



MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

Annual Comprehensive Financial Report

Maryland State Retirement and Pension System
A Pension Trust Fund of the State of Maryland
For the Years Ended June 30, 2023 and 2022

2023

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 members contributions necessary to fund the System.

Annual Comprehensive Financial Report Maryland State Retirement and Pension System



A Pension Trust Fund of the State of Maryland

For the Fiscal Years Ended June 30, 2023 and 2022

Prepared by:

Maryland State Retirement Agency
120 East Baltimore Street
Baltimore, Maryland 21202

INTRODUCTORY SECTION:

Message from the Board 4
 Letter of Transmittal 5
 Board of Trustees 8
 Public Advisors to the Investment Committee 9
 Organizational Chart 10
 Professional Services 11
 Certificate of Achievement 12
 Recognition Award for Funding and Administration 13

FINANCIAL SECTION:

Report of Independent Public Accountants 16
 Management’s Discussion and Analysis 18
 Financial Statements:
 Statements of Fiduciary Net Position 24
 Statements of Changes in Fiduciary Net Position 25
 Notes to the Financial Statements 26
 Required Supplementary Information:
 Schedule of Changes in Employers’ Net Pension Liability 50
 Schedule of Employers’ Net Pension Liability and Related Ratios.....70
 Schedule of Employers’ Contributions and Related Ratios..... 73
 Schedule of Investment Returns76
 Notes to Required Supplementary Information77
 Other Supplementary Information:
 Schedule of Funding Progress.....78
 Schedule of Administrative Expenses79
 Schedule of Investment Expenses79
 Schedule of Fund Balances81
 Schedule of Fiduciary Net Position by System 82
 Schedule of Changes in Fiduciary Net Position by System84

INVESTMENT SECTION:

Chief Investment Officer’s Report 87
 Investment Portfolio Summary 96
 Investment Portfolios by Manager 97
 Investment Relationship Listings 98
 Terra Maria Program 100
 Equity Relationship Listing.....100
 Internally Managed Accounts.....100
 Equity Commissions to Brokers 101
 Largest Stock & Bond Holdings at Market 102
 Investment Portfolio Allocation 103
 Comparative Investment Returns:
 Public Equity 104
 Private Equity 104
 Absolute Return 105
 Real Asset 105

Rate Sensitive.....	106
Credit/Debt.....	106
Total Plan	107
Ten-Year History of Time-Weighted Annual Returns	107
Ten-Year Growth of Investment Portfolio	107

ACTUARIAL SECTION:

Independent Actuary’s Certification Letter	110
Summary of Valuation Results	114
Summary of Unfunded Actuarial Liabilities/Solvency Test	120
Summary of Retirees and Beneficiaries Added to and Removed from Rolls	120
Accounting Statement Information	122
Summaries of Principal Plan Results	124
Schedule of Active Membership Valuation Data by Plan	130

STATISTICAL SECTION:

Statistical Section Overview	134
Ten-Year History of Changes in Net Positions	135
Schedule of Benefit Expense by Type	135
Schedule of Refund Expense by Type	135
Ten-Year History of Average Benefit Payments	136
Ten-Year History of Funding Progress	137
Ten-Year History of Employer Contribution Rates by Plan	137
Schedule of Retired Members by Type of Retirement and Option Selected	138
Ten-Year History of Active Membership by Plan	140
Total System Active Membership	140
Active Membership in Teachers’ Plans	140
Active Membership in Employees’ Plans	140
Ten-Year History of Retirees and Beneficiaries by Plan	141
Total System Retirees and Beneficiaries	141
Ten-Year History of Revenues by Source and Expenses by Type	142
Ten-Year History of Revenues vs. Expenses	143
Principal Participating Employers	143
Governmental Units Participating in the Systems	144
Withdrawn Governmental Units	144

PLAN SUMMARY SECTION:

Teachers’ Retirement System	145
Teachers’ Pension System	149
Employees’ Retirement System	153
Correctional Officers’ Retirement System	157
Legislative Pension Plan.....	160
Employees’ Pension System	162
State Police Retirement System	167
Judges’ Retirement System	171
Law Enforcement Officers’ Pension System	173



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 15, 2023

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, 2023. This report provides information on the financial status of the System during a period when it issued approximately \$396 million in average monthly payments to more than 174,000 retirees and beneficiaries.

