



Annual Comprehensive Financial Report

Maryland State Retirement and Pension System
A Component Unit of the State of Maryland
For the Years Ended June 30, 2024 and 2023

2024

MISSION STATEMENT

The Board of Trustees of the Maryland State Retirement and Pension System (System) is charged with the fiduciary responsibility for administering the survivor, disability and retirement benefits of the System's participants and to ensure that sufficient assets are available to fund the benefits when due. To accomplish this mission the System has established the following key goals:

- To prudently invest System assets in a well diversified manner to optimize long-term returns, while controlling risk through excellence in execution of the investment objectives and strategies of the System.
- To effectively communicate with all retirement plan participants to inform them about the benefits provided by the System, and to educate them about planning and preparing for all aspects of their future retirement.
- To accurately and timely pay retirement allowances provided by State pension law to the System's retirees and their beneficiaries.
- To implement an automated, comprehensive and integrated pension administration and electronic document management system.
- To efficiently collect the required employer and member contributions necessary to fund the System.

Annual Comprehensive Financial Report Maryland State Retirement and Pension System



A Component Unit of the State of Maryland

For the Fiscal Years Ended June 30, 2024 and 2023

*Prepared by:
Maryland State Retirement Agency
120 East Baltimore Street
Baltimore, Maryland 21202*

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STATE RETIREMENT AGENCY
120 East Baltimore Street
Baltimore, MD 21202-6700

MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

410-625-5555 • 1-800-492-5909
TTY Users: call via Maryland Relay
sra.maryland.gov

December 23, 2024

Dear Members, Retirees and Beneficiaries:

On behalf of the Board of Trustees, we are pleased to present the Annual Comprehensive Financial Report of the Maryland State Retirement and Pension System for the fiscal year that ended June 30, 2024. This report provides information on the financial status of the System during a period when it issued approximately \$410 million in average monthly payments to more than 175,000 retirees and beneficiaries.

The System generated a return of 6.93%, net of fees, for the fiscal year ending June 30, 2024, beating its policy benchmark of 6.34% as well as the actuarial assumed rate of 6.80%. The fund's performance raised the System's assets to \$68.2 billion, an increase of \$3 billion over the prior fiscal year.

The fiscal year 2024 returns were driven by the strong performance of public equities, particularly U.S. stocks as the domestic economy and consumer remain resilient against a backdrop of higher interest rates and elevated inflation. While stocks performed well in the fiscal year, bonds and real estate continued to struggle. Because asset classes perform differently under various economic environments, the Board has adopted a diversified mix of investments that is designed to achieve the actuarial assumed rate of return over time with an acceptable level of risk.

While the focus will typically be on investment returns, the Board recognizes that the management of risk is equally important in the investment of plan assets. History has shown that returns will vary from year to year, at times by wide margins. The Board has adopted investment policies designed to minimize the downside impact of such volatility on the value of System assets, while still capturing significant value when markets are strong.

Your Retirement System remains administratively and financially sound. As a participant in the System, you can remain confident that your pension benefits are secure. As always, your commitment to and involvement in the concerns of the System are greatly appreciated. We value your input—this is your System. If you have any questions, please do not hesitate to contact us.

Sincerely,

DERECK E. DAVIS
Chair

BROOKE LIERMAN
Vice-Chair

BOARD OF TRUSTEES

Dereck E. Davis, *Chair*
Jamaal R. A. Craddock
James P. Daly, Jr.
Ayana K. English-Brown

Helene Grady
Sheila Hill
Charles Hopkins

Richard E Norman
Mia N. Pittman
Douglas Prouty

Brooke Lierman, *Vice-Chair*
Michelle RhodesBrown
Tarrus Richardson
Robert F. Sandlass, Jr.

Martin Noven, *Secretary to the Board*



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LETTER OF TRANSMITTAL

December 15, 2024

We are pleased to submit the Annual Comprehensive Financial Report for the Maryland State Retirement and Pension System for the fiscal year ended June 30, 2024. We believe this report fairly presents the operating results achieved during this 12-month reporting period.

The System is responsible for properly administering retirement, disability, and death benefits. At the same time, it strives to keep employer contribution rates as reasonable as possible by maximizing investment returns while maintaining an acceptable level of risk. Members covered by the plans include state employees, teachers, law enforcement officers, legislators, judges, as well as local government employees and correctional personnel whose employers have elected to participate in the System.

The System currently provides monthly allowances to more than 175,000 retirees and beneficiaries and is an essential element of the future financial security for more than 205,000 active participating members. Descriptions of the membership requirements and benefits provided by each plan administered by the System are included in the Plan Summary Section starting on page 157.

