

Department of Legislative Services  
Maryland General Assembly  
2017 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 202

(Delegate B. Barnes)(Chair, Joint Committee on  
Pensions)

Appropriations

Budget and Taxation

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State Retirement and Pension System - Authority to Arrange Custody of  
Investments and Procurement Exemption

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This bill authorizes the Board of Trustees of the State Retirement and Pension System (SRPS), rather than the State Treasurer, to make arrangements for the safe custody of investments with one or more duly qualified custodian banks or trust companies. It also exempts the procurement of custodial banking services for SRPS from State procurement law.

The bill takes effect July 1, 2017, and applies only prospectively to any contract or amendments to any contract resulting from a request for proposal for global custody services issued by the State Treasurer on or after that date.

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Fiscal Summary

**State Effect:** None. The procurement exemption for custodial banking services is consistent with other exemptions granted to the SRPS board for the procurement of investment and asset management services. The board's fiduciary duties ensure that it will seek the most advantageous contract for those services, so the exemption is not expected to affect the cost. Moreover, the next anticipated procurement is expected in seven years, which is beyond the timeframe covered by this fiscal and policy note. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Current Law:** The State Treasurer, as the custodian of SRPS assets, is authorized to make arrangements for the safe custody of investments and banking services. The procurement of those services is subject to State procurement laws and regulations.

The University System of Maryland, Morgan State University, St. Mary's College of Maryland, and public-private partnerships authorized by State law are exempt from most provisions of State procurement law. State law also exempts other agencies, in whole or in part, from State procurement law, including SRPS with respect to the procurement of (1) investment and asset managers; (2) services related to the administration of the Optional Retirement Program; and (3) services related to the administration of the Postretirement Health Benefits Trust Fund.

**Background:** SRPS uses State Street Global Services as its custodian bank under a procurement by the State Treasurer's Office. In advance of the scheduled expiration of its current contract with State Street in January 2017, the Treasurer's Office initiated a procurement for those services; the last such procurement occurred seven years earlier. In the intervening years, SRPS' investment program has grown substantially larger and more complex. As the SRPS board is more familiar with its custodial banking needs in light of the changing nature of its program, it requested that the Joint Committee on Pensions (JCP), with the approval of the State Treasurer's Office, sponsor legislation giving SRPS the authority to manage future procurements of custodial banking services. The State Treasurer approved the change, and JCP agreed to sponsor the legislation.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** SB 255 (Senator Guzzone)(Chair, Joint Committee on Pensions) - Budget and Taxation.

**Information Source(s):** State Retirement Agency; Department of Legislative Services

**Fiscal Note History:** First Reader - January 31, 2017  
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Analysis by: Michael C. Rubenstein

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510