

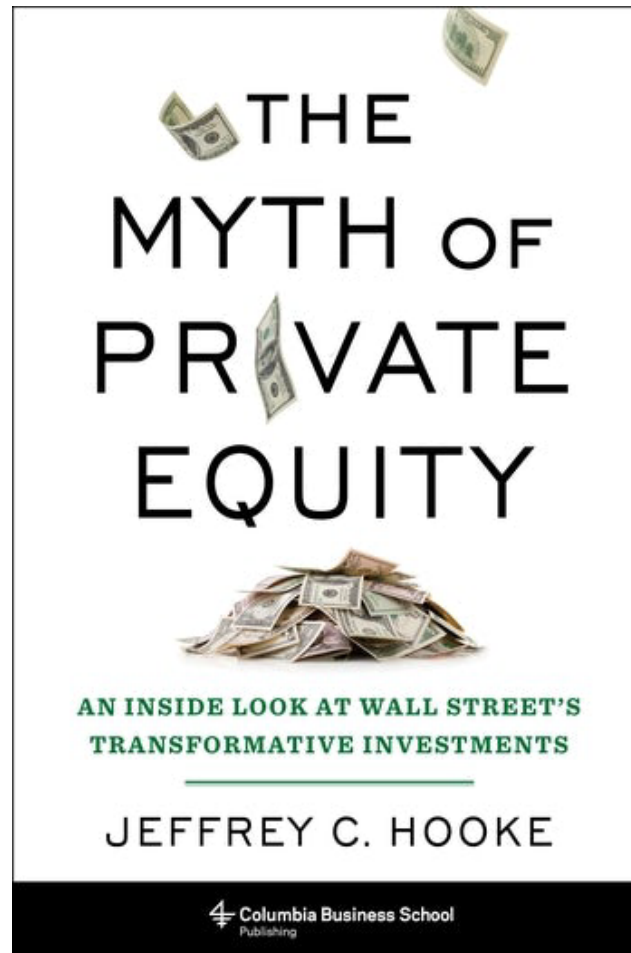
Hooke Testimony Supporting HB-0421

Limit Outside Investment
Management Fees of
MD State Pension Fund
Sponsor: Del. Robin Grammer

Jeff Hooke Background

- Presently finance lecturer at Johns Hopkins
- Formerly investment banker and private investment executive for many years.
- Author of five books on finance and investments, multiple research studies
- Wharton MBA, Penn BS
- Baltimore City public schools graduate

Latest Book



MD Pension Fund

- \$61 B in assets at the Fund
- \$932 million in fees in fiscal 2022 for outside Wall Street management fees re 'advice' on what investments to buy or sell.
- \$6 billion in fees the last 10 years:
 - *30,000 full 4-year scholarships to U of MD*
 - *20,000 homes for low-income residents*
 - *Pay for Baltimore Red Line 3x over*