This Annual Comprehensive Financial Report contains six sections. The Introductory Section provides information about the administrative structure of the System. The Financial Section provides a comprehensive review of the System's financial position, the results of its operations and its funded status. It also contains the report from the System's independent auditor, the combined financial statements, and supplementary financial data. The Investment Section includes a report highlighting the System's investment performance in addition to various summary level portfolio compositions and other investment data. The Actuarial Section contains the independent actuary's report on the results of the System's annual actuarial valuation. The Statistical and Plan Summary Sections provide demographic composition of the System's membership segments affected by each plan and detailed descriptions of the various plans' provisions. In addition to this Letter of Transmittal, additional narrative, overview, and analysis can be found in Management's Discussion and Analysis beginning on page 19.

INVESTMENTS

The System's investment portfolio generated a return of 6.93% net of fees, for the fiscal year ending June 30, 2024, beating its policy benchmark of 6.34%. After the payment of benefits, the market value of assets increased by more than \$3.0 billion from \$64.9 billion on June 30, 2023, to \$67.9 billion on June 30, 2024.

The System's long-term target strategic asset allocation is comprised of 34 percent public equities, 20 percent rate sensitive assets, 16 percent private equities, 9 percent credit/debt strategies, 15 percent real assets, and 6 percent absolute return. The System's portfolio is balanced across several asset and sub-asset classes and is globally diversified. This, coupled with a long-term investment horizon, provides the System with greater protection during short-term market volatility.

FINANCIAL REPORT CONTENT AND STRUCTURE

System management has committed the resources necessary to maintain an internal control structure that provides reasonable assurance that assets are adequately safeguarded, financial records are consistently and accurately maintained, and transactions are properly executed to permit preparation of financial statements in accordance with generally

accepted accounting principles. The System's internal control structure includes written policies and procedures and an internal audit division that reports to the Board.

ACCOUNTING SYSTEM AND REPORTS

The System reports its transactions on the accrual basis of accounting. Under this method, revenues are reported in the accounting period they are earned and become measurable, and expenses are reported when the related liability is incurred and measurable. Investments are reported at fair value at fiscal year-end. Investment purchases and sales are reported in the accounting period in which the related trade dates occur.

REVENUES

The reserves necessary to finance retirement allowances and other benefits are accumulated through investment earnings and the collection of employer and member contributions. During fiscal year 2024, investment earnings were \$5.1 billion, while revenues from employer and member contributions were \$2.6 billion and \$1.1 billion, respectively. For fiscal year 2024, member contribution rates on average were seven percent, while employer rates varied depending on the System.

EXPENSES

The System's expenses consist of monthly retirement allowances, refunds of contributions to terminated and transferring members, withdrawing employers, and the administrative cost of System operations. Payments to retirees, beneficiaries and transferring or withdrawing members and employers continued to be the System's primary disbursements during FY 2024, totaling \$5.0 billion. In addition, the System disbursed \$774 million to manage the investment portfolio and to administer the System, of which \$723 million was paid for investment management, portfolio custody, and securities lending services and \$51 million was used to fund the System's administrative operations.

FUNDING

Funds are derived from the excess of additions, which include contributions and investment earnings, over deductions, which are comprised of benefits and administrative expenses. Funds are accumulated to meet future benefit obligations to retirees and beneficiaries. This accumulated balance is referred to as the "fiduciary net position restricted for pensions" in the Statements of Fiduciary Net Position in the Financial Section of this report. The actuarial accrued liability is not disclosed in the basic financial statement but is disclosed in the Schedule of Funding Progress in Other Supplementary Information section to the financial statements along with the actuarial value of assets, which is based on a five-year smoothed expected rate of return, wherein the excess or shortfall of investment income over or under the actuarial assumed income of 6.80 percent is recognized over a five-year period. This is the value of assets used by the actuary in determining contribution rates for the Systems as disclosed in note five to the basic financial statements.

The actuarial accrued liability of the Systems is also determined by the actuary. It is a measure of the present value of actuarial accrued liabilities estimated to be payable in the future to current retirees, beneficiaries and employees for service earned to date. The percentage computed by dividing the actuarial value of net assets available for benefits by the actuarial accrued liability is generally referred to as the "funded ratio." This ratio provides an indication of the funded status of the System on a going-concern basis and generally, the greater this percentage, the stronger the System. The System's funded ratio decreased from 75.3 percent on June 30, 2023, to 73.4 percent on June 30, 2024 (74.2 percent before assumption changes).

On June 30, 2024, the System's actuarial accrued assets and liability were \$70.3 billion and \$95.8 billion, respectively. The unfunded actuarial accrued liability totaled \$25.5 billion, resulting in the aforementioned funded ratio of 73.4 percent. The unfunded actuarial accrued liability is being amortized over various closed periods, with a weighted-average amortization period of approximately 15 years as of June 30, 2024.

