS and EPS a menu of benefit options. After determining that it will not unduly compromise the investment potential of the pension fund or the competitiveness of the total compensation package, the State should consider including in the menu an option that allows current members to convert accrued benefits into a cash balance account. Additional plan options should either require members to contribute more to retain their current benefits or provide lower benefit multipliers for service after June 30, 2011. In addition, annual cost of living adjustments should be discontinued in favor of inflation-based benefit adjustments for future retirees that are contingent on investment returns for the pension trust fund meeting or exceeding the actuarial target rate (currently 7.75%).

Additional pension benefit changes recommended by the commission include:

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. For new and nonvested members, increasing the vesting requirement for all SRPS plans from 5 to 10 years. Sincerely,

. For new and nonvested members, eligibility for a normal service retirement in TPS/EPS should be age 62 with at least 10 years of service or a combination of age and years of service adding to 92 (the Rule of 92). Concurrently, eligibility for early retirement should be age 57 with at least 20 years of service.

. For members of the State Police Retirement System and the Law Enforcement Officers Pension System not currently enrolled in the Deferred Retirement Option Program (DROP), the program should be modified to provide 4% compounded annual interest on DROP account balances instead of the current 6% compounded monthly interest. The commission further recommends that the State explore, through the collective bargaining process, requiring members of the State Police Retirement System to hold a referendum on whether to join Social Security.

. The commission recommends that the General Assembly Compensation Commission and the Joint Committee on Pensions study the benefit structures provided under the Legislative Pension Plan and the Judges' Retirement System, respectively, and recommend any necessary changes to the General Assembly and Judicial Compensation Commission.

Distribution of Employer Contributions for Pension Benefits - The commission recommends that the State phase in over at least three years a requirement that local boards of education, community colleges, and libraries pay half of the total retirement costs for their employees who are members of the combined teachers' retirement and pension system; total retirement costs are defined as the sum of the employer contribution for members of combined teachers' pension and retirement system and the employer share of Social Security costs for teachers. This recommendation acknowledges that the State plays no role in determining annual salary increases that are negotiated by these local boards and that represent a major component of growing retirement costs. Therefore, the commission concludes that local boards should bear an equal share of the financial burden created by their salary actions. The commission also recommends that, consistent with the tenets of One Maryland, a school board's share of retirement costs be based on its capacity to bear those costs; therefore, school boards in wealthier counties would pay a greater share of retirement costs than those boards in less wealthy counties

Finally, the commission approved a motion to request that legislation be introduced during the 2011 legislative session to extend the deadline for the commission's final report from June 30, 2011, until October 1, 2011, so that the commission has sufficient time to complete its work following the legislative session.

Casper R. Taylor, Jr., Chairman
Public Employees' and Retirees'
Benefit Sustainability Commission

Bernie noted that the Commission will be briefing the Budget and Taxation Committee on January 26, 2011 and that he will attend this briefing.

Legal Advisory -G. Tracey - The law firm is concerned about the CERT team debriefing of troopers following shooting incidents. The concern is that the members of the team are not legally recognized as certified counselors and as such, any discussions that occur may be subject to disclosure. James Nichols requested permission to address this issue with the Department. There was no opposition.

Minority Affairs - Ron Ruff - Nothing to Report

Scholarship: Brian Kloos - Scholarship applications are available at the MTA office. Interested members and dependants should contact the office at your earliest convenience. Completed applications must be received prior to March 31, 2011.

Retirees: Dave Cameron - Nothing to report.

SLEOLA - B. Gill - Active troopers need to be aware of the terms in our contract. Members doubling back are entitled to Premium Pay for the double back shift. Many members are not claiming this.

LODGE REPORTS

Lodge 1 - D. Cameron - An issue was raised at the Prince Frederick Barrack concerning the need for a camera and monitor so that the parking lot and rear door can be monitored by the duty officer.

Lodge 14 - R. Ruff - Ron welcomed Lt. Roland Butler to the Forestville Barrack and looks forward to working with him.

Lodge 20 - E. Bredenburg - Noted that the MSP came through with flying colors in their participation in the funeral for Retired Sergeant Dattilio. He was laid out in full uniform with all military honors. It went very well.

Lodge 40 - O. Artfitch - I would like to thank Sgt. Neil and Trooper Brown from the Waterloo Barrack for their assistance when my wife and I found ourselves to be victims of a crime in Baltimore. They came to our aid and made sure that we made it home safely.

Lodge 88 - B. Kloos - Brian posed a question to B. Gill, MTA SLEOLA Representative, concerning the implementation of the 10 hour day for specialized units within FOB. Brian indicated that he thought the rule applied to road patrol at field installations only but that he would check to find out for sure.

There were no other lodge reports

OLD BUSINESS

NEW BUSINESS

Discussion was held concerning the Legislative Reception and the scheduling of the February, 2011 MTA Board of Directors meeting. A motion was made by Lodge 1 to hold the Board meeting prior to the reception at Miller Senate Office Building at 4:00 PM. The motion was seconded by Lodge 14 and passed.

GOOD OF THE ASSOCIATION

At 5:35 P.M. a motion to adjourn was made by Lodge 14, seconded by Lodge 1 and passed. The next scheduled meeting will be held on February 17, 2011 at the Miller Senate Office Building in Annapolis.



For all your cruise and land based vacation needs contact Dale and Donna Petty, your ACC Certified cruise specialist. We are an independently owned and operated full service travel agency and are here to help you plan your next vacation! We give all MTA members an on board credit to be used in any way you like in addition to all credits and amenities offered by the cruise lines! Sign up for email alerts at www.ChangesInLatitudeCruises.com for an additional credit on your first sailing! Have a question? Email us at LatitudeCruises@aol.com or call us at 386-668-9562.

Chesapeake Investment Advisors Martin Knight

If you have questions concerning the DROP (or any other investment issues), give Marty a call (410-810-0735). The best time to do the research is before your exit-date so very little time is lost reinvesting your assets. Marty can help your transition from active State Trooper to retired investor. And rest assured, he will always put your financial interests first.

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