

By: **Delegate Bobo**  
Introduced and read first time: February 20, 2002  
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement and Pensions - Investments**

3 FOR the purpose of prohibiting the Board of Trustees for the State Retirement and  
4 Pension System from investing the assets of the State Retirement and Pension  
5 System in foreign currency or certain other investments; requiring the Board of  
6 Trustees to divest certain assets from certain types of investments; and  
7 generally relating to the investment of the assets of the State Retirement and  
8 Pension System.

9 BY repealing and reenacting, with amendments,  
10 Article - State Personnel and Pensions  
11 Section 21-123  
12 Annotated Code of Maryland  
13 (1997 Replacement Volume and 2001 Supplement)

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

16 **Article - State Personnel and Pensions**

17 21-123.

18 (a) Except for those assets that the law requires another entity or person to  
19 control, the State Retirement Agency, under the supervision of the Board of Trustees,  
20 shall manage all assets of the several systems.

21 (b) The Board of Trustees:

22 (1) is deemed the owner of all the assets of the several systems; but

23 (2) may delegate some or all incidents of ownership to the State  
24 Retirement Agency to administer the investment portfolios of the several systems.

25 (c) (1) (i) Subject to subparagraph (ii) of this paragraph, the Board of  
26 Trustees may invest assets of the several systems subject to the conditions that it  
27 imposes.

1 (ii) Not more than 25% of the assets that the Board of Trustees  
2 invests in common stocks may be invested in nondividend paying common stocks.

3 (III) THE BOARD OF TRUSTEES MAY NOT INVEST THE ASSETS OF  
4 THE SEVERAL SYSTEMS IN FOREIGN CURRENCY OR SIMILAR INVESTMENT  
5 TRANSACTIONS INVOLVING FOREIGN CURRENCY, FORWARD CONTRACTS, OPTIONS,  
6 OR FUTURES.

7 (2) The Board of Trustees shall include the conditions that it adopts  
8 under paragraph (1) of this subsection in the investment operations manual required  
9 by § 21-116(c) of this subtitle.

10 (d) (1) This subsection applies only to the execution of:

11 (i) ground rent redemption deeds;

12 (ii) releases or reassignments of mortgages; and

13 (iii) satisfactions or reassignments of notes conveying, releasing, or  
14 reassigning any interest owned by the State for the use of a fund of the several  
15 systems.

16 (2) An instrument must be executed by any two of:

17 (i) the State Treasurer;

18 (ii) the Executive Director of the State Retirement Agency;

19 (iii) the Chief Investment Officer of the State Retirement Agency; or

20 (iv) another employee of the State Retirement Agency as the  
21 Executive Director designates with the approval of the Board of Trustees.

22 (e) (1) The Board of Trustees may commingle assets of the several systems if  
23 the Board of Trustees keeps six sets of records that show:

24 (i) the percentage of participation of each State system or group of  
25 State systems;

26 (ii) the percentage of income, gains, and losses applicable to each  
27 State system or group of State systems; and

28 (iii) the total contributions and disbursements applicable to each  
29 State system or group of State systems.

30 (2) The Board of Trustees shall keep records required by paragraph (1) of  
31 this subsection for each of the following:

32 (i) the group that consists of the Correctional Officers' Retirement  
33 System, the Employees' Pension System, the Employees' Retirement System, and the  
34 Legislative Pension Plan;

- 1 (ii) the Judges' Retirement System;
- 2 (iii) the Local Fire and Police System;
- 3 (iv) the Law Enforcement Officers' Pension System;
- 4 (v) the State Police Retirement System; and
- 5 (vi) the group that consists of the Teachers' Pension System and the  
6 Teachers' Retirement System.

7 (f) (1) Notwithstanding any other law in force on or after July 1, 1988,  
8 unless the law makes specific reference to this subsection, and subject to paragraph  
9 (2) of this subsection, the Board of Trustees may keep all analyses, forecasts,  
10 negotiations, papers, records, recommendations, and reports closed to public  
11 inspection until:

12 (i) the release of the information would not adversely effect the  
13 negotiation for or market price of a security; and

14 (ii) completion of:

15 1. a proposed purchase or program of purchases leading to a  
16 cumulative position in a security;

17 2. the making, sale, or prepayment of a loan;

18 3. any proposed sale or program of sales leading to the  
19 elimination of a position in a security; or

20 4. the sale or purchase of real estate.

21 (2) The sale or purchase of real estate shall be subject to the approval of  
22 the Board of Public Works and shall be included on a Board of Public Works agenda.

23 (g) Any direct owned real estate purchased as an investment by the State  
24 Retirement and Pension System shall be managed by an external investment  
25 manager selected by the Board of Trustees.

26 SECTION 2. AND BE IT FURTHER ENACTED, That on or before December  
27 31, 2002, the Board of Trustees shall divest any of the assets of the several systems  
28 that the Board of Trustees has invested in foreign currency positions.

29 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
30 July 1, 2002.