

HOUSE BILL 1101

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By: **Delegate Grammer**

Introduced and read first time: February 6, 2020

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System – Financial Reporting**

3 FOR the purpose of requiring the Board of Trustees for the State Retirement and Pension
4 System to publish a certain annual report; requiring certain information to be
5 included in the report; requiring the Board to submit certain quarterly reports to the
6 General Assembly; specifying the dates on which certain reports are due; requiring
7 the Board to hire a certain consultant for certain purposes; authorizing the Board to
8 hire certain individuals to serve as consultants for certain purposes; and generally
9 relating to reporting requirements for the State Retirement and Pension System.

10 BY adding to

11 Article – State Personnel and Pensions
12 Section 21–120.1
13 Annotated Code of Maryland
14 (2015 Replacement Volume and 2019 Supplement)

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

17 **Article – State Personnel and Pensions**

18 **21–120.1.**

19 (A) ON OR BEFORE DECEMBER 15 EACH YEAR, THE BOARD OF TRUSTEES
20 SHALL PUBLISH A COMPREHENSIVE ANNUAL FINANCIAL REPORT ABOUT THE
21 OPERATION AND PERFORMANCE OF THE MARYLAND STATE RETIREMENT AND
22 PENSION SYSTEM DURING THE FISCAL YEAR THAT ENDED ON THE PRECEDING JUNE
23 30.

24 (B) THE REPORT SHALL INCLUDE:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(1) A COMPARISON, IN TABLES AND EXPLAINED IN PLAIN LANGUAGE, OF THE SYSTEM'S INVESTMENT PERFORMANCE FOR THE SYSTEM'S 1-, 3-, 5-, AND 10-YEAR COMPOUND ANNUALIZED RETURNS TO THE INVESTMENT PERFORMANCE THE SYSTEM WOULD HAVE EXPERIENCED WITH AN ASSET ALLOCATION OF:

(I) 1. 60% INVESTED IN THE RUSSELL 3000 INDEX; AND
2. 40% INVESTED IN THE BLOOMBERG BARCLAYS AGGREGATE BOND INDEX; AND

(II) 1. 50% INVESTED IN THE RUSSELL 3000 INDEX;
2. 10% INVESTED IN THE MSCI ALL COUNTRY WORLD INDEX;
3. 10% INVESTED IN THE MSCI US REIT INDEX; AND
4. 30% INVESTED IN THE BLOOMBERG BARCLAYS AGGREGATE BOND INDEX;

(2) THE MEDIAN PERFORMANCE OF PUBLIC PLANS WITH ASSETS EXCEEDING \$25,000,000,000, AS REPORTED BY WILSHIRE TRUST UNIVERSE COMPARISON SERVICE;

(3) AN ANALYSIS OF THE IMPACT ON SYSTEM REVENUES, IN A DOLLAR AMOUNT, THE SYSTEM'S INVESTMENT PERFORMANCE HAS CAUSED;

(4) A COMPARISON OF THE RETURNS AND VOLATILITY OF THE SYSTEM'S INVESTMENTS TO APPROPRIATE PUBLIC BENCHMARKS, INCLUDING THE FOLLOWING:

(I) THE SYSTEM'S PRIVATE EQUITY INVESTMENTS COMPARED TO THE RUSSELL 2000 INDEX;

(II) THE SYSTEM'S REAL ESTATE INVESTMENTS COMPARED TO PUBLIC REIT INDICES; AND

(III) THE SYSTEM'S HEDGE FUND INVESTMENTS COMPARED TO THE INVESTMENT PERFORMANCE THE SYSTEM WOULD HAVE EXPERIENCED WITH AN ASSET ALLOCATION OF:

1. 60% INVESTED IN THE RUSSELL 3000 INDEX; AND

1 **2. 40% INVESTED IN THE BLOOMBERG BARCLAYS**
2 **AGGREGATE BOND INDEX;**

3 **(5) A DESCRIPTION OF HOW THE BOARD DETERMINED THE SYSTEM'S**
4 **INTERNAL BENCHMARKS THAT WERE APPLICABLE DURING THE FISCAL YEAR; AND**

5 **(6) AN EXPLANATION OF THE SYSTEM'S INVESTMENT PERFORMANCE**
6 **RELATIVE TO THE FUND'S INTERNAL BENCHMARKS DURING THE FISCAL YEAR.**

7 **(C) (1) THE BOARD SHALL SUBMIT QUARTERLY REPORTS COMPARING**
8 **THE ACTUAL PERFORMANCE OF THE SYSTEM'S INVESTMENTS TO THE SYSTEM'S**
9 **INVESTMENT BENCHMARKS.**

10 **(2) THE BOARD SHALL SUBMIT THIS REPORT TO THE GENERAL**
11 **ASSEMBLY, IN ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT ARTICLE,**
12 **ON OR BEFORE:**

13 **(I) OCTOBER 15 FOR THE FIRST QUARTER OF THE FISCAL**
14 **YEAR;**

15 **(II) JANUARY 15 FOR THE SECOND QUARTER OF THE FISCAL**
16 **YEAR;**

17 **(III) APRIL 15 FOR THE THIRD QUARTER OF THE FISCAL YEAR;**
18 **AND**

19 **(IV) JULY 15 FOR THE FOURTH QUARTER OF THE PRECEDING**
20 **FISCAL YEAR.**

21 **(D) (1) THE BOARD SHALL HIRE A CONSULTANT TO ASSESS ANY CAPITAL**
22 **MARKET PREDICTIONS MADE BY INVESTMENT DIVISION STAFF OR A SYSTEM**
23 **INVESTMENT CONSULTANT.**

24 **(2) THE BOARD MAY HIRE FACULTY MEMBERS OF THE UNIVERSITY**
25 **SYSTEM OF MARYLAND WITH DEGREES IN FINANCE TO PERFORM THE REQUIRED**
26 **ASSESSMENTS UNDER PARAGRAPH (1) OF THIS SUBSECTION.**

27 **SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July**
28 **1, 2020.**