

(3) the amount authorized by the Board of Trustees to implement a closing agreement with the Internal Revenue Service regarding former members of the Employees' Retirement System or the Teachers' Retirement System who elected to become members of or participate in those State systems under former Article 73B, §§ 2-206 and 3-206 of the Code.

(b) The Board of Trustees shall pay from the expense fund of each State system its pro rata share of:

(1) the administrative and operational expenses of the Board of Trustees and the State Retirement Agency, in accordance with the annual State budget;

(2) the amounts as authorized by the Board of Trustees necessary for investment management services; and

(3) the amounts as authorized by the Board of Trustees necessary to implement a closing agreement with the Internal Revenue Service regarding former members of the Employees' Retirement System or the Teachers' Retirement System who elected to become members of or participate in those State systems under former Article 73B, §§ 2-206 and 3-206 of the Code.

(c) Each year the Board of Trustees shall estimate[ : . . .

(1)] the amount, not exceeding 0.2% of the payroll of members, necessary for the administrative and operational expenses of the Board of Trustees and the State Retirement Agency[ ;].

(D) EACH QUARTER OF THE FISCAL YEAR THE BOARD OF TRUSTEES SHALL ESTIMATE:

[(2)](1) [the] ONE-FOURTH OF AN amount, not exceeding 1.5% of the ~~average of the market values~~ MARKET VALUE as of [July 1 and June 30 of the current fiscal year] THE LAST DAY OF THE PRECEDING QUARTER of assets externally invested in real estate, necessary for external real estate investment management services; and

[(3)](2) [the] ONE-FOURTH OF AN amount, not exceeding 0.3% of the market value as of [December 31 of the preceding fiscal year] THE LAST DAY OF THE PRECEDING QUARTER of invested assets that are externally managed exclusive of assets invested in real estate, necessary to procure and retain investment management services other than external real estate investment management services.

[(d)](E) The amounts estimated under [subsection (c)] SUBSECTIONS (C) AND (D) of this section shall be paid into the expense funds of the several systems during the ensuing year on a pro rata basis according to the total assets held by each system.

[(e)](F) The Board of Trustees may combine the expense funds of the several systems for budgetary and administrative efficiency.

[(f)](G) On or before December 31 of each year, the Board of Trustees shall report to the General Assembly the actual amount spent for investment management services during the preceding fiscal year.