

**Maryland General Assembly  
Department of Legislative Services**

**Proposed Regulations  
State Retirement and Pension System  
(DLS Control No. 16-190)**

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**Overview and Legal and Fiscal Impact**

The regulations repeal obsolete provisions related to the selection of external asset managers and the payment of brokerage commissions to brokerage firms retained by the State Retirement Agency.

The regulations present no legal issues of concern.

There is no fiscal impact on State or local agencies.

**Regulations of COMAR Affected**

**State Retirement and Pension System:**

Board of Trustees: Investment Division – Brokerage Commissions:  
COMAR 22.03.05.01 through .03

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**Legal Analysis**

**Background**

In accordance with § 21-222 of the State Personnel and Pension Article, the Chief Investment Officer of the State Retirement and Pension System is authorized to hire external asset managers on behalf of the several systems. Division II of the State Finance and Procurement Article addresses the State's general procurement laws. Except as provided in Title 12, Subtitle 4 and Title 14, Subtitle 3 of the State Finance and Procurement Article, § 11-203(d) exempts the system from the requirements of Division II for, among other things, (1) services of managers to invest the assets of the system, including real and personal property and (2) expenditures to manage, maintain, and enhance the value of the assets of the system in accordance with investment guidelines adopted by the system's Board of Trustees. Section 12-401(a)(2) requires any units exempted from Division II to have written policies and procedures for the exempted unit's procurements. In addition, § 21-116 requires the Board of Trustees to adopt an investment policy manual that details the agency's investment management practices.

The agency advises that it has adopted written policies and procedures in accordance with § 12-401 of the State Finance and Procurement Article for the provisions repealed by the

regulations. The agency further advises that the written policies and procedures have been incorporated in the investment policy manual required under § 21-116.

### **Summary of Regulations**

The regulations repeal obsolete provisions related to the selection of external asset managers and the payment of brokerage commissions to brokerage firms retained by the agency.

### **Legal Issues**

The regulations present no legal issue of concern.

### **Statutory Authority and Legislative Intent**

The agency cites §§ 21-110 and 21-122(d) of the State Personnel and Pensions Article as statutory authority for the regulations. Specifically, § 21-110(a) requires the Board of Trustees to adopt regulations providing for the administration of the several systems, the management of the assets of the several systems, and the transaction of its business. As noted above, § 21-122(d) authorizes the Chief Investment Officer of the State Retirement and Pension System, on behalf of the several systems, to hire external investment managers to invest the assets of the several systems. The Department of Legislative Services concurs and notes that § 11-203(d) of the State Personnel and Pensions Article exempts the System from the general procurement laws contained in Division II of the State Finance and Procurement Article.

This authority is correct and complete. The regulations comply with the legislative intent of the law.

### **Fiscal Analysis**

There is no fiscal impact on State or local agencies.

### **Agency Estimate of Projected Fiscal Impact**

The regulations repeal provisions related to the selection of external asset managers and the payment of brokerage commissions to brokerage firms retained by the agency. There is no fiscal effect because comparable provisions have been incorporated into the agency's Investment Policy Manual, which governs the agency's investment management practices. The Department of Legislative Services concurs.

### **Impact on Budget**

There is no impact on the State operating or capital budget.

## **Agency Estimate of Projected Small Business Impact**

The agency advises that the regulations have minimal or no economic impact on small businesses in the State. The Department of Legislative Services concurs.

### **Contact Information**

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