



**Maryland Small Business Retirement Savings  
Program  
Investment Policy Statement**

**September 2022**

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## I. OVERVIEW AND PURPOSE

The Maryland Small Business Retirement Savings Program (the “Program”) is a state-sponsored retirement savings program that provides Maryland workers with access to a payroll-deducted Individual Retirement Account (“IRA”).

As fiduciaries, it is the intention of Maryland Small Business Retirement Savings Board (the “Board”), that the assets of the Program shall be maintained in compliance with all applicable laws governing the operation of the Program. Practices in this regard include, but are not limited to the following:

- The investment options offered to participants will be selected with care, skill, and diligence that would be applied by a prudent professional investor acting in a like capacity and knowledgeable in the investment of retirement funds.
- Participants will be provided the opportunity to obtain sufficient information to make informed decisions with regard to investment alternatives available under the Program.

This Investment Policy Statement (“Policy”) defines the Program’s investment objectives and establishes policies and procedures so that these policies and procedures can be implemented and followed in a prudent manner. This Policy is intended to:

- Provide a mechanism to establish and review the Program’s investment objectives;
- Identify those individuals/functions with responsibility for selecting and reviewing the Program’s investments;
- Determine a default investment option or options for participants that do not specify another option or options.
- Designate the investment options available to participants with a clear understanding of the role each investment option performs.
- Identify the criteria that may be considered when selecting investment options and evaluating the continued appropriateness of each investment; and
- Provide a single document outlining the investment and monitoring responsibilities of the Board.

## **II. ROLES AND RESPONSIBILITIES**

The following are the key responsibilities:

- The **Board** will
  - Establish and maintain an Investment Policy Statement
  - Select and monitor Program investment options; based upon the criteria and objectives set forth in this Policy
  - Select Program service providers
- With the approval of the Board, **Staff** will recommend professional service providers. Internal staff, with or without the aid of an investment consultant, will also monitor and evaluate investment managers and establish effective communication and review procedures among the external service providers and the Board.
- The **investment consultant** may advise the Board and/or Staff on the management of the Program's assets. This includes but is not limited to, recommending appropriate strategic policy and implementation structure, conducting manager due-diligence and assisting with manager searches and selection. The Investment Consultant will also aid the Board and/or Staff in reviewing the guidelines of the Investment Policy Statement and making recommendations regarding changes should they need to be made.
- **Participants** are responsible for determining their contribution rate and allocating their assets among the investment fund options offered in the Program. However, the Board will be responsible for choosing a default investment option or options for participants that do not specify an option or options.
- The **investment fund managers** have the responsibility for managing the underlying assets by making reasonable investment decisions consistent with the stated approach in the fund prospectus.
- The **program administrator** is responsible for the safekeeping of securities, settlement of trades, collection of income, and administrative reporting to the Program. The administrator is also responsible for providing information regarding the investment funds to Program participants.

### **III. INVESTMENT OBJECTIVES**

As required by the MarylandSaves authorizing legislation, the Program will offer a range of investment options that allow participants to build portfolios consistent with their needs and objectives.

Within the categories listed below, the types of investment options may include actively managed or passively managed funds, low to high risk options, and specialized styles of investment management. In this regard, the Program may be composed of at least one investment option/feature from, but not limited to, the following categories:

- Money Market/Stable Value Funds
- Pre-Mixed Asset Allocation Funds (e.g., target date)
- Diversified Bond Funds
- Diversified Stock Funds

### **IV. INVESTMENT GUIDELINES**

The Board acknowledges that fluctuating rates of return characterize the securities markets, particularly during short-term periods. Accordingly, the Board views the interim fluctuations with an appropriate perspective.

The Board reserves the right to close, add, or change investment options at any time at its discretion. On a periodic basis, but not less than annually, the Board will evaluate the Programs' investment options' performance on a net-of fee basis relative to (1) the return of an appropriate market index(es) and (2) the returns of a universe of comparable funds, where applicable, over a full market cycle or such other period determined by the Board.

#### **Benchmarking**

The Board will evaluate investment managers and investment options based upon its judgments about the appropriate market index and the relevant peer group for each investment manager/option. In the case of pre-mixed investment options, performance objectives can be based upon a custom benchmark composed of the weighted market indices.

### **V. CRITERIA FOR SELECTION AND EVALUATION OF INVESTMENT FUNDS**

#### **Pre-Selection**

The selection of investment options for the Program has been and will be performed in a manner consistent with generally accepted standards of fiduciary responsibility. The Program's investment options will be selected and monitored with the skill, care and diligence of a prudent person acting in such capacity. All determinations undertaken on behalf of the Program will be for the sole benefit of the participants in the Program.

