

# HOUSE BILL 993

K4

(8lr0950)

## ENROLLED BILL

— Appropriations/Budget and Taxation —

Introduced by **Delegates Korman, Frick, Gilchrist, Hill, Jalisi, Lam, Luedtke, McCray, Morhaim, Platt, Stein, Valderrama, and Wilkins**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
Speaker.

### CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Maryland Pension ~~Climate Change Risk~~ Risk Mitigation Act**

3 FOR the purpose of requiring that, consistent with certain fiduciary duties, the investment  
4 policy manual adopted by the Board of Trustees for the State Retirement and  
5 Pension System include certain policies and address certain details regarding the  
6 management of ~~climate~~ certain risks in the investment of State Retirement and  
7 Pension System assets; requiring the Board of Trustees to ~~conduct or commission a~~  
8 ~~climate~~ submit a report on its risk assessment of the investments of the several  
9 systems on or before a certain date and at certain intervals; specifying the  
10 information that must be included in a ~~climate~~ risk assessment; requiring the State  
11 Retirement Agency to post a certain report regarding a ~~climate~~ certain risk  
12 assessment to its website; requiring the Agency, to the extent practicable, to request  
13 certain information from certain entities necessary to carry out the policies of the  
14 Board of Trustees with respect to a ~~climate~~ certain risk assessment; providing that

---

#### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

*Italics indicate opposite chamber/conference committee amendments.*



1 the Board of Trustees, or any other fiduciary of the several systems, may not be held  
 2 liable for certain actions under certain circumstances; providing that nothing in this  
 3 Act shall require the Board of Trustees to take certain actions unless certain  
 4 circumstances exist; and generally relating to ~~climate change and~~ risk assessments  
 5 the State Retirement and Pension System.

6 BY repealing and reenacting, with amendments,  
 7 Article – State Personnel and Pensions  
 8 Section 21–116  
 9 Annotated Code of Maryland  
 10 (2015 Replacement Volume and 2017 Supplement)

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

13 **Article – State Personnel and Pensions**

14 21–116.

15 (a) By resolution, the Board of Trustees shall specify the powers of the Investment  
 16 Committee.

17 (b) The Investment Committee shall advise the Board of Trustees and make  
 18 recommendations on:

19 (1) the investment programs;

20 (2) compliance of the investment programs with the policies of the Board  
 21 of Trustees; and

22 (3) bonding for employees of the State Retirement Agency in the form and  
 23 amount required by law.

24 (c) (1) Subject to [subsection (d)] **SUBSECTIONS (D) AND (E)** of this section,  
 25 the Board of Trustees shall adopt an investment policy manual that details:

26 (i) the functions of the Investment Division of the State Retirement  
 27 Agency;

28 (ii) the goals and objectives of the several investment programs; and

29 (iii) the policies that govern the selection and retention of  
 30 investments.

31 (2) The Investment Committee shall:

32 (i) prepare and maintain the investment policy manual; and

1 (ii) submit the investment policy manual, and any subsequent  
2 amendments to the manual, to the Board of Trustees for approval.

3 (d) (1) (i) Consistent with minority business purchasing standards  
4 applicable to units of State government under the State Finance and Procurement Article  
5 and consistent with the fiduciary duties of the Board of Trustees, the Board of Trustees  
6 shall direct the Investment Committee to attempt to use to the greatest extent feasible  
7 minority business enterprises to provide brokerage and investment management services  
8 to the Board.

9 (ii) For purposes of this subsection, brokerage and investment  
10 management services shall include services relating to all allocated asset classes.

11 (2) (i) To assist it in achieving the goal described under paragraph (1)  
12 of this subsection, the Investment Committee shall undertake measures to remove any  
13 barriers that limit full participation by minority business enterprises in brokerage and  
14 investment management services opportunities afforded under this title.

15 (ii) The measures undertaken by the Investment Committee shall  
16 include the use of a wide variety of media, including the State Retirement Agency's Web  
17 site, to provide notice to a broad and varied range of potential providers about the brokerage  
18 and investment management services opportunities afforded by the State Retirement  
19 Agency.

20 (3) In consultation with the Governor's Office of Small, Minority, and  
21 Women Business Affairs and the Investment Committee, the Board of Trustees shall  
22 develop guidelines to assist the Investment Committee in identifying and evaluating  
23 qualified minority business enterprises in order to help the State Retirement Agency  
24 achieve the objective for greater use of minority business enterprises for brokerage and  
25 investment management services.

26 (4) On or before September 1 each year, the Investment Committee shall  
27 submit a report to the Board of Trustees, the Governor's Office of Small, Minority, and  
28 Women Business Affairs and, subject to § 2-1246 of the State Government Article, the  
29 General Assembly on:

30 (i) the identity of the minority business enterprise brokerage and  
31 investment management services firms used by the Investment Committee in the  
32 immediately preceding fiscal year;

33 (ii) the percentage and dollar value of the assets that are under the  
34 control of the Investment Committee that are under the investment control of minority  
35 business enterprise brokerage and investment management services firms for each  
36 allocated asset class; and

1 (iii) the measures the Investment Committee undertook in the  
2 immediately preceding fiscal year in accordance with paragraph (2)(ii) of this subsection.

