

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 793

(Senator Garagiola, *et al.*)

Budget and Taxation

Appropriations

**State Retirement and Pension System - Investments - Qualified Information
Technology, Green Technology, Medical Device Technology, or Bioscience
Businesses - Reporting**

This bill requires the Board of Trustees of the State Retirement and Pension System (SRPS) to submit an annual report to designated committees of the General Assembly regarding its investments in venture capital funds. The report must list the names of and total amount invested in each venture capital fund that focuses on information technology, green technology, medical device technology, or bioscience. It must also provide the aggregate amount of SRPS assets invested by venture capital funds in companies headquartered in Maryland as well as businesses in each of the four industries listed above.

The bill takes effect July 1, 2010, and terminates June 30, 2015.

Fiscal Summary

State Effect: The Maryland State Retirement Agency (SRA) can handle the bill's reporting requirements with existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: SRA, under the supervision of the board, manages SRPS assets, which exceed \$30 billion. Except as described below, as fiduciaries for the system, the board is solely responsible for establishing the conditions under which SRA invests the assets,

which it publishes in an investment policy manual. The system's chief investment officer is responsible for implementing the board's asset allocation through the selection and dismissal of external investment managers.

The board is subject to several statutory restrictions on its investments, most notably a fee cap of 0.5% for real estate and alternative assets, and a divestment policy with respect to companies that do business in Iran or Sudan.

Background: Chapter 222 of 1990 created the Maryland Venture Capital Trust and required SRPS to contribute \$15 million to the fund; two Baltimore City pension funds were also required to contribute. By 1992, the trust had invested its full \$19.1 million commitment in eight venture capital partnerships.

The Board of Trustees approved significant changes to the system's strategic asset allocation in January 2008 and again in September 2008. **Exhibit 1** details the changes in asset allocation targets as a result of the board's actions. The 2008 strategic targets shown in the exhibit reflect the changes adopted in January 2008, and the 2009 strategic targets reflect the additional changes made in September 2008.

Exhibit 1
State Retirement and Pension System of Maryland Asset Allocation
Fiscal 2008-2009

	6/30/2009 Strategic Target	6/30/2009 Transition Target	6/30/2009 Actual	6/30/2008 Strategic Target	6/30/2008 Actual
Equity					
Domestic Stocks			25.5%	27%	34.9%
International Stocks			22.7%	16%	15.3%
Global Equity			8.0%	14%	10.5%
Total Public Equity	35.7%	54.6%	56.2%	57.0%	60.7%
Private Equity	15.0%	3.4%	3.4%	5%	1.7%
Real Estate	10.0%	6.1%	6.1%	10%	6.1%
Fixed Income	15.0%	24.5%	18.3%	17%	24.4%
Real Return Strategies	10.0%	4.4%	4.4%	5%	4.2%
Absolute Return	10.0%	2.6%	2.6%	5%	2.2%
Credit Opportunity	1.4%	1.4%	1.4%		
Cash and Other	3.0%	3.0%	7.5%		
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%

Note: The board opted not to set specific subclass targets within the equity class for fiscal 2009 but generally seeks to invest equally in the three subclasses. Columns may not add to total due to rounding.

Source: Maryland State Retirement Agency

The changes approved in September 2008 continue the board's move away from traditional classes, such as domestic equity and fixed income, in favor of alternative asset classes, such as private equity, real estate, and absolute return.

Additional Information

Prior Introductions: SB 1018 of 2009 was introduced but did not receive a hearing.

Cross File: HB 845 (Delegate Feldman, *et al.*) - Appropriations.

Information Source(s): Maryland State Retirement Agency, Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2010
mpc/rhh Revised - Senate Third Reader - April 2, 2010

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