MD Pension Fund represents Savings of Current and Retired Workers



Figure 1
Maryland State Retirement System
Illustration of Flows

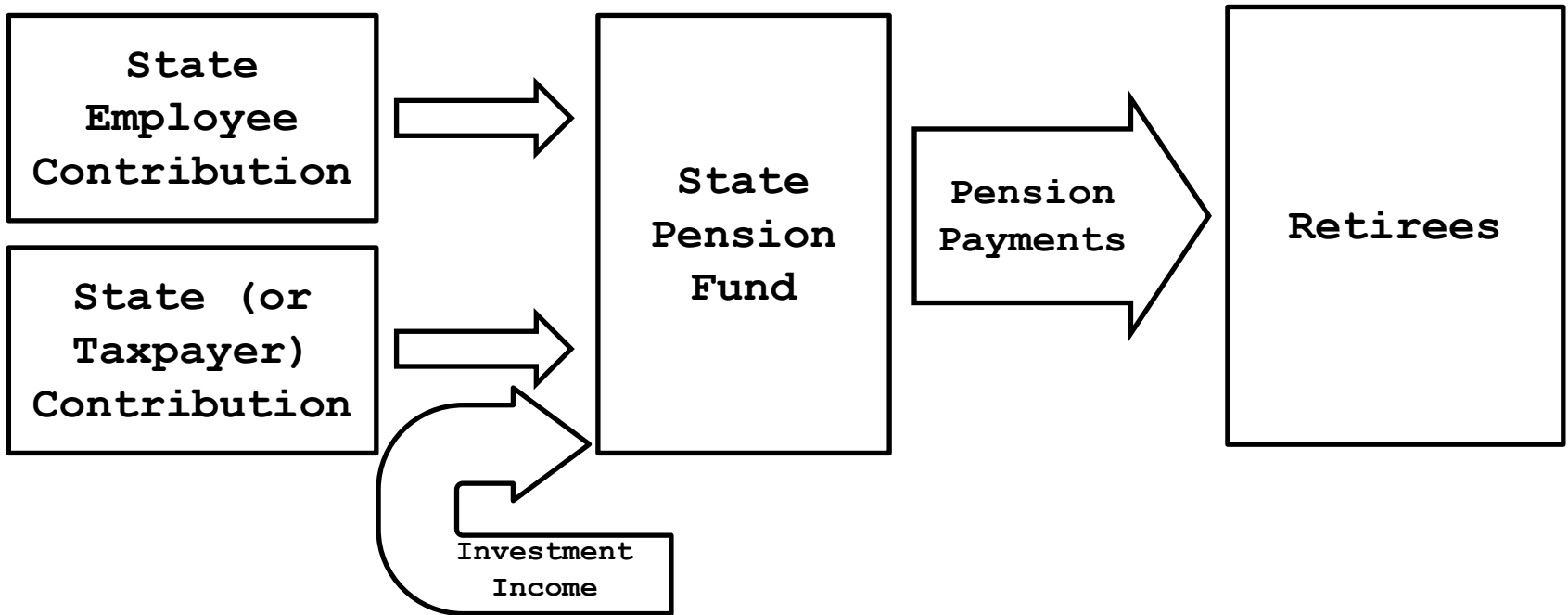


Figure 2
Unfunded Pension
Reliability at MD
State Pension Fund

Total Funds Needed
For Future Pension
Payments



Figure 3
Investment Return
Supplement
