

SENATE BILL 810

P6

5lr2375
CF HB 1028

By: **Senator M. Jackson (Chair, Joint Committee on Pensions)**

Introduced and read first time: January 28, 2025

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 25, 2025

CHAPTER _____

1 AN ACT concerning

2 **Board of Trustees for the State Retirement and Pension System – Investment**
3 **Division – Compensation and Staffing ~~Committee~~**

4 FOR the purpose of clarifying that the Board of Trustees for the State Retirement and
5 Pension System shall pay certain incentive compensation to the Chief Investment
6 Officer for the State Retirement and Pension System if the Chief Investment Officer
7 retires from the Investment Division of the State Retirement Agency in a certain
8 manner; clarifying that the Board of Trustees shall pay certain incentive
9 compensation to certain employees of the Investment Division if the employees retire
10 from the Investment Division in a certain manner; repealing the Objective Criteria
11 Committee of the Board of Trustees ~~for the State Retirement and Pension System~~
12 and establishing a Compensation and Staffing Committee of the Board of Trustees;
13 providing for the membership of the Committee; clarifying the Board of Trustees'
14 authority to determine the qualifications and compensation of and the type and
15 number of positions necessary for carrying out the professional investment functions
16 of the Investment Division of the State Retirement Agency; requiring the Committee
17 to make certain recommendations to the Board of Trustees regarding the objective
18 criteria to be used in setting compensation and awarding financial incentives to
19 certain employees in the Investment Division; requiring the Board of Trustees to
20 consider certain recommendations of the Committee; clarifying the requirements for
21 the Board of Trustees to enter into an agreement with a consultant to provide certain
22 services to the Committee; and generally relating to the operations of the Board of
23 Trustees for the State Retirement and Pension System.

24 BY repealing and reenacting, with amendments,

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 21–108(b), 21–118.1(a), (b), (c), and (d)(1)(i), and 21–122(f) and (g)
 3 Annotated Code of Maryland
 4 (2024 Replacement Volume and 2024 Supplement)

5 BY repealing and reenacting, without amendments,
 6 Article – State Personnel and Pensions
 7 Section 21–122(a)(1) through (3)
 8 Annotated Code of Maryland
 9 (2024 Replacement Volume and 2024 Supplement)

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

12 **Article – State Personnel and Pensions**

13 21–108.

14 (b) In addition to the Investment Committee established under § 21–114 of this
 15 subtitle **AND THE COMPENSATION AND STAFFING COMMITTEE ESTABLISHED UNDER**
 16 **§ 21–122 OF THIS SUBTITLE**, the Board of Trustees may establish other committees.

17 21–118.1.

18 (a) **(1)** Notwithstanding any other provision of law, on the recommendation of
 19 the Executive Director and the ~~{Investment}~~ **COMPENSATION AND STAFFING**
 20 Committee, the Board of Trustees shall determine the qualifications and appointment, as
 21 well as compensation and leave, for the Chief Investment Officer who shall be the head of
 22 the Investment Division.

23 **(2) THE COMPENSATION AND STAFFING COMMITTEE SHALL ASSIST**
 24 **THE EXECUTIVE DIRECTOR AND THE INVESTMENT COMMITTEE IN RECOMMENDING**
 25 **QUALIFICATIONS, COMPENSATION, AND LEAVE FOR THE CHIEF INVESTMENT**
 26 **OFFICER, INCLUDING ANY SALARY CHANGES FOR THE CHIEF INVESTMENT**
 27 **OFFICER.**

28 (b) (1) In making **RECOMMENDATIONS**, determinations, and appointments
 29 under this section, the ~~Executive Director and the {Investment}~~ **BOARD OF TRUSTEES,**
 30 **EXECUTIVE DIRECTOR, INVESTMENT COMMITTEE, AND COMPENSATION AND**
 31 **STAFFING** Committee shall consider the comparative qualifications, compensation, and
 32 leave of employees serving in similar positions and discharging similar duties at
 33 comparable public pension funds.

34 (2) (i) 1. The Board of Trustees shall adopt objective criteria for
 35 setting the qualifications and compensation of the Chief Investment Officer.

