P6 5lr2376 CF SB 810

By: Delegate Forbes (Chair, Joint Committee on Pensions)

Introduced and read first time: February 3, 2025

Assigned to: Appropriations

## A BILL ENTITLED

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1	AN	ACT	concerning

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## Board of Trustees for the State Retirement and Pension System – Investment Division – Compensation and Staffing Committee

- 4 FOR the purpose of repealing the Objective Criteria Committee of the Board of Trustees 5 for the State Retirement and Pension System and establishing a Compensation and 6 Staffing Committee of the Board of Trustees; providing for the membership of the 7 Committee; clarifying the Board of Trustees' authority to determine the 8 qualifications and compensation of and the type and number of positions necessary 9 for carrying out the professional investment functions of the Investment Division of the State Retirement Agency; requiring the Committee to make certain 10 11 recommendations to the Board of Trustees regarding the objective criteria to be used 12 in setting compensation and awarding financial incentives to certain employees in 13 the Investment Division; requiring the Board of Trustees to consider certain recommendations of the Committee; clarifying the requirements for the Board of 14 15 Trustees to enter into an agreement with a consultant to provide certain services to 16 the Committee; and generally relating to the operations of the Board of Trustees for 17 the State Retirement and Pension System.
- 18 BY repealing and reenacting, with amendments.
- 19 Article State Personnel and Pensions
- 20 Section 21–108(b), 21–118.1(a), (b), and (d)(1)(i), and 21–122(f) and (g)
- 21 Annotated Code of Maryland
- 22 (2024 Replacement Volume and 2024 Supplement)
- 23 BY repealing and reenacting, without amendments,
- 24 Article State Personnel and Pensions
- 25 Section 21–122(a)(1) through (3)
- 26 Annotated Code of Maryland
- 27 (2024 Replacement Volume and 2024 Supplement)



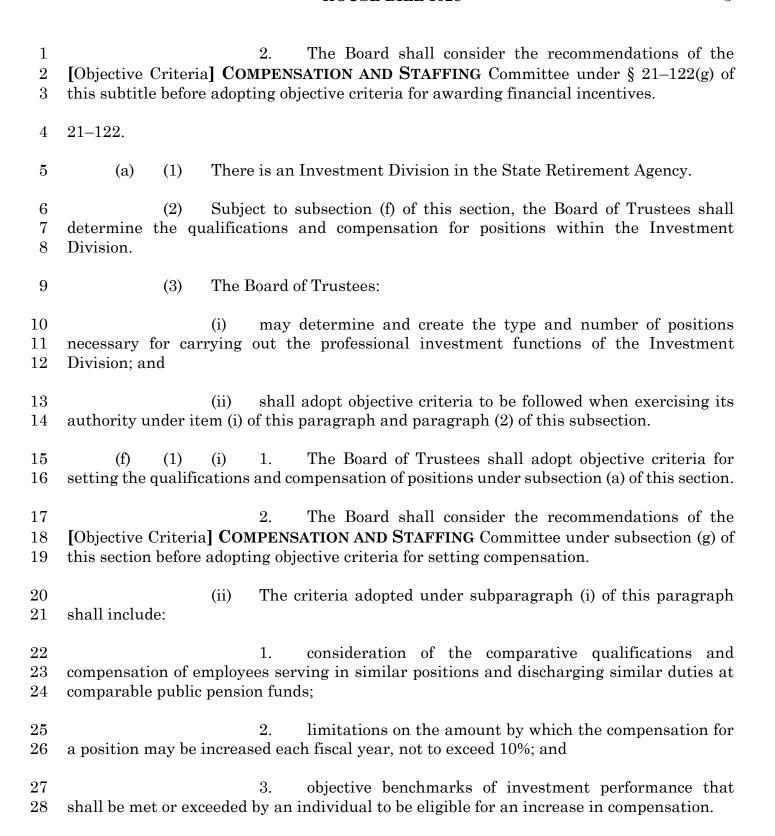
SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the Laws of Maryland read as follows:

## Article - State Personnel and Pensions

4 21–108.

