

Press Release

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MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

For Immediate Release

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State Retirement Board Reduces Actuarial Assumed Rate of Return

Rate to be reduced from current 7.55% to 7.45% by Fiscal 2020

Baltimore, MD (July 20, 2017) —The Board of Trustees of the Maryland State Retirement and Pension System (MSRPS) has voted to reduce incrementally the System’s actuarial assumed rate of return on its investments over the next two years from 7.55% to 7.45%. The Board approved the change at its Tuesday meeting and decided to reevaluate the rate in two years to determine if additional reductions will be necessary.

“The action taken by the Board is part of its overall strategy to increase the probability of achieving investment returns required to improve the health of the retirement System and meet its obligations to its members,” noted State Treasurer Nancy K. Kopp, Chair of the MSRPS Board of Trustees. “Recognizing that both the inflation experience and expectations for future inflation remain lower than the rate currently assumed, the Board felt it reasonable to reduce the expected return accordingly.”

To develop its expectations for inflation, the Board considered market pricing for inflation protected bonds, inflation projections provided by a range of investment consultants and the most recent forecasts of the Board of Trustees for the Social Security Administration insurance trust funds.

Before making this change, the Board revised its asset allocation policy to enhance the expected return of the System’s assets. Further, it considered the ongoing work of the System’s Investment Division to improve the net return by reducing fees and other expenses of the System and anticipated program changes to improve cost effectiveness through governance changes.

The Board last reduced the System’s assumed rate of return in 2013, when it decided to decrease it to 7.55% from 7.75% over a period of four years. The previous rate had been in effect since 2003.

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