1 2. The Board shall consider the recommendations of the
2 **[Objective Criteria] COMPENSATION AND STAFFING** Committee under § 21-122(g) of
3 this subtitle before adopting objective criteria for setting compensation.

4 (ii) The criteria adopted under subparagraph (i) of this paragraph
5 shall include objective benchmarks of investment performance that shall be met or
6 exceeded for the Chief Investment Officer to be eligible for an increase in compensation.

7 (iii) The Board may not grant any increases in compensation to the
8 Chief Investment Officer in a fiscal year in which State employees are subject to a furlough.

9 (iv) The Chief Investment Officer's compensation may not be
10 adjusted in accordance with cost-of-living adjustments and merit increases available to
11 State employees.

12 (c) (1) In addition to the Board of Trustees setting the compensation of the
13 Chief Investment Officer under subsection (a) of this section, the Board of Trustees may
14 also award financial incentives to the Chief Investment Officer in accordance with this
15 subsection and subsection (d) of this section.

16 (2) (i) Any financial incentives paid shall be paid over multiple fiscal
17 years in equal installments.

18 (ii) The dates on which financial incentives awarded under this
19 section shall be paid shall be set by the Board of Trustees at the time the financial
20 incentives are determined.

21 (iii) The dates set under subparagraph (ii) of this paragraph may not
22 be changed after being set.

23 (3) (i) Except as provided in subparagraph (ii) of this paragraph, if the
24 Chief Investment Officer separates from employment, the Board of Trustees may not pay
25 out any remaining financial incentives due to be paid after the date of separation from
26 employment.

27 (ii) The Board of Trustees may pay any remaining [earned]
28 AWARDED financial incentives after the date of separation from employment if the Chief
29 Investment Officer retires directly from the Investment Division on or within 30 days after
30 the date of separation from employment.

31 (4) (i) The Board of Trustees may not pay financial incentives in a fiscal
32 year in which State employees are subject to a furlough.

33 (ii) [The] EXCEPT AS PROVIDED IN SUBPARAGRAPH (III) OF
34 THIS PARAGRAPH, THE Board of Trustees shall pay out any financial incentives not paid
35 in accordance with subparagraph (i) of this paragraph only:

1 1. after the furlough period has ended; and

2 2. if the Chief Investment Officer is currently employed as
3 the Chief Investment Officer.

4 **(III) AFTER A FURLOUGH PERIOD HAS ENDED, THE BOARD OF**
5 **TRUSTEES SHALL PAY OUT ANY REMAINING AWARDED FINANCIAL INCENTIVES NOT**
6 **PAID TO THE CHIEF INVESTMENT OFFICER IN ACCORDANCE WITH SUBPARAGRAPH**
7 **(I) OF THIS PARAGRAPH IF:**

8 **1. THE CHIEF INVESTMENT OFFICER SEPARATES FROM**
9 **EMPLOYMENT WITH THE INVESTMENT DIVISION DURING THE FURLOUGH PERIOD;**
10 **AND**

11 **2. AFTER THE DATE OF SEPARATION FROM**
12 **EMPLOYMENT, THE CHIEF INVESTMENT OFFICER RETIRES DIRECTLY FROM THE**
13 **INVESTMENT DIVISION OR WITHIN 30 DAYS AFTER THE DATE OF SEPARATION FROM**
14 **EMPLOYMENT.**

15 (d) (1) (i) 1. On the recommendation of the [Investment]
16 **COMPENSATION AND STAFFING** Committee, the Board of Trustees shall establish
17 objective criteria for awarding financial incentives to the Chief Investment Officer.

18 2. The Board shall consider the recommendations of the
19 [Objective Criteria] **COMPENSATION AND STAFFING** Committee under § 21–122(g) of
20 this subtitle before adopting objective criteria for awarding financial incentives.

21 21–122.

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

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

26 (3) The Board of Trustees:

27 (i) may determine and create the type and number of positions
28 necessary for carrying out the professional investment functions of the Investment
29 Division; and

30 (ii) shall adopt objective criteria to be followed when exercising its
31 authority under item (i) of this paragraph and paragraph (2) of this subsection.