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- 5 (b) In addition to the Investment Committee established under § 21–114 of this subtitle AND THE COMPENSATION AND STAFFING COMMITTEE ESTABLISHED UNDER 7 § 21–122 OF THIS SUBTITLE, the Board of Trustees may establish other committees.
- 8 21–118.1.
- 9 (a) Notwithstanding any other provision of law, on the recommendation of the 10 Executive Director and the [Investment] **COMPENSATION AND STAFFING** Committee,
- 11 the Board of Trustees shall determine the qualifications and appointment, as well as
- 12 compensation and leave, for the Chief Investment Officer who shall be the head of the
- 13 Investment Division.
- 14 (b) (1) In making determinations and appointments under this section, the
- 15 Executive Director and the [Investment] COMPENSATION AND STAFFING Committee
- 16 shall consider the comparative qualifications, compensation, and leave of employees
- 17 serving in similar positions and discharging similar duties at comparable public pension
- 18 funds.
- 19 (2) (i) 1. The Board of Trustees shall adopt objective criteria for
- 20 setting the qualifications and compensation of the Chief Investment Officer.
- 2. The Board shall consider the recommendations of the
- 22 [Objective Criteria] COMPENSATION AND STAFFING Committee under § 21–122(g) of
- 23 this subtitle before adopting objective criteria for setting compensation.
- 24 (ii) The criteria adopted under subparagraph (i) of this paragraph 25 shall include objective benchmarks of investment performance that shall be met or
- 26 exceeded for the Chief Investment Officer to be eligible for an increase in compensation.
- 27 (iii) The Board may not grant any increases in compensation to the
- 28 Chief Investment Officer in a fiscal year in which State employees are subject to a furlough.
- 29 (iv) The Chief Investment Officer's compensation may not be 30 adjusted in accordance with cost-of-living adjustments and merit increases available to
- 31 State employees.
- 32 (d) (1) (i) 1. On the recommendation of the [Investment]
- 33 COMPENSATION AND STAFFING Committee, the Board of Trustees shall establish
- 34 objective criteria for awarding financial incentives to the Chief Investment Officer.



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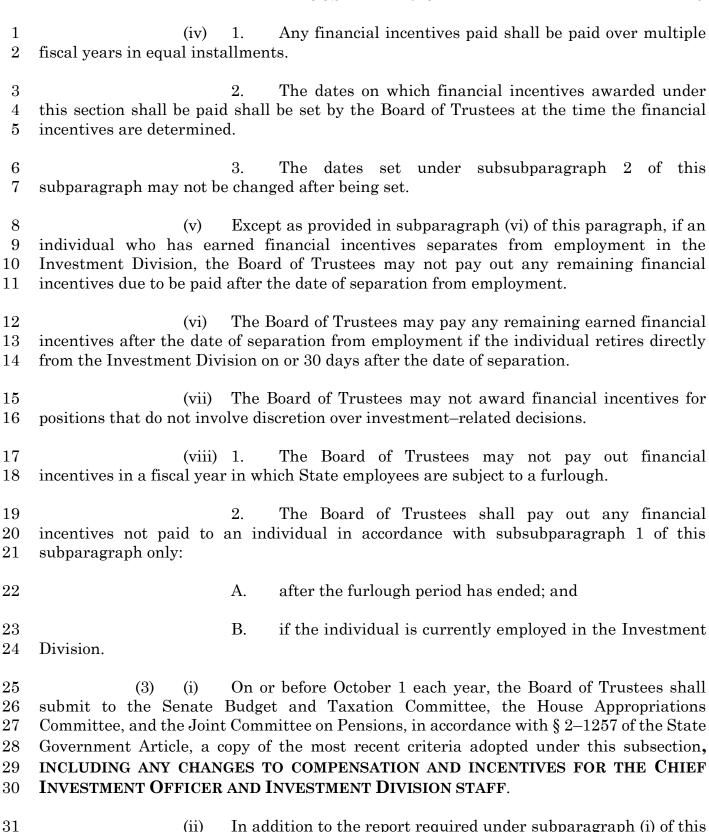
The Board of Trustees may not grant any increases in

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(iii)

- 1 (iv) For positions that do not involve discretion over 2 investment—related decisions, the Board of Trustees may not set compensation that exceeds 3 compensation for providing comparable services in other State employment.
- 4 (v) Except for positions under subparagraph (iv) of this paragraph, 5 the compensation of an employee may not be adjusted in accordance with cost-of-living 6 adjustments and merit increases available to State employees.
- 7 (VI) BASED ON THE RECOMMENDATIONS OF THE 8 COMPENSATION AND STAFFING COMMITTEE UNDER SUBSECTION (G) OF THIS 9 SECTION, THE BOARD OF TRUSTEES SHALL APPROVE:
- 10 1. THE TYPE AND NUMBER OF POSITIONS IN THE 11 INVESTMENT DIVISION;
- 2. THE QUALIFICATIONS FOR EACH POSITION IN THE INVESTMENT DIVISION, AS APPROVED UNDER ITEM 1 OF THIS SUBPARAGRAPH; AND
- 3. ANY COMPENSATION AND FINANCIAL INCENTIVES
  FOR THE CHIEF INVESTMENT OFFICER AND INVESTMENT DIVISION STAFF,
  INCLUDING SALARY INCREASES OR DECREASES RECOMMENDED FOR THE CHIEF
  INVESTMENT OFFICER AND EMPLOYEES OF THE INVESTMENT DIVISION.
- 18 (2) (i) 1. The Board of Trustees shall adopt objective criteria for awarding financial incentives under subsection (a) of this section.
- 20 2. The Board shall consider the recommendations of the [Objective Criteria] **COMPENSATION AND STAFFING** Committee under subsection (g) of this section before adopting objective criteria for awarding financial incentives.
- 23 (ii) Financial incentives may only be awarded based on the objective criteria adopted in accordance with subparagraph (i) of this paragraph.
- 25 (iii) The criteria adopted under subparagraph (i) of this paragraph 26 shall include:
- 27 limitations on the amount of financial incentives for a 28 position in a fiscal year, not to exceed 33% of a position's compensation, exclusive of 29 financial incentives; and
- 30 2. objective benchmarks of investment performance that shall be met or exceeded by an individual to be eligible for financial incentives, including 32 benchmarks for the asset class in which investments are under the direction of the 33 individual.



