

SENATE BILL 739

P6

2lr1808
CF 2lr1807

By: **Senator Elfreth (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 7, 2022

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System – Investment Division – Compensation**

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

8 BY repealing and reenacting, without amendments,

9 Article – State Personnel and Pensions

10 Section 21–122(a)(1) and (2) and (f)(1)

11 Annotated Code of Maryland

12 (2015 Replacement Volume and 2021 Supplement)

13 BY repealing and reenacting, with amendments,

14 Article – State Personnel and Pensions

15 Section 21–122(f)(2)

16 Annotated Code of Maryland

17 (2015 Replacement Volume and 2021 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

19 That the Laws of Maryland read as follows:

20 **Article – State Personnel and Pensions**

21 21–122.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

30 A. after the furlough period has ended; and

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

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

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

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

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

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

11 and

12 (ii) is currently compensated below the salary midpoint for the
13 individual’s position;

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

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

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

22 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July
23 1, 2022.