

Chapter 495

(House Bill 1212)

AN ACT concerning

State Retirement ~~and Pension System Agency~~ – Director of Diversity, Equity, and Inclusion and Governance Program

FOR the purpose of establishing that the Executive Director of the State Retirement Agency shall employ a Director of Diversity, Equity, and Inclusion of the State Retirement ~~and Pension System Agency~~; requiring the Director of Diversity, Equity, and Inclusion to identify and minimize certain barriers to ensure access and opportunities to underrepresented groups and to perform other related duties; establishing a governance program within the Investment Division of the State Retirement Agency; ~~requiring the Executive Director to show good cause and obtain the prior written consent of the Board of Trustees to terminate the Director of Diversity, Equity, and Inclusion under certain circumstances~~; requiring the Chief Investment Officer to employ a certain individual to assist in the implementation of the governance program; specifying the responsibilities of the individual employed to assist in the implementation of the governance program; ~~requiring the Chief Investment Officer Executive Director to show good cause and obtain the prior written consent of the Board of Trustees to terminate the individual employed to assist in the implementation of the governance program under certain circumstances~~; and generally relating to the establishment of a Director of Diversity, Equity, and Inclusion of the State Retirement ~~and Pension System Agency~~ and a governance program within the Investment Division of the State Retirement Agency.

BY repealing and reenacting, without amendments,
 Article – State Personnel and Pensions
 Section 21–118 and 21–122(a)(1)
 Annotated Code of Maryland
 (2015 Replacement Volume and 2023 Supplement)

BY adding to
 Article – State Personnel and Pensions
 Section 21–118.2 and 21–122(h)
 Annotated Code of Maryland
 (2015 Replacement Volume and 2023 Supplement)

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

Article – State Personnel and Pensions

21–118.

(a) (1) The Board of Trustees shall appoint the Executive Director of the State Retirement Agency.

(2) The Executive Director serves at the pleasure of the Board of Trustees.

(b) The Executive Director shall:

(1) be in charge of the State Retirement Agency;

(2) compile annually a comprehensive budget for submission to the Board of Trustees; and

(3) have the duties and functions that the Board of Trustees may delegate.

(c) (1) (i) The Executive Director shall employ a staff to carry out the administrative duties of the several systems.

(ii) Except as provided in § 21–315 of this title, the compensation of the Executive Director and staff shall be as provided in the State budget.

(2) Except for employees described in paragraph (3) of this subsection, the employees are skilled service or professional service employees subject to the provisions of this article that govern skilled service or professional service employees.

(3) An employee is in the executive service, management service, or is a special appointment in the State Personnel Management System if:

(i) the employee holds a position that the Executive Director, with the approval of the Board of Trustees, designates as a professional or technical position that involves specialized skill, education, and knowledge; and

(ii) the employee's labor is predominantly intellectual rather than manual or physical.

(d) The Executive Director and the Chief Investment Officer and staff of the Investment Division of the State Retirement Agency shall comply with the policies that the Board of Trustees prescribes about conflicts of interest and personal investments.

(e) (1) A document that must be executed by or for the Board of Trustees shall be signed:

(i) by the Executive Director of the State Retirement Agency; or

(ii) in the absence or disability of the Executive Director, by another employee whom the Executive Director, with the approval of the Chairman of the Board of Trustees, designates in writing.

(2) If a countersignature is required, with the approval of the Chairman of the Board of Trustees, the Executive Director shall designate those employees of the State Retirement Agency who may sign.

21-118.2.

(A) ~~(1) THE EXECUTIVE DIRECTOR SHALL EMPLOY A DIRECTOR OF DIVERSITY, EQUITY, AND INCLUSION OF THE STATE RETIREMENT AND PENSION SYSTEM AGENCY.~~

(2) THE DIRECTOR OF DIVERSITY, EQUITY, AND INCLUSION SHALL REPORT DIRECTLY TO THE EXECUTIVE DIRECTOR.

(B) THE DIRECTOR OF DIVERSITY, EQUITY, AND INCLUSION SHALL:

(1) IDENTIFY AND MINIMIZE BARRIERS TO OPEN AND EQUITABLE PROCESSES BY ENSURING THE STATE RETIREMENT AGENCY PROVIDES ACCESS AND OPPORTUNITIES TO UNDERREPRESENTED GROUPS;

(2) ENGAGE WITH THE BOARD OF TRUSTEES, STAFF, AND EXTERNAL ENTITIES TO PROMOTE AND SUPPORT DIVERSITY OF PARTICIPATION AND LEADERSHIP;

(3) PROVIDE ASSISTANCE AS NECESSARY TO THE INVESTMENT DIVISION ESTABLISHED UNDER § 21-122 OF THIS SUBTITLE;

(4) PROVIDE ADVICE AND REPORTS TO THE BOARD OF TRUSTEES ON TOPICS INCLUDING DIVERSITY, EQUITY, AND INCLUSION; AND

(5) HAVE THE DUTIES AND FUNCTIONS THAT THE EXECUTIVE DIRECTOR OR THE BOARD OF TRUSTEES MAY DELEGATE.