In addition to the report required under subparagraph (i) of this (ii) 32paragraph, the Board of Trustees shall submit, within 30 days of adoption by the Board of 33 Trustees, a copy of any changes adopted to the criteria established under this subsection to 34 the Senate Budget and Taxation Committee, the House Appropriations Committee, and the Joint Committee on Pensions, in accordance with § 2–1257 of the State Government Article.

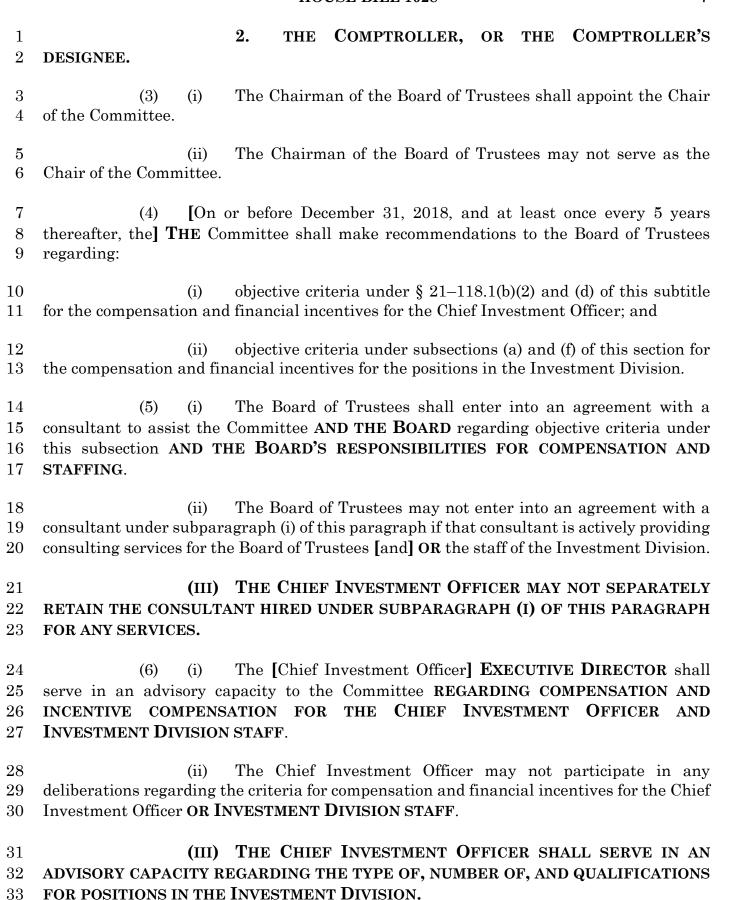
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- 6 **HOUSE BILL 1028** 1 On or before October 1, January 1, March 1, and July 1 each year, the **(4)** 2 Board of Trustees shall submit to the Senate Budget and Taxation Committee, the House 3 Appropriations Committee, and the Joint Committee on Pensions, in accordance with § 4 2-1257 of the State Government Article, a report on system investment returns for the preceding fiscal quarter, including: 5 6 investment performance by asset class, including performance relative to asset class benchmarks; and 7 8 investment performance of assets under the direction of each 9 Investment Division employee. 10 (1) There is [an Objective Criteria] A COMPENSATION AND STAFFING 11 Committee of the Board of Trustees. 12 (2)**(I)** The [Committee consists of the] following members SHALL BE 13 **INCLUDED ON THE COMMITTEE:** 14 (i) one member of the Senate of Maryland serving on the Joint 15 Committee on Pensions, appointed by the President of the Senate; 16 one member of the House of Delegates serving on the Joint (ii) Committee on Pensions, appointed by the Speaker of the House; 17 18 (iii) the State Treasurer or the State Treasurer's designee; 19 (iv) 1. the Secretary of Budget and Management or the 20 Secretary's designee; 21[(v)] 2. one [member] OR MORE MEMBERS of the Board of 22Trustees under § 21–104(a)(4)(i), (ii), (iii), (iv), or (v) of this subtitle, appointed by the 23 Chairman of the Board of Trustees; AND 24[(vi)] 3. one [member] OR MORE MEMBERS of the Board of 25Trustees under § 21–104(a)(4)(viii) of this subtitle, appointed by the Chairman of the Board 26of Trustees[; and 27 (vii) a member of the public with financial industry experience,
- 29 (II) THE FOLLOWING MEMBERS MAY BE APPOINTED TO THE 30 COMMITTEE BY THE CHAIRMAN OF THE BOARD OF TRUSTEES:

appointed jointly by the presiding officers of the General Assembly].

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1. THE STATE TREASURER, OR THE STATE 32 TREASURER'S DESIGNEE; AND



SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 2  $\,$  1, 2025.