The System generated a return of 3.14%, net of fees, for the fiscal year ending June 30, 2023, beating its policy benchmark of 2.20%. The fund's performance raised the System's assets to \$65.2 billion, an increase of nearly \$600 million over the prior fiscal year.

The fiscal year 2023 returns reflect a number of notable market factors: rising interest rates reflecting persistent inflation and a resilient real economy, higher U.S. stock prices despite higher interest rates and pressures on the banking system, weak emerging market stock relative performance reflecting a slower than expected post-pandemic recovery in China and the time delay for private market investments to reflect public market valuation changes.

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
Chairman

BROOKE LIERMAN
Vice Chair

BOARD OF TRUSTEES

Dereck E. Davis, *Chair*
Linda Vaughn Allen
Jamaal R. A. Craddock
James P. Daly, Jr.

Ayana K. English-Brown
Helene Grady
Sheila Hill

Michael J. Howard
Richard E Norman
Mia N. Pittman

Brooke Lierman, *Vice-Chair*
Douglas Prouty
Michelle RhodesBrown
Robert F. Sandlass, Jr.

Martin Noven, *Secretary to the Board*



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

LETTER OF TRANSMITTAL

December 15, 2023

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, 2023. 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 174,000 retirees and beneficiaries and is an essential element of the future financial security for more than 198,000 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 146.

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 18.

INVESTMENTS

The System's investment portfolio generated a return of 3.14% net of fees, for the fiscal year ending June 30, 2023, beating its policy benchmark of 2.20%. After the payment of benefits, the market value of assets increased by more than \$580 million from \$64.3 billion on June 30, 2022, to \$64.9 billion on June 30, 2023.

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 2023, investment earnings were \$2.4 billion, while revenues from employer and member contributions were \$2.4 billion and \$964 million, respectively. For fiscal year 2023, 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 2023, totaling \$4.7 billion. In addition, the System disbursed \$680 million to manage the investment portfolio and to administer the System, of which \$634 million was paid for investment management, portfolio custody, and securities lending services and \$46 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 77.2 percent on June 30, 2022, to 75.3 percent on June 30, 2023.

On June 30, 2023, the System's actuarial accrued assets and liability were \$68.0 billion and \$90.3 billion, respectively. The unfunded actuarial accrued liability totaled \$22.3 billion, resulting in a funded status ratio of 75.3 percent. The unfunded actuarial accrued liability is being amortized over a closed 25-year period.

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, 2022. This was the thirty fourth consecutive year (1989 through 2022) 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 another certificate.

Additionally, the Maryland State Retirement and Pension System received the Public Pension Coordinating Council's (PPCC) 2023 Recognition Award for meeting professional standards for plan funding and administration, as set forth in the Public Pension Standards.

The PPCC is a coalition of associations that represent public pension funds that cover most public employees in the U.S., including 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).

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*



Melody Countess, CPA, CGMA
Chief Operating Officer

BOARD OF TRUSTEES AS OF NOVEMBER 2023



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
Member, Corporate Governance and Securities Litigation Committee
Member, Investment Committee



LINDA VAUGHN ALLEN
July 1, 2021 – June 30, 2026
Vice Chair, Administrative Committee
Member, Audit Committee



JAMAAL R. A. CRADDOCK
June 19, 2018 - July 31, 2025
Member, Administrative Committee
Member, Audit Committee



JAMES P. DALY, JR.
September 11, 2020 – 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, 2015 – July 31, 2023
Vice Chair, Corporate Governance and
Securities Litigation Committee
Member, Investment Committee

BOARD OF TRUSTEES



MICHAEL J. HOWARD
June 10, 2022 - Present
Chair, Investment Committee
Vice Chair, Audit Committee
Member, Corporate Governance and
Securities Litigation Committee



RICHARD E. NORMAN
August 1, 2014 – July 31, 2026
Member, Audit Committee
Chair, Administrative Committee
Member, Investment Committee



MIA PITTMAN
August 1, 2023 – July 31, 2027
Chair, Audit Committee



DOUGLAS PROUTY
August 1, 2017 – 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



ROBERT F. SANDLASS, JR.
June 10, 2022 - June 30, 2025
Member, Administrative Committee
Member, Audit Committee
Member, Corporate Governance and
Securities Litigation Committee