~~(C) THE EXECUTIVE DIRECTOR MAY NOT TERMINATE THE DIRECTOR OF DIVERSITY, EQUITY, AND INCLUSION WITHOUT SHOWING GOOD CAUSE AND OBTAINING THE PRIOR WRITTEN CONSENT OF THE BOARD OF TRUSTEES ON THE RECOMMENDATION OF THE EXECUTIVE DIRECTOR AND ON RECEIVING AN AFFIRMATIVE VOTE FROM A MAJORITY OF THE BOARD OF TRUSTEES, THE EXECUTIVE DIRECTOR SHALL TERMINATE THE DIRECTOR OF DIVERSITY, EQUITY, AND INCLUSION.~~

21-122.

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

(H) (1) THERE IS A GOVERNANCE PROGRAM WITHIN THE INVESTMENT DIVISION OF THE STATE RETIREMENT AGENCY ESTABLISHED IN ACCORDANCE WITH THE POLICIES OF THE BOARD OF TRUSTEES.

(2) (I) SUBJECT TO SUBSECTION (A) OF THIS SECTION, THE CHIEF INVESTMENT OFFICER SHALL EMPLOY AN INDIVIDUAL TO ASSIST IN THE IMPLEMENTATION OF THE GOVERNANCE PROGRAM.

~~(II) THE CHIEF INVESTMENT OFFICER MAY NOT TERMINATE AN INDIVIDUAL EMPLOYED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH WITHOUT SHOWING GOOD CAUSE AND OBTAINING THE PRIOR WRITTEN CONSENT OF THE BOARD OF TRUSTEES~~ ON THE RECOMMENDATION OF THE CHIEF INVESTMENT OFFICER AND ON RECEIVING AN AFFIRMATIVE VOTE FROM A MAJORITY OF THE BOARD OF TRUSTEES, THE EXECUTIVE DIRECTOR SHALL TERMINATE AN INDIVIDUAL EMPLOYED IN ACCORDANCE WITH SUBPARAGRAPH (I) OF THIS PARAGRAPH.

(3) THE RESPONSIBILITIES OF THE INDIVIDUAL EMPLOYED UNDER PARAGRAPH ~~(2)~~ (2)(I) OF THIS SUBSECTION SHALL BE CONSISTENT WITH THE FIDUCIARY RESPONSIBILITIES AND SHALL INCLUDE:

(I) DEVELOPING APPROPRIATE STANDARDS, POLICIES, AND PROCESSES FOR THE IMPLEMENTATION AND MANAGEMENT OF THE GOVERNANCE PROGRAM;

(II) MONITORING, EVALUATING, AND QUANTIFYING THE RISKS AND EFFECTS OF MATERIAL ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS ON THE INVESTMENT OF THE ASSETS OF THE SEVERAL SYSTEMS;

(III) WORKING ACROSS ASSET CLASSES TO INTEGRATE CONSIDERATION OF MATERIAL ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS INTO INVESTMENT DUE DILIGENCE AND RECOMMENDATIONS;

(IV) PROVIDING RECOMMENDATIONS TO THE CHIEF INVESTMENT OFFICER BASED ON RESEARCH AND ANALYSIS OF MATERIAL ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS, INCLUDING DIVERSITY, EQUITY, AND INCLUSION;

(V) ASSISTING THE INVESTMENT DIVISION IN IDENTIFYING AND RECOMMENDING INVESTMENT OPPORTUNITIES TO THE CHIEF INVESTMENT OFFICER;

(VI) EVALUATING WHETHER INTERNAL AND EXTERNAL INVESTMENT MANAGERS REPRESENT A DIVERSE SET OF BACKGROUNDS;

(VII) WORKING WITH INVESTMENT MANAGERS, DATA PROVIDERS, INDEX PROVIDERS, OR CONSULTANTS TO IDENTIFY, ANALYZE, DEFINE, AND PRIORITIZE SPECIFIC METRICS TO ALIGN WITH AN INCLUSIVE ENVIRONMENT;

(VIII) SUPPORTING THE BOARD OF TRUSTEES WITH THE IMPLEMENTATION OF THE STATE'S MINORITY BUSINESS ENTERPRISE POLICIES BY THE INVESTMENT DIVISION, IN ACCORDANCE WITH TITLE 14, SUBTITLE 3 OF THE STATE FINANCE AND PROCUREMENT ARTICLE AND § 21-116(D) OF THIS SUBTITLE; AND

(IX) PROVIDING ADVICE AND REPORTS TO THE BOARD OF TRUSTEES ON GOVERNANCE TOPICS.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2024.

Approved by the Governor, May 9, 2024.