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

1 OFFICER, INCLUDING SALARY INCREASES OR DECREASES RECOMMENDED FOR THE
2 CHIEF INVESTMENT OFFICER.

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

5 2. The Board shall consider the recommendations of the
6 [Objective Criteria] **COMPENSATION AND STAFFING** Committee under subsection (g) of
7 this section before adopting objective criteria for awarding financial incentives.

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

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

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

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

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

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

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

26 (v) Except as provided in subparagraph (vi) of this paragraph, if an
27 individual who has ~~earned~~ **BEEN AWARDED** financial incentives separates from
28 employment in the Investment Division, the Board of Trustees may not pay out any
29 remaining financial incentives due to be paid after the date of separation from employment.

30 (vi) The Board of Trustees may pay any remaining ~~earned~~ **AWARDED**
31 financial incentives after the date of separation from employment if the individual retires
32 directly from the Investment Division on or 30 days after the date of separation.

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

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

3 2. ~~The~~ **EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 3**
4 **OF THIS SUBPARAGRAPH, THE** Board of Trustees shall pay out any financial incentives
5 not paid to an individual in accordance with subsubparagraph 1 of this subparagraph only:

6 A. after the furlough period has ended; and

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

9 **3. AFTER A FURLOUGH PERIOD HAS ENDED, THE BOARD**
10 **OF TRUSTEES SHALL PAY OUT ANY REMAINING AWARDED FINANCIAL INCENTIVES**
11 **NOT PAID TO AN INDIVIDUAL IN ACCORDANCE WITH SUBSUBPARAGRAPH 1 OF THIS**
12 **SUBPARAGRAPH IF:**

13 **A. THE INDIVIDUAL SEPARATES FROM EMPLOYMENT**
14 **WITH THE INVESTMENT DIVISION DURING THE FURLOUGH PERIOD; AND**

15 **B. AFTER THE DATE OF SEPARATION FROM**
16 **EMPLOYMENT, THE INDIVIDUAL RETIRES DIRECTLY FROM THE INVESTMENT**
17 **DIVISION OR WITHIN 30 DAYS AFTER THE DATE OF SEPARATION FROM**
18 **EMPLOYMENT.**

19 (3) (i) On or before October 1 each year, the Board of Trustees shall
20 submit to the Senate Budget and Taxation Committee, the House Appropriations
21 Committee, and the Joint Committee on Pensions, in accordance with § 2–1257 of the State
22 Government Article, a copy of the most recent criteria adopted under this subsection,
23 **INCLUDING ANY CHANGES TO COMPENSATION AND INCENTIVES FOR THE CHIEF**
24 **INVESTMENT OFFICER AND INVESTMENT DIVISION STAFF.**

25 (ii) In addition to the report required under subparagraph (i) of this
26 paragraph, the Board of Trustees shall submit, within 30 days of adoption by the Board of
27 Trustees, a copy of any changes adopted to the criteria established under this subsection to
28 the Senate Budget and Taxation Committee, the House Appropriations Committee, and the
29 Joint Committee on Pensions, in accordance with § 2–1257 of the State Government Article.

30 (4) On or before October 1, January 1, March 1, and July 1 each year, the
31 Board of Trustees shall submit to the Senate Budget and Taxation Committee, the House
32 Appropriations Committee, and the Joint Committee on Pensions, in accordance with §
33 2–1257 of the State Government Article, a report on system investment returns for the
34 preceding fiscal quarter, including:

35 (i) investment performance by asset class, including performance
36 relative to asset class benchmarks; and

1 (ii) investment performance of assets under the direction of each
2 Investment Division employee.

3 (g) (1) There is [an Objective Criteria] **A COMPENSATION AND STAFFING**
4 **Committee of the Board of Trustees.**

5 (2) **(I)** The [Committee consists of the] following members **SHALL BE**
6 **INCLUDED ON THE COMMITTEE:**

7 [(i) one member of the Senate of Maryland serving on the Joint
8 Committee on Pensions, appointed by the President of the Senate;

9 (ii) one member of the House of Delegates serving on the Joint
10 Committee on Pensions, appointed by the Speaker of the House;

11 (iii) the State Treasurer or the State Treasurer's designee;

12 [(iv)] **1.** the Secretary of Budget and Management or the
13 Secretary's designee;

