

# SENATE BILL 384

K4

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CF HB 481

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By: **Senator McFadden (Chair, Joint Committee on Pensions) and Senators Currie, Kasemeyer, Kramer, Munson, and Robey**

Introduced and read first time: January 30, 2008

Assigned to: Budget and Taxation

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 17, 2008

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **State Retirement and Pension Systems – Investments**

3 FOR the purpose of repealing certain restrictions placed on the Board of Trustees for  
4 the State Retirement and Pension System with regard to investing the assets of  
5 the several systems of the State Retirement and Pension System; repealing the  
6 requirement that the Board of Public Works approve certain sales and  
7 purchases of real estate by the Board of Trustees; requiring the Comptroller,  
8 Treasurer, and Secretary of Budget and Management to approve certain sales  
9 and purchases of real estate by the Board of Trustees; requiring the Board of  
10 Trustees to submit certain reports by certain dates; clarifying that certain  
11 provisions of the State Finance and Procurement Article do not apply to certain  
12 transactions of the Board of Trustees; eliminating certain limitations on certain  
13 fees paid by the Board of Trustees to certain investment managers; clarifying  
14 that the Board of Trustees is not subject to any limitation on certain fees paid to  
15 certain investment managers; and generally relating to the investments of the  
16 State Retirement and Pension System.

17 BY repealing and reenacting, with amendments,  
18 Article – State Personnel and Pensions  
19 Section 21–123(c) and (f) and 21–315(d)  
20 Annotated Code of Maryland  
21 (2004 Replacement Volume and 2007 Supplement)

22 BY adding to  
23 Article – State Personnel and Pensions

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**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 Section 21–123(h)  
 2 Annotated Code of Maryland  
 3 (2004 Replacement Volume and 2007 Supplement)

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

6 **Article – State Personnel and Pensions**

7 21–123.

8 (c) (1) [(i) Subject to subparagraph (ii) of this paragraph, the] **THE**  
 9 Board of Trustees may invest assets of the several systems subject to the conditions  
 10 that it imposes.

11 [(ii) Not more than 25% of the assets that the Board of Trustees  
 12 invests in common stocks may be invested in nondividend paying common stocks.]

13 (2) The Board of Trustees shall include the conditions that it adopts  
 14 under paragraph (1) of this subsection in the investment policy manual required by §  
 15 21–116(c) of this subtitle.

16 (f) (1) Notwithstanding any other law in force on or after July 1, 1988,  
 17 unless the law makes specific reference to this subsection, and subject to paragraph (2)  
 18 of this subsection, the Board of Trustees may keep all analyses, forecasts, negotiations,  
 19 papers, records, recommendations, and reports closed to public inspection until:

20 (i) the release of the information would not adversely affect the  
 21 negotiation for or market price of a security; and

22 (ii) completion of:

23 1. a proposed purchase or program of purchases leading  
 24 to a cumulative position in a security;

25 2. the making, sale, or prepayment of a loan;

26 3. any proposed sale or program of sales leading to the  
 27 elimination of a position in a security; or

28 4. the sale or purchase of real estate.

29 (2) **(I)** The sale or purchase of real estate shall be subject to the  
 30 approval of [the Board of Public Works and shall be included on a Board of Public  
 31 Works agenda] **A MAJORITY OF THE COMPTROLLER, TREASURER, AND**  
 32 **SECRETARY OF BUDGET AND MANAGEMENT, IN THEIR CAPACITY AS MEMBERS**  
 33 **OF THE BOARD OF TRUSTEES.**

1           **(II) ON OR BEFORE OCTOBER 1 OF EACH YEAR, THE BOARD**  
2 **OF TRUSTEES SHALL SUBMIT A REPORT IN ACCORDANCE WITH § 2-1246 OF THE**  
3 **STATE GOVERNMENT ARTICLE TO THE BOARD OF PUBLIC WORKS, THE**  
4 **SENATE BUDGET AND TAXATION COMMITTEE, THE HOUSE APPROPRIATIONS**  
5 **COMMITTEE, AND THE JOINT COMMITTEE ON PENSIONS THAT PROVIDES A LIST**  
6 **OF ALL SALES OR PURCHASES OF DIRECTLY HELD REAL ESTATE APPROVED BY**  
7 **THE BOARD OF TRUSTEES FOR THE IMMEDIATELY PRECEDING FISCAL YEAR.**

8           **(H) TITLE 4, SUBTITLE 3, PART III AND § 10-305 OF THE STATE**  
9 **FINANCE AND PROCUREMENT ARTICLE DO NOT APPLY TO THE SALE,**  
10 **ACQUISITION, LEASE, TRANSFER, EXCHANGE, OR OTHER DISPOSITION OF ANY**  
11 **REAL OR PERSONAL PROPERTY ACQUIRED BY THE BOARD OF TRUSTEES IN ANY**  
12 **TRANSACTION AUTHORIZED UNDER THIS TITLE.**

13 21-315.

14           (d) (1) Each quarter of the fiscal year the Board of Trustees shall  
15 estimate[:

16                   (i) one-fourth of an amount, not exceeding 1.2% of the market  
17 value as of the last day of the preceding quarter of assets externally invested in real  
18 estate or alternative investments, necessary for external real estate or alternative  
19 investment management services; and

20                   (ii)] one-fourth of an amount, not exceeding 0.3% of the market  
21 value as of the last day of the preceding quarter of invested assets that are externally  
22 managed exclusive of assets invested in real estate or alternative investments,  
23 necessary to procure and retain investment management services other than external  
24 real estate or alternative investment management services.

25                   [(2) In addition to the amount estimated in paragraph (1)(i) of this  
26 subsection, any previously estimated amount that has not been paid to an external  
27 real estate or alternative investment management service by the last day of each  
28 quarter shall be carried over into the next quarter and added to the new estimate.]

29           **(2) THE BOARD OF TRUSTEES IS NOT LIMITED IN THE AMOUNT**  
30 **OF INVESTMENT MANAGER FEES THAT THE BOARD OF TRUSTEES MAY PAY AS**  
31 **NECESSARY FOR EXTERNAL REAL ESTATE OR ALTERNATIVE INVESTMENT**  
32 **MANAGEMENT SERVICES.**

33           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
34 July 1, 2008.