Contributions

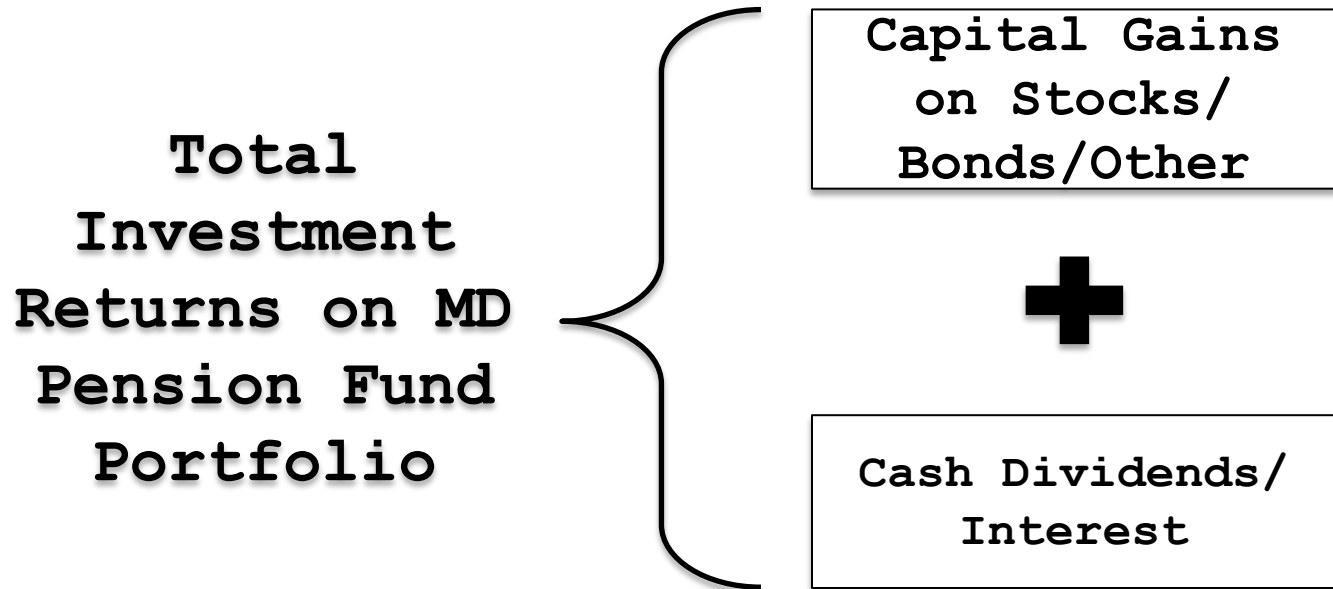


Figure 4
Maryland Pension Board of
Trustees Supervise the
Investment Staff

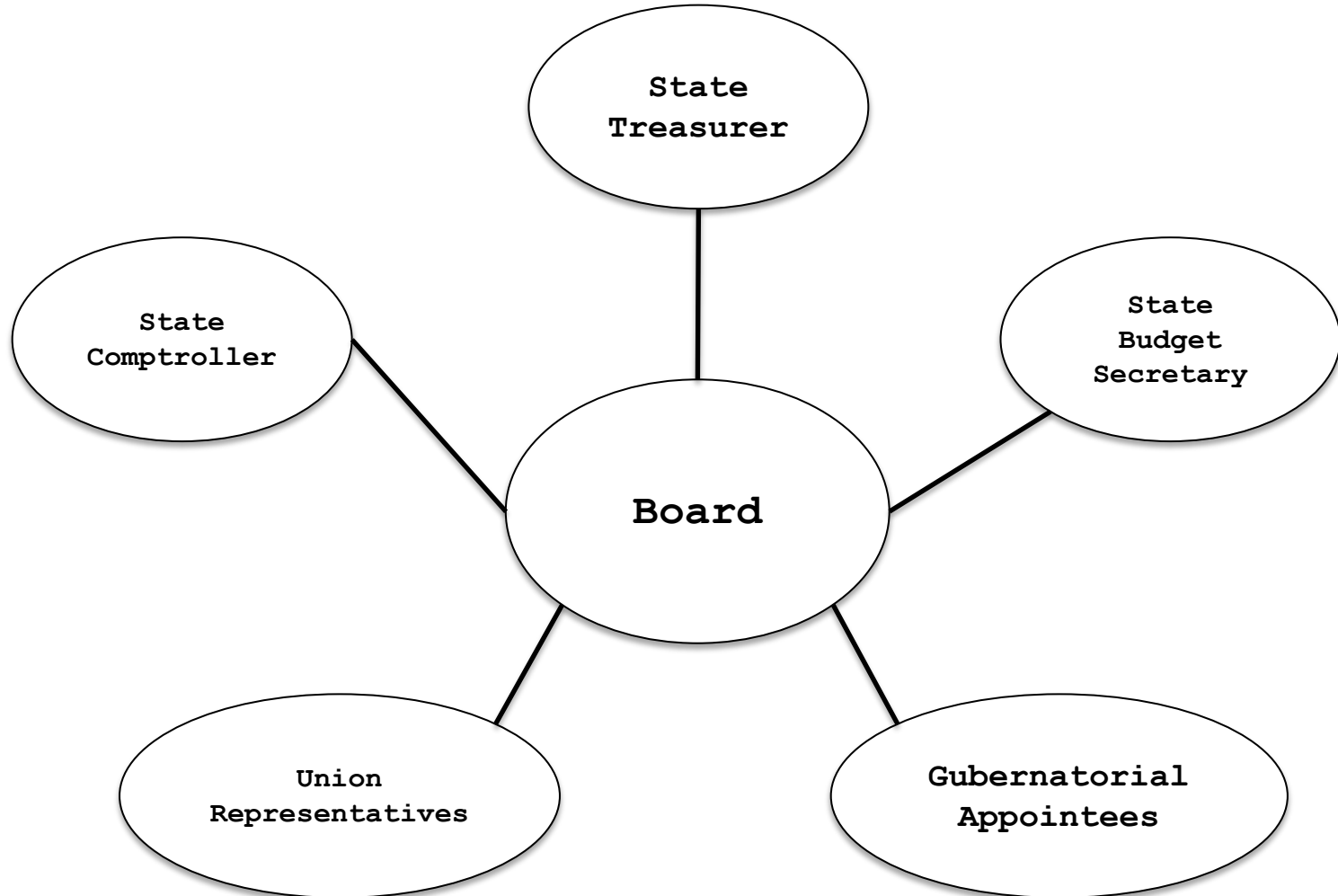


Figure 5: A Low-Cost 60-40 Pension Portfolio was the model until 15 years ago. Now, MD has a High-Cost 'Modern' Portfolio that performs worse!

