

# HOUSE BILL 542

P6

2lr1038  
CF SB 954

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By: **Delegate J. Lewis**

Introduced and read first time: January 21, 2022

Assigned to: Appropriations

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 3, 2022

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **State Retirement and Pension System – ~~Investment Committee~~ Use of**  
3 **Minority and Women-Owned Business Enterprises**  
4 **(Diversity Among Asset Managers Act of 2022)**

5 FOR the purpose of ~~requiring the Investment Committee of the State Retirement Agency~~  
6 ~~to use minority business enterprises to provide a certain percentage of brokerage and~~  
7 ~~investment management services to the Board of Trustees for the State Retirement~~  
8 ~~and Pension System and to manage a certain percentage of system assets;~~ requiring  
9 the Investment Committee of the State Retirement Agency to assess the use of  
10 minority business enterprises beginning on a certain date; requiring a certain  
11 certification agency and the Governor's Office of Small, Minority, and Women  
12 Business Affairs, in consultation with certain entities, to study the brokerage and  
13 investment services used by the State Retirement and Pension System to evaluate  
14 whether remedial measures to assist minority and women-owned businesses would  
15 comply with a certain court opinion and any subsequent federal or constitutional  
16 requirements; and generally relating to the use of minority and women-owned  
17 business enterprises in the State Retirement and Pension System.

18 BY repealing and reenacting, without amendments,  
19 Article – State Personnel and Pensions  
20 Section 21-116(a)  
21 Annotated Code of Maryland  
22 (2015 Replacement Volume and 2021 Supplement)

23 BY repealing and reenacting, with amendments,

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### EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 Article – State Personnel and Pensions  
 2 Section 21–116(d)  
 3 Annotated Code of Maryland  
 4 (2015 Replacement Volume and 2021 Supplement)

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

7 **Article – State Personnel and Pensions**

8 21–116.

9 (a) By resolution, the Board of Trustees shall specify the powers of the Investment  
 10 Committee.

11 (d) (1) (i) Consistent with minority business purchasing standards  
 12 applicable to units of State government under the State Finance and Procurement Article  
 13 and consistent with the fiduciary duties of the Board of Trustees, the Board of Trustees  
 14 shall direct the Investment Committee to ~~attempt to~~ use ~~to the greatest extent feasible~~  
 15 minority business enterprises to provide brokerage and investment management services  
 16 to the Board ~~IN ACCORDANCE WITH SUBPARAGRAPH (II) OF THIS PARAGRAPH.~~

17 ~~(ii) THE USE OF MINORITY BUSINESS ENTERPRISES UNDER~~  
 18 ~~SUBPARAGRAPH (I) OF THIS PARAGRAPH SHALL CONSIST OF:~~

19 ~~1. AT LEAST 20% OF BROKERAGE AND INVESTMENT~~  
 20 ~~MANAGEMENT SERVICES TO THE BOARD; AND~~

21 ~~2. MANAGEMENT OF AT LEAST 20% OF THE ASSETS OF~~  
 22 ~~THE SEVERAL SYSTEMS.~~

23 ~~(III) (II)~~ **FOR THE FISCAL YEAR BEGINNING JULY 1, 2022, AND**  
 24 **EACH FISCAL YEAR THEREAFTER, THE BOARD OF TRUSTEES SHALL ASSESS THE USE**  
 25 **OF MINORITY BUSINESS ENTERPRISES AS REQUIRED UNDER THIS SUBSECTION.**

26 ~~(IV) (III)~~ For purposes of this subsection, brokerage and investment  
 27 management services shall include services relating to all allocated asset classes.

28 (2) (i) To assist it in achieving the ~~goal~~ ~~GOALS~~ described under  
 29 paragraph (1) of this subsection, the Investment Committee shall undertake measures to  
 30 remove any barriers that limit full participation by minority business enterprises in  
 31 brokerage and investment management services opportunities afforded under this title.

32 (ii) The measures undertaken by the Investment Committee shall  
 33 include the use of a wide variety of media, including the State Retirement Agency's website,  
 34 to provide notice to a broad and varied range of potential providers about the brokerage

1 and investment management services opportunities afforded by the State Retirement  
2 Agency.

3 (3) In consultation with the Governor's Office of Small, Minority, and  
4 Women Business Affairs and the Investment Committee, the Board of Trustees shall  
5 develop guidelines to assist the Investment Committee in identifying and evaluating  
6 qualified minority business enterprises in order to help the State Retirement Agency  
7 achieve the objective for greater use of minority business enterprises for brokerage and  
8 investment management services.

9 (4) On or before September 1 each year, the Investment Committee shall  
10 submit a report to the Board of Trustees, the Governor's Office of Small, Minority, and  
11 Women Business Affairs and, subject to § 2-1257 of the State Government Article, the  
12 General Assembly on:

13 (i) the identity of the minority business enterprise brokerage and  
14 investment management services firms used by the Investment Committee in the  
15 immediately preceding fiscal year;

16 (ii) the percentage and dollar value of the assets that are under the  
17 control of the Investment Committee that are under the investment control of minority  
18 business enterprise brokerage and investment management services firms for each  
19 allocated asset class; and

20 (iii) the measures the Investment Committee undertook in the  
21 immediately preceding fiscal year in accordance with paragraph (2)(ii) of this subsection.

22 SECTION 2. AND BE IT FURTHER ENACTED, That:

23 (a) The certification agency designated by the Board of Public Works under §  
24 14-303(b) of the State Finance and Procurement Article and the Governor's Office of Small,  
25 Minority, and Women Business Affairs, in consultation with the State Retirement and  
26 Pension System, the Office of the Attorney General, and the General Assembly, shall  
27 initiate a study regarding the brokerage and investment services used by the State  
28 Retirement and Pension System to evaluate whether the enactment of remedial measures  
29 to assist minority and women-owned businesses in the brokerage and investment  
30 management services industry and market would comply with the Croson decision and any  
31 subsequent federal or constitutional requirements.

32 (b) The certification agency and the Governor's Office of Small, Minority, and  
33 Women Business Affairs shall submit the findings of the study required under subsection  
34 (a) of this section to the Legislative Policy Committee, in accordance with § 2-1257 of the  
35 State Government Article, on or before July 1, 2023, so that the General Assembly may  
36 review the findings before the 2024 Session.

37 (c) The State Retirement and Pension System shall provide to the certification  
38 agency any information deemed necessary to assess the need for remedial measures to

1 assist minority and women-owned businesses in the brokerage and investment  
 2 management services industry and market.

3 (d) The Governor's Office of Small, Minority, and Women Business Affairs, in  
 4 consultation with the certification agency and the Office of the Attorney General, shall  
 5 develop race- and gender-neutral approaches to address the needs of minority and  
 6 women-owned businesses in the brokerage and investment management services industry  
 7 and market and submit its report to the Legislative Policy Committee, in accordance with  
 8 § 2-1257 of the State Government Article, on or before December 1, 2022, so that the  
 9 General Assembly may review, consider, and adopt race- and gender-neutral alternatives  
 10 to remedial measures that are not race and gender neutral.

11 SECTION ~~2~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
 12 ~~July~~ June 1, 2022. Section 2 of this Act shall remain effective for a period of 1 year and 1  
 13 month and, at the end of June 30, 2023, Section 2 of this Act, with no further action required  
 14 by the General Assembly, shall be abrogated and of no further force and effect.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.