Criteria will be established for each fund manager search undertaken by the Program, and will be tailored to the specific needs of such a search. At a basic level, each fund manager hired by the Program should exhibit *skill*. Skill is challenging to define within a quantitative framework, but from a qualitative standpoint includes, among other things, uniqueness in the strategy or the ability of the investment manager, its process or philosophy, and its ability to analyze and process information. The Board and the Consultant should identify the skill factor associated with the fund being considered for addition to the Program, and should have conviction that the specific skill attributes will provide the manager with the ability to outperform its benchmark over the long term.

Products selected shall have a reasonable fee level within their peer universe and should be compared to other investment options generally available to Program participants. Past performance should be analyzed relative to the risk undertaken and fees charged. Managers and their people should be reputable and firms with outstanding litigation should be subject to more thorough due-diligence if being considered.

In general, the due diligence process for an investment manager's selection shall include, but not be limited to:

- **Regulatory oversight:** Each investment manager should be a regulated bank, an insurance company, a mutual fund organization, or a registered investment advisor.
- **Minimum track record:** The product's inception date should be at least three years; a shorter track record may be used when the investment professionals of a new organization have a well established and recognized track record at a previous organization.
- **Assets under management:** The product should have a sufficient and appropriate asset base.
- **Performance relative to assumed risk:** Competitive returns of investment options are compared to appropriate benchmark data at an acceptable level of volatility
- **Holdings consistent with style:** History of reasonable adherence to investment objectives.
- **Stability of organization:** Established investment firm (experience and reputation of reliability).
- **Performance relative to benchmark and peer group:** The product's performance should be evaluated against the benchmark and peer group returns; past performance should not, however, be the primary basis for selecting investment managers.

### **Post-Selection Review of Investment Managers**

The Board and Staff, with or without the aid of an Investment Consultant, will monitor the performance of each manager on a regular basis, while retaining a long-term focus. The focus of the ongoing evaluation shall include:

- Material changes to investment philosophy and objectives;
- Assets under management (track substantial changes in total assets);
- Performance relative to benchmarks and peer groups;
- Consistency of holdings with style; and
- Stability of the organization and personnel turnover.

### **Fee Structure**

The impact of fees on the long-term performance of the funding options within the Program shall be an important consideration. In addition to reviewing the performance of the Programs investment managers/options, the Board and Staff, with or without the aid of an Investment Consultant, will periodically review all costs associated with the management of the investment program, including, but not limited to:

- Costs to administer the Program compared with comparable programs available to Program participants
- Expense ratios of each investment option against an appropriate peer group

### **Terminations**

The Board retains the discretion to terminate an investment manager for any reason. An Investment Consultant and/or Staff may make recommendations to the Board with respect to the removal/replacement of funds at any time. Grounds for investment manager termination may include, but are not limited to:

- Failure to comply with stated guidelines;
- Significant deviation from the manager's stated investment philosophy and/or process;
- Loss of key personnel;
- Evidence of illegal or unethical behavior by the investment management firm;
- Loss of confidence by the Board and/or Consultant in the investment manager; or
- Failure to achieve performance objectives specified in the manager's guidelines over reasonable measurement periods.

## **VI. REVIEW AND AMENDMENT OF THE POLICY**

The Board shall review this Policy periodically. It is not expected that the Policy will change frequently. In particular, short-term changes in the financial markets should not require adjustments.

## **VII. COORDINATION WITH APPLICABLE LEGISLATION**

If any terms or conditions of this Policy conflicts with any terms or conditions in the Maryland\$aves legislation, the terms and conditions of the applicable legislation shall control.

**APPENDIX A: SELECTION OF INVESTMENT OPTIONS**

**Current Investment Options Available to Program Participants**

<b>Option Name</b>	<b>Benchmark</b>	<b>Peer Group</b>
BlackRock LifePath Index Retirement	Custom Target Date Income Index	Mixed Asset Target Retirement
BlackRock LifePath Index 2025	Custom Target Date 2025 Index	Mixed Asset Target 2025
BlackRock LifePath Index 2030	Custom Target Date 2030 Index	Mixed Asset Target 2030
BlackRock LifePath Index 2035	Custom Target Date 2035 Index	Mixed Asset Target 2035
BlackRock LifePath Index 2040	Custom Target Date 2040 Index	Mixed Asset Target 2040
BlackRock LifePath Index 2045	Custom Target Date 2045 Index	Mixed Asset Target 2045
BlackRock LifePath Index 2050	Custom Target Date 2050 Index	Mixed Asset Target 2050
BlackRock LifePath Index 2055	Custom Target Date 2055 Index	Mixed Asset Target 2055
BlackRock LifePath Index 2060	Custom Target Date 2060 Index	Mixed Asset Target 2060
BlackRock LifePath Index 2065	Custom Target Date 2065 Index	Mixed Asset Target 2065
State Street Aggregate Bond Index	Blmbg. Barc. US Aggregate	U.S. Core Fixed Income (Passive)
T. Rowe Price Global Growth Stock Fund	MSCI All Country World Index (net)	US Equity-Large Core (Passive)
Lincoln Financial Guaranteed Investment Contract	90-Day Treasury Bill	Stable Value