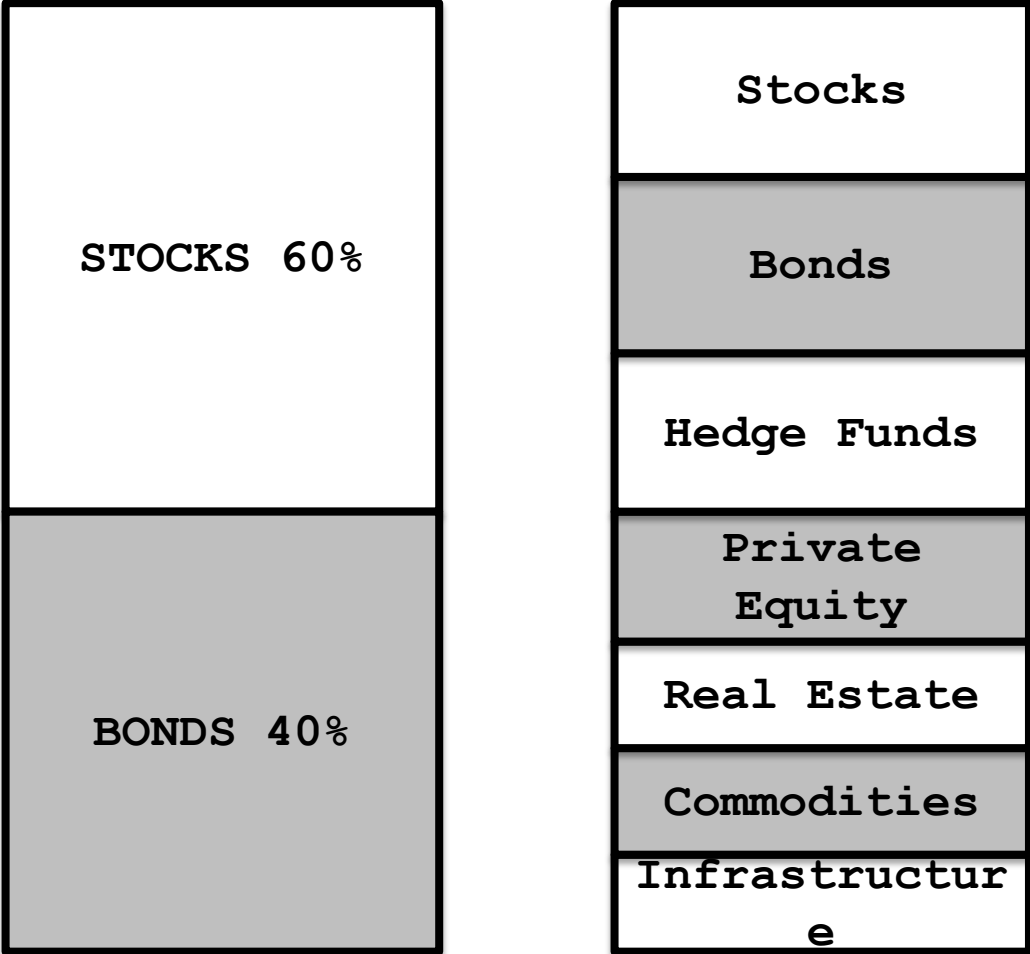


Figure 6 : Unfortunately, the High-Cost portfolio has lower returns than a simple **low-cost 60-40 Index**.

60-40 is a Popular Investment Benchmark, and one I recommend the MD Fund use



60-40 Index, Well Diversified

- A 60-40 is well diversified between stocks and bonds.
- Well diversified since the 60-40 index holds more than 2,000 different stocks and thousands of different bonds.

