

Chapter 356

(Senate Bill 739)

AN ACT concerning

State Retirement and Pension System – Investment Division – Compensation

FOR the purpose of authorizing the Board of Trustees for the State Retirement and Pension System to pay certain financial incentives under certain circumstances and to adjust compensation for certain employees in the Investment Division of the State Retirement Agency under certain circumstances; and generally relating to compensation of staff in the Investment Division of the State Retirement Agency.

BY repealing and reenacting, without amendments,
 Article – State Personnel and Pensions
 Section 21–122(a)(1) and (2) and (f)(1)
 Annotated Code of Maryland
 (2015 Replacement Volume and 2021 Supplement)

BY repealing and reenacting, with amendments,
 Article – State Personnel and Pensions
 Section 21–122(f)(2)
 Annotated Code of Maryland
 (2015 Replacement Volume and 2021 Supplement)

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

Article – State Personnel and Pensions

21–122.

(a) (1) There is an Investment Division in the State Retirement Agency.

(2) Subject to subsection (f) of this section, the Board of Trustees shall determine the qualifications and compensation for positions within the Investment Division.

(f) (1) (i) 1. The Board of Trustees shall adopt objective criteria for setting the qualifications and compensation of positions under subsection (a) of this section.

2. The Board shall consider the recommendations of the Objective Criteria Committee under subsection (g) of this section before adopting objective criteria for setting compensation.

(ii) The criteria adopted under subparagraph (i) of this paragraph shall include:

1. consideration of the comparative qualifications and compensation of employees serving in similar positions and discharging similar duties at comparable public pension funds;

2. limitations on the amount by which the compensation for a position may be increased each fiscal year, not to exceed 10%; and

3. objective benchmarks of investment performance that shall be met or exceeded by an individual to be eligible for an increase in compensation.

(iii) The Board of Trustees may not grant any increases in compensation in a fiscal year in which State employees are subject to a furlough.

(iv) For positions that do not involve discretion over investment-related decisions, the Board of Trustees may not set compensation that exceeds compensation for providing comparable services in other State employment.

(v) Except for positions under subparagraph (iv) of this paragraph, the compensation of an employee may not be adjusted in accordance with cost-of-living adjustments and merit increases available to State employees.

(2) (i) 1. The Board of Trustees shall adopt objective criteria for awarding financial incentives under subsection (a) of this section.

2. The Board shall consider the recommendations of the Objective Criteria Committee under subsection (g) of this section before adopting objective criteria for awarding financial incentives.

(ii) Financial incentives may only be awarded based on the objective criteria adopted in accordance with subparagraph (i) of this paragraph.

(iii) The criteria adopted under subparagraph (i) of this paragraph shall include:

1. limitations on the amount of financial incentives for a position in a fiscal year, not to exceed 33% of a position's compensation, exclusive of financial incentives; and

2. objective benchmarks of investment performance that shall be met or exceeded by an individual to be eligible for financial incentives, including benchmarks for the asset class in which investments are under the direction of the individual.

(iv) 1. Any financial incentives paid shall be paid over multiple fiscal years in equal installments.

2. The dates on which financial incentives awarded under this section shall be paid shall be set by the Board of Trustees at the time the financial incentives are determined.

3. The dates set under subparagraph 2 of this subparagraph may not be changed after being set.

(v) **[If EXCEPT AS PROVIDED IN SUBPARAGRAPH (VI) OF THIS PARAGRAPH, IF** an individual who has earned financial incentives separates from employment in the Investment Division, the Board of Trustees may not pay out any remaining financial incentives due to be paid after the date of separation from employment.

(vi) **THE BOARD OF TRUSTEES MAY PAY ANY REMAINING EARNED FINANCIAL INCENTIVES AFTER THE DATE OF SEPARATION FROM EMPLOYMENT IF THE INDIVIDUAL RETIRES DIRECTLY FROM THE INVESTMENT DIVISION ON OR 30 DAYS AFTER THE DATE OF SEPARATION.**

(VII) The Board of Trustees may not award financial incentives for positions that do not involve discretion over investment-related decisions.

[(vii)] (VIII) 1. The Board of Trustees may not pay out financial incentives in a fiscal year in which State employees are subject to a furlough.

2. The Board of Trustees shall pay out any financial incentives not paid to an individual in accordance with subparagraph 1 of this subparagraph only:

A. after the furlough period has ended; and

B. if the individual is currently employed in the Investment Division.

SECTION 2. AND BE IT FURTHER ENACTED, That:

(a) Notwithstanding § 21-122(f)(1)(ii)2 of the State Personnel and Pensions Article, and subject to subsection (b) of this section, the Board of Trustees for the State Retirement and Pension System may adjust compensation not more than two times beginning on or after July 1, 2022, and ending on or before June 30, 2024, for individuals employed in the Investment Division in the State Retirement Agency and compensated under criteria adopted by the Board of Trustees in accordance with § 21-122(f) of the State Personnel and Pensions Article.

(b) A compensation adjustment under subsection (a) of this section:

(1) may be made only for an employee of the Investment Division who:

(i) was employed in the individual's position prior to July 1, 2018;

and

(ii) is currently compensated below the salary midpoint for the individual's position;

(2) may be made only to adjust an individual's annual compensation with the intent to reach the salary midpoint for the individual's position, in accordance with policies adopted by the Board of Trustees; and

(3) may not result in an employee being paid more than the salary midpoint for the individual's position.

(c) Any compensation adjustment made under this section may not preclude the Board of Trustees from granting any compensation increases under § 21–122(f)(1) of the State Personnel and Pensions Article.

SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2022.

Approved by the Governor, May 16, 2022.