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**Testimony in Support of Senate Bill 810  
Board of Trustees for the State Retirement and Pension System - Investment Division -  
Compensation and Staffing Committee  
Senate Budget and Tax Committee  
February 27, 2025  
9:00 A.M.**

**Anne Gawthrop  
Director of Legislative Affairs  
State Retirement Agency**

The Board of Trustees for the State Retirement and Pension System wishes to express its support for Senate Bill 810, Board of Trustees for the State Retirement and Pension System - Investment Division - Compensation and Staffing Committee. Senate Bill 810 is legislation sponsored by the Joint Committee on Pensions at the request of the Board. It would establish a Compensation and Staffing Committee (Committee) of the Board.

The bill provides that the composition of the Committee shall consist of:

- the Secretary of the Department of Budget and Management (DBM), or the Secretary's designee;
- at least one trustee elected by the employees or retirees of the System; and
- at least one trustee with fiduciary expertise who was appointed to the Board by the Governor.

The Treasurer or the Treasurer's designee and the Comptroller or the Comptroller's designee may also be appointed to the Committee. The Chair of the Board shall appoint the Chair and members of the Committee (with the exception of the Secretary of DBM, or the Secretary's designee, who shall serve as an ex officio to the Committee). The Chair of the Board may not appoint themselves as the Chair of the Committee.

The Committee shall make recommendations to the Board regarding staffing issues for the Investment Division and objective criteria for the compensation and financial incentives for the Chief Investment Officer (CIO) of the State Retirement Agency (Agency) and the Agency's Investment Division. Based on these recommendations of the Committee, the Board shall approve:

1. the type and number of positions in the Investment Division;
2. the qualifications for each position in the Investment Division approved under 1; and
3. any compensation and financial incentives for the CIO and Investment Division, including salary increases or decreases.

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The Board shall hire a compensation consultant to assist the Committee and the Board regarding any objective criteria the Committee may recommend and the Board may consider when contemplating the compensation and financial incentives for the CIO and the Investment Division staff.

Chapters 727 and 728 of 2018 gave the Board the authority to determine and create positions necessary to carry out the professional investment functions of the Investment Division and to set qualifications and compensation for the positions, including incentive compensation, as specified in the legislation. To assist the Board in adopting objective criteria for setting compensation and awarding financial incentives for the CIO and specified Investment Division staff, the 2018 legislation also created the Objective Criteria Committee (OCC).

Under provisions of the State Personnel and Pensions Article, the OCC is required to meet at least once every five years. The OCC includes a senator and delegate who are serving on the Joint Committee on Pensions, the Treasurer (or the Treasurer's designee), the Secretary of DBM (or the Secretary's designee), two trustees appointed of the Board, and a member of the public with financial industry experience. It is charged with recommending objective criteria for the Board to use when it is determining the compensation and financial incentives for the CIO and certain staff of the Investment Division. The Board is also required to hire a compensation consultant to assist the OCC regarding objective criteria. This consultant may not be a consultant that is actively providing consulting services to the Board or the staff of the Investment Division.

The OCC met throughout the summer of 2018, shortly after Chapters 727 and 728 became effective. At the conclusion of its work, the OCC submitted to the Board a recommended compensation and incentive compensation program for the Investment Division. These recommendations served as the foundation for the expansion of the Investment Division from 2018 to 2023. However, during these intervening five years, as the Investment Division has grown and created new positions, including an internal training desk, the Board would have benefited from having an ongoing committee that could review criteria for compensation and incentive compensation and assist with creating new positions within the Investment Division. The Committee, as established in Senate Bill 810 will address the issues that arise in real time, rather than wait for the OCC, every five years. Moreover, the OCC's role is limited to recommending objective criteria, but the Board's responsibilities are far broader, including determining the type and number of positions to carry out the functions of the Investment Division, and their qualifications and compensation (including financial incentives). In addition to adopting objective criteria, the Board needs to determine a position classification system and a pay scale, and to review and regularly update these items as the needs of the System change. This Committee will better assist with the broad array of responsibilities that have been assigned to the Board.

We appreciate being given this opportunity to express our support to the Budget and Tax Committee for this legislation and would request a favorable report on Senate Bill 810.