3 (E) (1) CONSISTENT WITH ITS FIDUCIARY DUTIES, THE BOARD OF  
4 TRUSTEES SHALL INCLUDE POLICIES IN THE INVESTMENT POLICY MANUAL  
5 ADOPTED UNDER SUBSECTION (C) OF THIS SECTION REGARDING THE MANAGEMENT  
6 OF RISK, INCLUDING CLIMATE RISKS, IN THE INVESTMENT OF SYSTEM ASSETS, AND  
7 SHALL ADDRESS:

8 (I) INVESTMENT PRINCIPLES, GUIDELINES, AND POLICIES  
9 THAT GOVERN THE SELECTION AND RETENTION OF THE INVESTMENTS OF THE  
10 SEVERAL SYSTEMS, INCLUDING PROXY VOTING AND ENGAGEMENT GUIDELINES;  
11 AND

12 (II) A POLICY THAT PROXY VOTES AND SAMPLE DUE DILIGENCE  
13 QUESTIONNAIRES FOR PROSPECTIVE MANAGERS BE PUBLISHED ON THE STATE  
14 RETIREMENT AGENCY'S WEBSITE.

15 (2) (I) CONSISTENT WITH ITS FIDUCIARY DUTIES, ON OR BEFORE  
16 JANUARY 31, 2019, AND EVERY ~~4 YEARS THEREAFTER, THE BOARD OF TRUSTEES~~  
17 ~~SHALL CONDUCT OR COMMISSION A CLIMATE RISK ASSESSMENT OF THE~~  
18 ~~INVESTMENTS OF THE SEVERAL SYSTEMS~~ YEAR THEREAFTER, THE BOARD OF  
19 TRUSTEES SHALL SUBMIT A REPORT ON THE RISK ASSESSMENT OF THE SEVERAL  
20 SYSTEMS, INCLUDING CLIMATE RISK, IN ACCORDANCE WITH § 2-1246 OF THE STATE  
21 GOVERNMENT ARTICLE, TO THE GENERAL ASSEMBLY.

22 (II) THE ASSESSMENT SHALL:

23 1. IDENTIFY RECENT STUDIES OR ACTIONS ~~ON CLIMATE~~  
24 ~~CHANGE~~ BY OTHER U.S. STATE PUBLIC PENSION FUNDS, FINANCIAL INSTITUTIONS,  
25 OR ~~CLIMATE~~ RISK EXPERTS, INCLUDING THOSE RELATED TO DISCLOSURE, RISK  
26 ASSESSMENT, INVESTMENT PRINCIPLES, OR OTHER RELATED ISSUES OR  
27 ACTIVITIES;

28 2. BASED ON THE INFORMATION OBTAINED IN ITEM 1 OF  
29 THIS SUBPARAGRAPH, RECOMMEND BEST PRACTICES AND CONSIDER WHETHER  
30 THESE BEST PRACTICES CAN BE INCORPORATED INTO THE INVESTMENT POLICY  
31 MANUAL;

32 3. EXAMINE THE POTENTIAL MAGNITUDE OF THE  
33 LONG-TERM RISKS AND OPPORTUNITIES OF MULTIPLE ~~CLIMATE~~ SCENARIOS AND  
34 RELATED REGULATORY DEVELOPMENTS ACROSS INDUSTRY SECTORS, ASSET  
35 CLASSES, AND THE TOTAL PORTFOLIO OF THE SEVERAL SYSTEMS; AND

1                                   4.     INCLUDE ANY OTHER INFORMATION THE BOARD OF  
2 TRUSTEES OR INVESTMENT COMMITTEE DEEMS NECESSARY.

3                                   (III) THE STATE RETIREMENT AGENCY SHALL POST A REPORT  
4 REGARDING THE ~~CLIMATE~~ RISK ASSESSMENT ON ITS WEBSITE.

5                                   (3) TO THE EXTENT PRACTICABLE, THE STATE RETIREMENT AGENCY  
6 SHALL REQUEST ALL INFORMATION NECESSARY FROM MANAGERS, BROKERS, OR  
7 OTHER ENTITIES TO CARRY OUT THE POLICIES OF THE BOARD OF TRUSTEES WITH  
8 RESPECT TO ~~A CLIMATE RISK ASSESSMENT DESCRIBED IN AN ASSESSMENT~~  
9 CONDUCTED IN ACCORDANCE WITH THIS SUBSECTION.

10                                  (4) THE BOARD OF TRUSTEES, OR ANY OTHER FIDUCIARY OF THE  
11 SEVERAL SYSTEMS AS DEFINED IN § 21-201(B) OF THIS TITLE, MAY NOT BE HELD  
12 LIABLE FOR ANY ACTIONS TAKEN OR DECISIONS MADE IN GOOD FAITH FOR THE  
13 PURPOSE OF COMPLYING WITH OR EXECUTING THIS SUBSECTION.

14                                  (5) NOTHING IN THIS SUBSECTION SHALL REQUIRE THE BOARD OF  
15 TRUSTEES TO TAKE ACTION AS DESCRIBED IN THIS SECTION UNLESS THE BOARD OF  
16 TRUSTEES DETERMINES, IN GOOD FAITH, THAT THE ACTION IS CONSISTENT WITH  
17 THE FIDUCIARY RESPONSIBILITIES OF THE BOARD OF TRUSTEES AS DESCRIBED IN  
18 SUBTITLE 2 OF THIS TITLE.

19                                  SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
20 1, 2018.

Approved:

\_\_\_\_\_  
Governor.

\_\_\_\_\_  
Speaker of the House of Delegates.

\_\_\_\_\_  
President of the Senate.