PROFESSIONAL SERVICES

The System contracts for the services of various independent consulting, investment advisory and financial professionals to assist the Board of Trustees in carrying out its fiduciary responsibility to manage the System efficiently and effectively. Actuarial services were provided by Gabriel Roeder Smith & Company and independent financial statement audit services were provided by CliftonLarsenAllen LLP. The System's asset custody and portfolio accounting services were provided by the State Street Bank & Trust Company under a multi-year, master custody arrangement. Meketa Investment Group, Inc. served as the System's general investment consultant. Specialty consulting services were provided by Hamilton Lane for private equity and Townsend Holdings, LLC for real estate. Aksia, LLC advises staff on the retirement System's Absolute Return portfolio. A complete listing of the System's professional consultants and external investment advisors is presented on page 11.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Maryland State Retirement and Pension System for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This was the thirty fifth consecutive year (1989 through 2023) that it has received this prestigious award. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for the next annual certificate issuance.

The Public Pension Coordinating Council (PPCC) named the Maryland State Retirement and Pension System as winner of both Public Pension Standards Awards for Funding and Administration. The standards serve as a benchmark to measure the management, administration and funding of public defined benefit plans.

The Public Pension Coordinating Council is a coalition of three national associations that represent public retirement systems and administrators: the National Association of State Retirement Administrators (NASRA), the National Council on Teacher Retirement (NCTR) and the National Conference on Public Employee Retirement Systems (NCPERS). Together, these associations represent more than 500 of the largest pension plans in the United States, serving most of the nation's 18+ million state and local government employees. The Public Pension Standards are intended to reflect expectations for public retirement Systems management and administration and serve as a benchmark by which all defined benefit public plans should be measured. The Maryland State Retirement and Pension System is proud to be a recipient of this award.

ACKNOWLEDGMENTS

This annual report reflects the dedicated efforts of the System's staff under the steady direction of the Board of Trustees. We extend our sincere gratitude to each member of the Board, the System's staff, the Board's advisors, and the many people who worked with diligence and dedication throughout fiscal year 2023. Special thanks go to the members of the Maryland State Retirement Agency's senior executive team and the agency's staff of professional and paraprofessionals who helped to gather and prepare the information for this report.



Martin Noven
Executive Director
Secretary to the Board

BOARD OF TRUSTEES AS OF NOVEMBER 2024



Dereck E. Davis, *Chair*
State Treasurer
Ex Officio since December 17, 2021
Member, Administrative Committee
Member, Investment Committee



Brooke Lierman, *Vice Chair*
State Comptroller
Ex Officio since January 16, 2023
Chair, Investment Committee
Member, Corporate Governance and Securities Litigation Committee



Jamaal R. A. Craddock
August 1, 2021 - July 31, 2025
Member, Administrative Committee
Member, Audit Committee



James P. Daly, Jr.
July 1, 2021 – June 30, 2025
Vice Chair, Investment Committee
Member, Corporate Governance and
Securities Litigation Committee



Ayana K. English-Brown
August 1, 2023 – July 31, 2027
Member, Administrative Committee



Helene Grady
Ex Officio since January 18, 2023
Member, Administrative Committee
Member, Corporate Governance and
Securities Litigation Committee
Member, Investment Committee



Sheila Hill
August 1, 2023 – July 31, 2027
Vice Chair, Corporate Governance and
and
Securities Litigation Committee
Member, Investment Committee



Charles Hopkins
August 1, 2024 – July 31, 2028
Member, Corporate Governance and
Securities Litigation Committee

BOARD OF TRUSTEES



Richard E. Norman
August 1, 2022 – July 31, 2026
Chair, Administrative Committee
Member, Audit Committee
Member, Investment Committee



Mia Pittman
August 1, 2023 – July 31, 2027
Chair, Audit Committee



Douglas Prouty
August 1, 2021 – July 31, 2025
Chair, Corporate Governance and
Securities Litigation Committee
Member, Investment Committee



Michelle RhodesBrown
August 1, 2023 – July 31, 2027
Member, Corporate Governance and
Securities Litigation Committee
Member, Investment Committee



Tarrus Richardson
July 1, 2023 – June 30, 2027
Member, Investment Committee



Robert F. Sandlass, Jr.
July 1, 2021 - June 30, 2025
Vice-Chair, Audit Committee
Vice-Chair, Administrative Committee
Member, Corporate Governance and
Securities Litigation Committee