ADVISORS TO THE INVESTMENT COMMITTEE



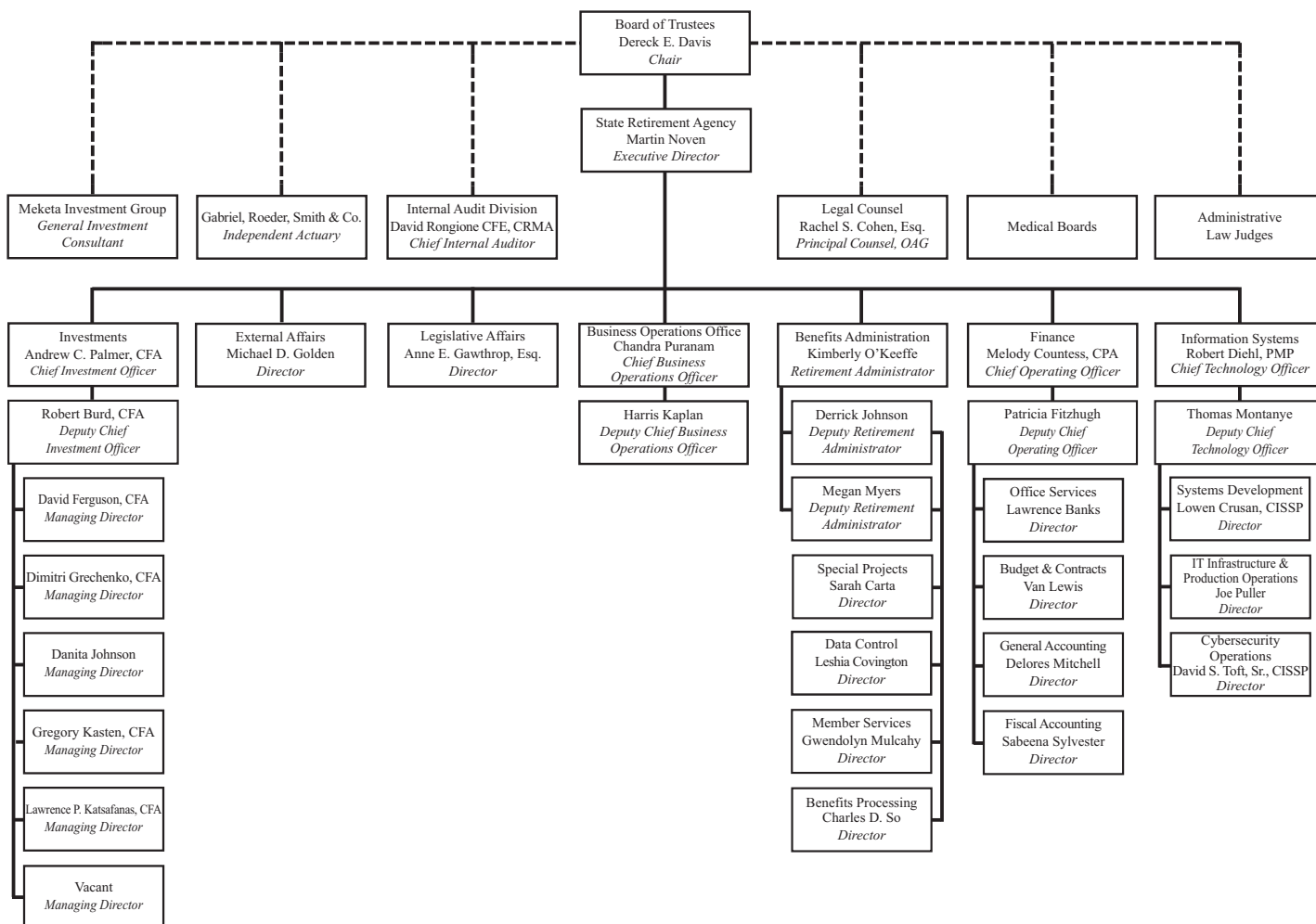
MICHAEL K. BARRY
JULY 1, 2016 – JUNE 30, 2025



SHARCUS STEEN
JULY 1, 2023 – JUNE 30, 2026



MONTE TARBOX
JULY 1, 2018 – JUNE 30, 2024



*Additional information regarding investment professionals who provide services to the System can be found on pages 11, and 95-101.

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, LLC
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, 2022

Christopher P. Morill

Executive Director/CEO



***Public Pension Standards Award
For Funding and Administration
2023***

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 cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator



This page intentionally left blank