14 [(v)] **2.** one [member] **OR MORE MEMBERS** of the Board of
15 Trustees under § 21-104(a)(4)(i), (ii), (iii), (iv), or (v) of this subtitle, appointed by the
16 Chairman of the Board of Trustees; ~~AND~~

17 **3. ONE OR MORE MEMBERS OF THE BOARD OF**
18 **TRUSTEES UNDER § 21-104(A)(4)(VI) OR (VII) OF THIS SUBTITLE, APPOINTED BY**
19 **THE CHAIRMAN OF THE BOARD OF TRUSTEES; AND**

20 [(vi)] ~~3.~~ **4.** one [member] **OR MORE MEMBERS** of the Board of
21 Trustees under § 21-104(a)(4)(viii) of this subtitle, appointed by the Chairman of the Board
22 of Trustees]; and

23 (vii) a member of the public with financial industry experience,
24 appointed jointly by the presiding officers of the General Assembly].

25 **(II) THE FOLLOWING MEMBERS MAY BE APPOINTED TO THE**
26 **COMMITTEE BY THE CHAIRMAN OF THE BOARD OF TRUSTEES:**

27 **1. THE STATE TREASURER, OR THE STATE**
28 **TREASURER'S DESIGNEE; AND**

29 **2. THE COMPTROLLER, OR THE COMPTROLLER'S**
30 **DESIGNEE.**

1 (3) (i) The Chairman of the Board of Trustees shall appoint the Chair
2 of the Committee.

3 (ii) The Chairman of the Board of Trustees may not serve as the
4 Chair of the Committee.

5 (4) [On or before December 31, 2018, and at least once every 5 years
6 thereafter, the] **THE** Committee shall make recommendations to the Board of Trustees
7 regarding:

8 (i) objective criteria under § 21–118.1(b)(2) and (d) of this subtitle
9 for the compensation and financial incentives for the Chief Investment Officer; and

10 (ii) objective criteria under subsections (a) and (f) of this section for
11 the compensation and financial incentives for the positions in the Investment Division.

12 (5) (i) The Board of Trustees shall enter into an agreement with a
13 consultant to assist the Committee **AND THE BOARD** regarding objective criteria under
14 this subsection **AND THE BOARD’S RESPONSIBILITIES FOR COMPENSATION AND**
15 **STAFFING.**

16 (ii) **1. ~~The~~ EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 2**
17 **OF THIS SUBPARAGRAPH, THE** Board of Trustees may not enter into an agreement with
18 a consultant under subparagraph (i) of this paragraph if that consultant is actively
19 providing consulting services for the Board of Trustees [and] **OR** the staff of the Investment
20 Division.

21 **2. THE BOARD OF TRUSTEES MAY ENTER INTO AN**
22 **AGREEMENT WITH A CONSULTANT SELECTED UNDER SUBPARAGRAPH (I) OF THIS**
23 **PARAGRAPH TO PROVIDE EXECUTIVE SEARCH SERVICES FOR THE BOARD OF**
24 **TRUSTEES OR THE EXECUTIVE DIRECTOR.**

25 **(III) THE CHIEF INVESTMENT OFFICER MAY NOT SEPARATELY**
26 **RETAIN THE CONSULTANT HIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH**
27 **FOR ANY SERVICES.**

28 (6) (i) The [Chief Investment Officer] **EXECUTIVE DIRECTOR** shall
29 serve in an advisory capacity to the Committee **REGARDING COMPENSATION AND**
30 **INCENTIVE COMPENSATION FOR THE CHIEF INVESTMENT OFFICER AND**
31 **INVESTMENT DIVISION STAFF.**

32 (ii) The Chief Investment Officer may not participate in any
33 deliberations regarding the criteria for compensation and financial incentives for the Chief
34 Investment Officer **OR INVESTMENT DIVISION STAFF.**

1 **(III) THE CHIEF INVESTMENT OFFICER SHALL SERVE IN AN**
2 **ADVISORY CAPACITY REGARDING THE TYPE OF, NUMBER OF, AND QUALIFICATIONS**
3 **FOR POSITIONS IN THE INVESTMENT DIVISION.**

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
5 1, 2025.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.