ADVISORS TO THE INVESTMENT COMMITTEE



Michael K. Barry
July 1, 2022 – June 30, 2025



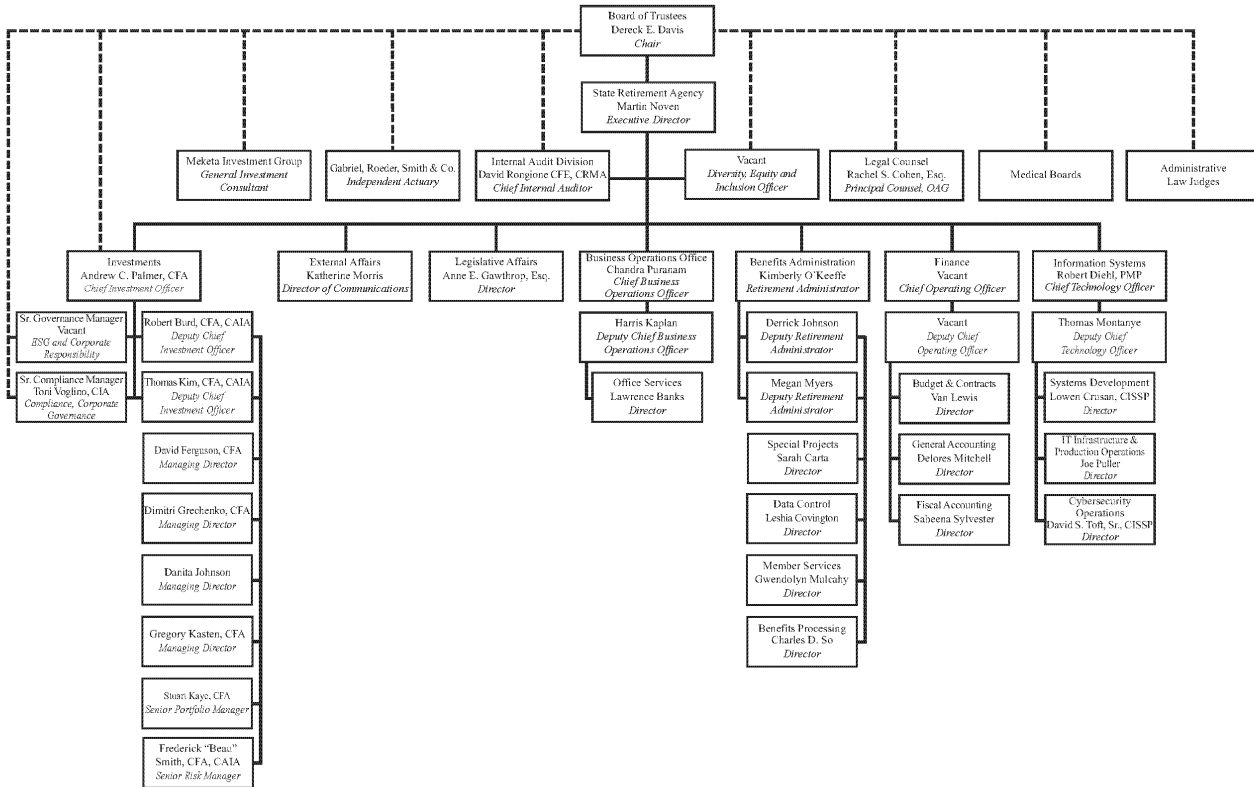
Sharcus Steen
July 1, 2023 – June 30, 2026



Monte Tarbox
July 1, 2018 – June 30, 2024

ORGANIZATIONAL CHART

(November 2024)



* Additional information regarding investment professionals who provide services to the System can be found on pages 11, and 103-108. The Schedule of Equity Commissions to Brokers can be found on page 109.

PROFESSIONAL SERVICES

Global Custodial Bank and Security Lending

State Street Bank & Trust Company
Boston, Massachusetts

Deutsche Bank
New York, New York

Hearing Officers

Office of Administrative Hearings
Baltimore, Maryland

Independent Actuary

Gabriel Roeder Smith & Co.
Southfield, Michigan

Independent Public Accountant

CliftonLarsonAllen, LLP
Timonium, Maryland

Independent Investment Consultants

Hamilton Lane Advisors, LLC
Conshohocken, Pennsylvania

Meketa Investment Group, Inc.
Westwood, Massachusetts

Townsend Holdings, LLC
Cleveland, Ohio

Aksia, LLC
New York, New York

Operational Banking Services

M & T Bank
Baltimore, Maryland

The Harbor Bank of Maryland
Baltimore, Maryland



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Maryland State Retirement and Pension System

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morill

Executive Director/CEO



Public Pension Coordinating Council

**Public Pension Standards Award
For Funding and Administration
2024**

Presented to

Maryland State Retirement and Pension System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is fluid and cursive.

Alan H. Winkle
Program Administrator



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