

**Testimony of Delegate Jazz Lewis
Regarding Diverse Asset Management (HB0542)
Before the Appropriations Committee
On February 17th, 2022 at 3:00 p.m.**

To Chair McIntosh, Vice Chair Chang, and members of the Appropriations Committee:

I am in support of HB0542. This bill, as it currently stands, would require the Investment Committee of the State Retirement Agency to use minority business enterprises to provide at least 20% of the brokerage and investment management services to the Board of Trustees for the State Retirement and Pension System and to manage at least 20% of the assets of the several systems; and requiring the Investment Committee to assess the use of minority business enterprises beginning July 1, 2022, and each fiscal year thereafter.

Why is Diversity Among Asset Managers important?

This bill allows for businesses run by minorities, people of color, and women to have equitable opportunities to participate in this industry. The motivation of this bill is to encourage diverse-owned businesses and ultimately help the SRA set and meet a realistic goal to expand opportunities to minority and women-owned businesses. In order to determine where the most amount of assistance should go, a disparity study must be conducted to determine whether or not businesses run by minority groups are disproportionately affected compared to non-minoritized groups.

Studies have often found that funds managed by diverse asset managers often result in greater performance results for clients compares to the main market.¹ Diversity has also been proven to be vital in investment decisions and in asset management positions it can mean “higher returns, differentiated deal flow and lower capital costs.”² In order to increase minority and women involvement in asset management we must continue to encourage minorities to better access those asset management opportunities. There are four segments of the asset management industry; mutual aid, hedge funds, private equity funds, and real estate funds but a report by the **John S. and James L. Knight Foundation** found that “women and minority-owned firms only made up 3-9% of which only 1-5% is controlled under asset management.”³

The bill will require:

- A. Investment Committees to use minority-owned businesses to provide at least 20% of the brokerage;
- B. Board of Trustees and Pension System to manage at least 20% of the assets;
- C. the Investment Committee to assess the use of minority businesses every year starting July 1, 2022.

I know that this bill will require certain amendments and we have been working with the State Retirement Agency, Department of Legislative Services, and the Attorney General's office to get this done right. But I remain committed to promoting businesses from underrepresented communities to take part in this industry.

I want to thank the State Retirement Agency for their continued work in addressing this issue, and for their efforts so far in promoting diversity. I look forward to working with them on further developing diversity in this field and completing the work that remains outstanding.

Please allow Maryland to be the next state to help support local minority and women-owned businesses.

For these reasons, I urge a favorable vote on HB0542.

¹ <https://www.diverseassetmanagers.org/>

² <https://theonebrief.com/beyond-good-intentions-why-diversity-is-vital-in-investment-decisions/>

³ <https://missioninvestors.org/resources/diversity-asset-management-research-and-practice>