Figure 7

Common Stocks & Bonds

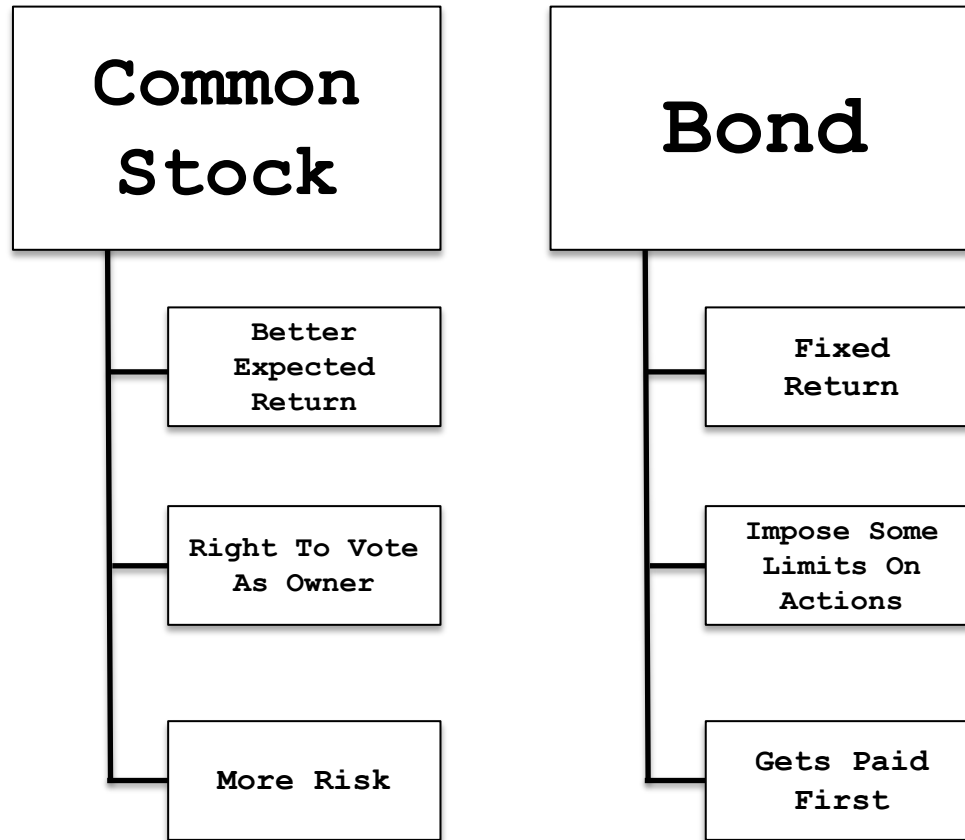
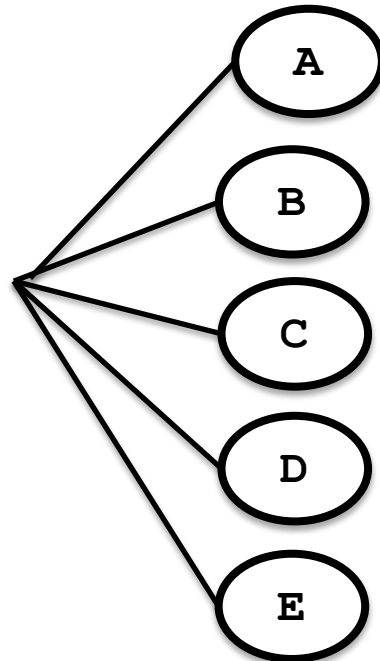
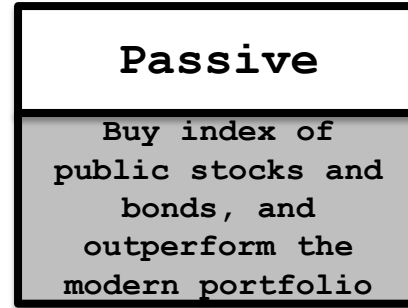
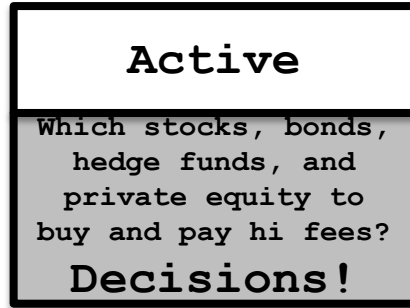


Figure 8

A 60-40 Index is Passive
Management;

MD uses Active Management to get worse
results



Last 10 Years

Needy Marylanders \$0

Wall Street + \$6 billion in fees



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