

# SENATE BILL 255

K4, P2

7lr1431  
CF HB 202

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By: **Senator Guzzone (Chair, Joint Committee on Pensions)**

Introduced and read first time: January 20, 2017

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement Agency – Authority to Arrange Custody of Investments and**  
3 **Procurement Exemption**

4 FOR the purpose of exempting from certain procurement law expenditures made by the  
5 State Retirement Agency for the safe custody of investments of the State Retirement  
6 and Pension System; transferring the authority to arrange for the safe custody of  
7 investments from the State Treasurer to the Chief Investment Officer of the  
8 Investment Division in the Agency; and generally relating to the custody of  
9 investments of the State Retirement and Pension System.

10 BY repealing and reenacting, with amendments,  
11 Article – State Finance and Procurement  
12 Section 11–203(d)  
13 Annotated Code of Maryland  
14 (2015 Replacement Volume and 2016 Supplement)

15 BY repealing and reenacting, without amendments,  
16 Article – State Personnel and Pensions  
17 Section 21–122(a)(1)  
18 Annotated Code of Maryland  
19 (2015 Replacement Volume and 2016 Supplement)

20 BY repealing and reenacting, with amendments,  
21 Article – State Personnel and Pensions  
22 Section 21–122(d) and 21–124  
23 Annotated Code of Maryland  
24 (2015 Replacement Volume and 2016 Supplement)

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

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



**Article – State Finance and Procurement**

11–203.

(d) Except as provided in Title 12, Subtitle 4 and Title 14, Subtitle 3 of this article, this Division II does not apply to the Board of Trustees of the State Retirement and Pension System for:

(1) services of managers to invest the assets of the State Retirement and Pension System, including real and personal property;

(2) expenditures to manage, maintain, and enhance the value of the assets of the State Retirement and Pension System in accordance with investment guidelines adopted by the Board of Trustees;

(3) services related to the administration of the optional retirement program under Title 30 of the State Personnel and Pensions Article; [and]

(4) services related to the administration of the Postretirement Health Benefits Trust Fund; **AND**

**(5) EXPENDITURES FOR THE SAFE CUSTODY, DOMESTIC OR GLOBAL, OF INVESTMENTS AS PROVIDED UNDER § 21–122(D) OF THE STATE PERSONNEL AND PENSIONS ARTICLE.**

**Article – State Personnel and Pensions**

21–122.

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

(d) On behalf of the several systems, the Chief Investment Officer:

(1) may hire external investment managers to invest the assets of the several systems;

(2) may select and invest in specific investment vehicles, including limited partnerships, private equity fund investments, and private real estate fund investments; [and]

(3) may terminate the appointment of an external investment manager; **AND**

**(4) MAY MAKE ARRANGEMENTS FOR THE SAFE CUSTODY, DOMESTIC OR GLOBAL, OF INVESTMENTS WITH ONE OR MORE DULY QUALIFIED CUSTODIAN BANKS OR TRUST COMPANIES.**

1 21–124.

2 (a) (1) The State Treasurer is the custodian of:

3 (i) the accumulation, annuity savings, and expense funds of the  
4 several systems; and

5 (ii) the assets of the Board of Trustees.

6 (2) The State Retirement Agency shall make all payments from the  
7 accumulation, annuity savings, and expense funds of the several systems in accordance  
8 with regulations that the Board of Trustees adopts with the approval of the State  
9 Treasurer.

10 (b) (1) The State Treasurer may make arrangements with one or more duly  
11 qualified banks or trust companies in this State, organized under the laws of this State or  
12 of the United States, for:

13 (i) [safe custody of investments;

14 (ii)] banking services; and

15 [(iii)] (II) any other function that the State Treasurer considers  
16 necessary to safeguard physically the assets that the Board of Trustees manages.

17 (2) The State Treasurer:

18 (i) may deposit any of the securities that the Board of Trustees  
19 purchases in vaults or in other safe depositories outside the office of the State Treasurer,  
20 whether or not in this State; and

21 (ii) shall deliver to the Board of Trustees a safekeeping receipt that:

22 1. describes the securities that the State Treasurer deposits;  
23 and

24 2. is payable on demand and without conditions to the Board  
25 of Trustees, to any designated fund of the several systems that the Board of Trustees  
26 controls, or to the State Treasurer.

27 (3) The Board of Trustees shall keep on file any safekeeping receipt that  
28 the State Treasurer delivers.

29 (c) (1) Subject to paragraph (2) of this subsection, to make disbursements, the  
30 State Treasurer may keep cash on deposit in one or more duly qualified banks or trust

1 companies in this State that are organized under the laws of this State or of the United  
2 States.

3 (2) The State Treasurer may not:

4 (i) keep more than 10% of the total amount in the funds of the  
5 several systems on deposit as cash; or

6 (ii) keep cash that exceeds 25% of the paid-up capital and surplus of  
7 the bank or trust company in that bank or trust company.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
9 1, 2017.