

SENATE BILL 898

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8lr3684
CF 8lr0950

By: **Senator Guzzone**

Introduced and read first time: February 5, 2018

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Pension Climate Change Risk Act**

3 FOR the purpose of requiring that, consistent with certain fiduciary duties, the investment
4 policy manual adopted by the Board of Trustees for the State Retirement and
5 Pension System include certain policies and address certain details regarding the
6 management of climate risks in the investment of State Retirement and Pension
7 System assets; requiring the Board of Trustees to conduct or commission a climate
8 risk assessment of the investments of the several systems on or before a certain date
9 and at certain intervals; specifying the information that must be included in a
10 climate risk assessment; requiring the State Retirement Agency to post a certain
11 report regarding a climate risk assessment to its website; requiring the Agency, to
12 the extent practicable, to request certain information from certain entities necessary
13 to carry out the policies of the Board of Trustees with respect to a climate risk
14 assessment; providing that the Board of Trustees, or any other fiduciary of the
15 several systems, may not be held liable for certain actions under certain
16 circumstances; providing that nothing in this Act shall require the Board of Trustees
17 to take certain actions unless certain circumstances exist; and generally relating to
18 climate change and the State Retirement and Pension System.

19 BY repealing and reenacting, with amendments,
20 Article – State Personnel and Pensions
21 Section 21–116
22 Annotated Code of Maryland
23 (2015 Replacement Volume and 2017 Supplement)

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

26 **Article – State Personnel and Pensions**

27 21–116.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) By resolution, the Board of Trustees shall specify the powers of the Investment
2 Committee.

3 (b) The Investment Committee shall advise the Board of Trustees and make
4 recommendations on:

5 (1) the investment programs;

6 (2) compliance of the investment programs with the policies of the Board
7 of Trustees; and

8 (3) bonding for employees of the State Retirement Agency in the form and
9 amount required by law.

10 (c) (1) Subject to [subsection (d)] **SUBSECTIONS (D) AND (E)** of this section,
11 the Board of Trustees shall adopt an investment policy manual that details:

12 (i) the functions of the Investment Division of the State Retirement
13 Agency;

14 (ii) the goals and objectives of the several investment programs; and

15 (iii) the policies that govern the selection and retention of
16 investments.

17 (2) The Investment Committee shall:

18 (i) prepare and maintain the investment policy manual; and

19 (ii) submit the investment policy manual, and any subsequent
20 amendments to the manual, to the Board of Trustees for approval.

21 (d) (1) (i) Consistent with minority business purchasing standards
22 applicable to units of State government under the State Finance and Procurement Article
23 and consistent with the fiduciary duties of the Board of Trustees, the Board of Trustees
24 shall direct the Investment Committee to attempt to use to the greatest extent feasible
25 minority business enterprises to provide brokerage and investment management services
26 to the Board.

27 (ii) For purposes of this subsection, brokerage and investment
28 management services shall include services relating to all allocated asset classes.

29 (2) (i) To assist it in achieving the goal described under paragraph (1)
30 of this subsection, the Investment Committee shall undertake measures to remove any
31 barriers that limit full participation by minority business enterprises in brokerage and
32 investment management services opportunities afforded under this title.

1 (ii) The measures undertaken by the Investment Committee shall
2 include the use of a wide variety of media, including the State Retirement Agency's Web
3 site, to provide notice to a broad and varied range of potential providers about the brokerage
4 and investment management services opportunities afforded by the State Retirement
5 Agency.

6 (3) In consultation with the Governor's Office of Small, Minority, and
7 Women Business Affairs and the Investment Committee, the Board of Trustees shall
8 develop guidelines to assist the Investment Committee in identifying and evaluating
9 qualified minority business enterprises in order to help the State Retirement Agency
10 achieve the objective for greater use of minority business enterprises for brokerage and
11 investment management services.

12 (4) On or before September 1 each year, the Investment Committee shall
13 submit a report to the Board of Trustees, the Governor's Office of Small, Minority, and
14 Women Business Affairs and, subject to § 2-1246 of the State Government Article, the
15 General Assembly on:

16 (i) the identity of the minority business enterprise brokerage and
17 investment management services firms used by the Investment Committee in the
18 immediately preceding fiscal year;

19 (ii) the percentage and dollar value of the assets that are under the
20 control of the Investment Committee that are under the investment control of minority
21 business enterprise brokerage and investment management services firms for each
22 allocated asset class; and

23 (iii) the measures the Investment Committee undertook in the
24 immediately preceding fiscal year in accordance with paragraph (2)(ii) of this subsection.

