

## Chapter 772

**(Senate Bill 810)**

AN ACT concerning

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

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

BY repealing and reenacting, with amendments,

Article – State Personnel and Pensions

Section 21–108(b), 21–118.1(a), (b), (c), and (d)(1)(i), and 21–122(f) and (g)

Annotated Code of Maryland

(2024 Replacement Volume and 2024 Supplement)

BY repealing and reenacting, without amendments,

Article – State Personnel and Pensions

Section 21–122(a)(1) through (3)

Annotated Code of Maryland

(2024 Replacement Volume and 2024 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**

21-108.

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

21-118.1.

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

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

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

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

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

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

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

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

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

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

(ii) 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.

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

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

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

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

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

1. after the furlough period has ended; and
2. if the Chief Investment Officer is currently employed as the Chief Investment Officer.

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

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

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

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

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

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.

(3) The Board of Trustees:

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

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

(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] **COMPENSATION AND STAFFING** 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.

**(VI) BASED ON THE RECOMMENDATIONS OF THE COMPENSATION AND STAFFING COMMITTEE UNDER SUBSECTION (G) OF THIS SECTION, THE BOARD OF TRUSTEES SHALL APPROVE:**

**1. THE TYPE AND NUMBER OF POSITIONS IN THE INVESTMENT DIVISION;**

**2. THE QUALIFICATIONS FOR EACH POSITION IN THE INVESTMENT DIVISION, AS APPROVED UNDER ITEM 1 OF THIS SUBPARAGRAPH; ~~AND~~**

**3. ANY COMPENSATION AND FINANCIAL INCENTIVES FOR THE ~~CHIEF INVESTMENT OFFICER AND~~ INVESTMENT DIVISION STAFF, INCLUDING SALARY INCREASES OR DECREASES RECOMMENDED FOR THE ~~CHIEF INVESTMENT OFFICER AND~~ EMPLOYEES OF THE INVESTMENT DIVISION; AND**

**4. IN ACCORDANCE WITH § 21-118.1 OF THIS SUBTITLE, ANY COMPENSATION AND FINANCIAL INCENTIVES FOR THE CHIEF INVESTMENT OFFICER, INCLUDING SALARY INCREASES OR DECREASES RECOMMENDED FOR THE CHIEF INVESTMENT OFFICER.**

(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] **COMPENSATION AND STAFFING** 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) Except as provided in subparagraph (vi) of this paragraph, if an individual who has ~~earned~~ **BEEN AWARDED** 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~~ **AWARDED** 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.

(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~~ **EXCEPT AS PROVIDED IN SUBSUBPARAGRAPH 3 OF THIS SUBPARAGRAPH, 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

(iv) 1. the Secretary of Budget and Management or the Secretary's designee;

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

**Approved by the Governor, May 20, 2025.**