



Retirement News Highlights

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Maryland's \$68B pension fund reports best performance in 35 years

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Maryland's pension fund grew more than \$13 billion to nearly \$67.9 billion during the most recent fiscal year for its best performance since 1985.

The Maryland State Retirement and Pension System announced Tuesday that the fund returned a record-setting 26.7%, net of fees, for the fiscal year ending June 30. The results far exceeded the system's annual goal of a 7.40% return and its policy benchmark of 24.41%.

In the prior fiscal year, the fund returned 3.57%, net of fees. The pension fund supports nearly 168,000 retired state government employees, teachers, police officers, legislators, judges and local government employees and firefighters. The fund's returns over the last 10 years have averaged 8.2%, exceeding the plan's expected rate of return.

"It was an extraordinary year for the performance of system assets, the best in 35 years," Chief Investment Officer Andrew C. Palmer said of the latest results in a statement

Pension funds across the U.S. were bolstered by the strength of the stock market over the last 12 months after the financial markets roared back from their low points at the beginning of the Covid-19 pandemic in March and April last year. Public pension systems had a median return of nearly 27% during the 12-month period ending June 30, according to Wilshire Trust Universe Comparison Service.

After ending 2020 with record highs, stocks continued to surge in the first half of 2021. The S&P 500 index generated a 15.25% return for its second-best first-half performance since 1998. The Dow Jones industrial average and Nasdaq composite each gained more than 12% in the first half.

About 36% of the Maryland pension fund's assets are allocated to publicly traded company stocks. Those investments overall had a 44.5% return, up more than four percentage points compared to the fund's benchmark.

Private equity investments, which make up 17% of the fund, were also a leading contributor. They had a 51.9% return, though were 1.3 percentage points lower than the benchmark.

"The attractive investment opportunities provided by the pandemic and subsequent monetary and fiscal policy responses are apparent in the rearview mirror but were not always clear in real time," Palmer said. "Fortunately, working with the board [of trustees] and the investment staff, the system was able to fully participate in the very strong returns available in most markets."

Officials for the pension system have responded to criticism of the fund's performance in recent years by arguing the fund is set up to better withstand downturns than other pension funds and experiences less volatility. That structure caused the fund to sometimes lag behind peers when the stock market performs well.

Pension funds in neighboring jurisdictions like Virginia, Pennsylvania and Washington, D.C., have not yet reported their fiscal year-end results yet.

State Treasurer Nancy Kopp, who chairs the Maryland State Retirement and Pension System board, said in a statement the fund's results during the past two fiscal years "have demonstrated the overall effectiveness of the board's investment strategy."

"It's important to remember that we are long-term investors who need to balance the liquidity requirements to meet current benefit payments with the objective of generating returns for future benefit payments over an investment horizon that stretches across decades," Kopp said.

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Maryland's pension investments had record fiscal 2021 returns

Jeff Clabaugh

WTOP

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The Maryland State Retirement and Pension System, responsible for investing money and administering the retirement and pension allowances for 168,000 state employees and beneficiaries, has not missed out on Wall Street's historic stock market rallies in the past year, logging record returns on its investments for fiscal 2021.

Its portfolio returned 26.7%, net of fees, on its investments. Fiscal 2021 ended June 30. That is well above the pension fund's assumed annual return rate of 7.4%.

The S&P 500 Index had a 12-month return during the state's same fiscal 2021 period of 43%. The 26.7% return for Maryland's pension fund came even as its maintained its moderate risk posture for its investments.

The fund's performance over 10-year, five-year and three-year periods are all above the 7.4% return assumption at 8.2%, 10.7% and 11.8%, respectively.

About 36% of Maryland's pension investments are in public equity, or publicly traded stocks, the largest portion of its portfolio, and those positions had an annual fiscal 2021 return of 44.5%.

With the fiscal 2021 return, Maryland's pension fund rose by \$13.3 billion and ended the fiscal year with assets totaling \$67.9 billion.

"It was an extraordinary year for the performance of System assets, the best in 35 years," Chief Investment Officer Andrew Palmer said in a statement.

"The attractive investment opportunities provided by the pandemic and subsequent monetary and fiscal policy responses are apparent in the rearview mirror but were not always clear in real time. Fortunately ... the system was able to fully participate in the very strong returns available in most markets."

In addition to 168,000 current state employee retirees, the Maryland State Retirement and Pension System administers retirement and pension investments for more than 245,000 current and former state employees who have not yet reached retirement age.

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