25 **(E) (1) CONSISTENT WITH ITS FIDUCIARY DUTIES, THE BOARD OF**
26 **TRUSTEES SHALL INCLUDE POLICIES IN THE INVESTMENT POLICY MANUAL**
27 **ADOPTED UNDER SUBSECTION (C) OF THIS SECTION REGARDING THE MANAGEMENT**
28 **OF CLIMATE RISKS IN THE INVESTMENT OF SYSTEM ASSETS, AND SHALL ADDRESS:**

29 **(I) INVESTMENT PRINCIPLES, GUIDELINES, AND POLICIES**
30 **THAT GOVERN THE SELECTION AND RETENTION OF THE INVESTMENTS OF THE**
31 **SEVERAL SYSTEMS, INCLUDING PROXY VOTING AND ENGAGEMENT GUIDELINES;**
32 **AND**

33 **(II) A POLICY THAT PROXY VOTES AND SAMPLE DUE DILIGENCE**
34 **QUESTIONNAIRES FOR PROSPECTIVE MANAGERS BE PUBLISHED ON THE STATE**
35 **RETIREMENT AGENCY'S WEBSITE.**

36 **(2) (1) CONSISTENT WITH ITS FIDUCIARY DUTIES, ON OR BEFORE**

1 **JANUARY 31, 2019, AND EVERY 4 YEARS THEREAFTER, THE BOARD OF TRUSTEES**
2 **SHALL CONDUCT OR COMMISSION A CLIMATE RISK ASSESSMENT OF THE**
3 **INVESTMENTS OF THE SEVERAL SYSTEMS.**

4 **(II) THE ASSESSMENT SHALL:**

5 **1. IDENTIFY RECENT STUDIES OR ACTIONS ON CLIMATE**
6 **CHANGE BY OTHER U.S. STATE PUBLIC PENSION FUNDS, FINANCIAL INSTITUTIONS,**
7 **OR CLIMATE RISK EXPERTS, INCLUDING THOSE RELATED TO DISCLOSURE, RISK**
8 **ASSESSMENT, INVESTMENT PRINCIPLES, OR OTHER RELATED ISSUES OR**
9 **ACTIVITIES;**

10 **2. BASED ON THE INFORMATION OBTAINED IN ITEM 1 OF**
11 **THIS SUBPARAGRAPH, RECOMMEND BEST PRACTICES AND CONSIDER WHETHER**
12 **THESE BEST PRACTICES CAN BE INCORPORATED INTO THE INVESTMENT POLICY**
13 **MANUAL;**

14 **3. EXAMINE THE POTENTIAL MAGNITUDE OF THE**
15 **LONG-TERM RISKS AND OPPORTUNITIES OF MULTIPLE CLIMATE SCENARIOS AND**
16 **RELATED REGULATORY DEVELOPMENTS ACROSS INDUSTRY SECTORS, ASSET**
17 **CLASSES, AND THE TOTAL PORTFOLIO OF THE SEVERAL SYSTEMS; AND**

18 **4. INCLUDE ANY OTHER INFORMATION THE BOARD OF**
19 **TRUSTEES OR INVESTMENT COMMITTEE DEEMS NECESSARY.**

20 **(III) THE STATE RETIREMENT AGENCY SHALL POST A REPORT**
21 **REGARDING THE CLIMATE RISK ASSESSMENT ON ITS WEBSITE.**

22 **(3) TO THE EXTENT PRACTICABLE, THE STATE RETIREMENT AGENCY**
23 **SHALL REQUEST ALL INFORMATION NECESSARY FROM MANAGERS, BROKERS, OR**
24 **OTHER ENTITIES TO CARRY OUT THE POLICIES OF THE BOARD OF TRUSTEES WITH**
25 **RESPECT TO A CLIMATE RISK ASSESSMENT DESCRIBED IN THIS SUBSECTION.**

26 **(4) THE BOARD OF TRUSTEES, OR ANY OTHER FIDUCIARY OF THE**
27 **SEVERAL SYSTEMS AS DEFINED IN § 21-201(B) OF THIS TITLE, MAY NOT BE HELD**
28 **LIABLE FOR ANY ACTIONS TAKEN OR DECISIONS MADE IN GOOD FAITH FOR THE**
29 **PURPOSE OF COMPLYING WITH OR EXECUTING THIS SUBSECTION.**

30 **(5) NOTHING IN THIS SUBSECTION SHALL REQUIRE THE BOARD OF**
31 **TRUSTEES TO TAKE ACTION AS DESCRIBED IN THIS SECTION UNLESS THE BOARD OF**
32 **TRUSTEES DETERMINES, IN GOOD FAITH, THAT THE ACTION IS CONSISTENT WITH**
33 **THE FIDUCIARY RESPONSIBILITIES OF THE BOARD OF TRUSTEES AS DESCRIBED IN**
34 **SUBTITLE 2 OF THIS TITLE.**

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
2 1, 2018.