

These quarterly reports highlight recent developments and achievements related to Maryland's pension system.



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NAVIGATING MARKET VOLATILITY

Institutional investors are accustomed to managing market volatility, especially over the long term. While headlines may focus on daily shifts in the stock or bond markets, the Maryland State Retirement and Pension System (SRPS) is built to stay the course through those storms. The system's approach is not to react to short-term changes, but to make prudent and responsible long-term decisions that support the retirement security of Maryland's public employees. That means planning for uncertainty, staying focused when markets get choppy, and always keeping long-term investment risk and return objectives in sight.

Pension funds like SRPS take a longer view than most individual investors. While many people may be saving for retirement over a few decades, SRPS is managing investments to pay benefits not only to today's retirees—but to those who will retire 20, 30, even 40 years from now. SRPS must invest plan assets in a way that balances risk and return responsibly in order to keep promises made to Maryland's public workers.

WHY SRPS INVESTS DIFFERENTLY THAN THE TYPICAL INDIVIDUAL INVESTOR

The "60/40 portfolio" is an investment strategy that is a simple mix of 60% stocks and 40% bonds. It's a common approach for individual investors but is less optimal and efficient for a large pension system like SRPS. SRPS has to meet long-term obligations that require higher and more consistent returns than what a 60/40 portfolio typically provides.

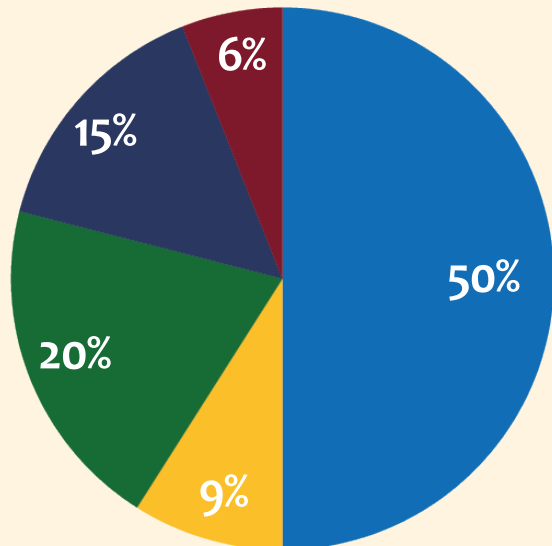
Also, bonds—which are often seen as having lower risk—have faced significant challenges over the past several years. Rising interest rates and inflation have made it more difficult for bonds to deliver expected returns. This is one of the reasons SRPS invests across a much wider range of assets, including private equity, credit, real estate and infrastructure. These diversifying investments reduce risk, improve returns, and increase the probability of meeting plan objectives.

THE 2025 ASSET ALLOCATION UPDATE

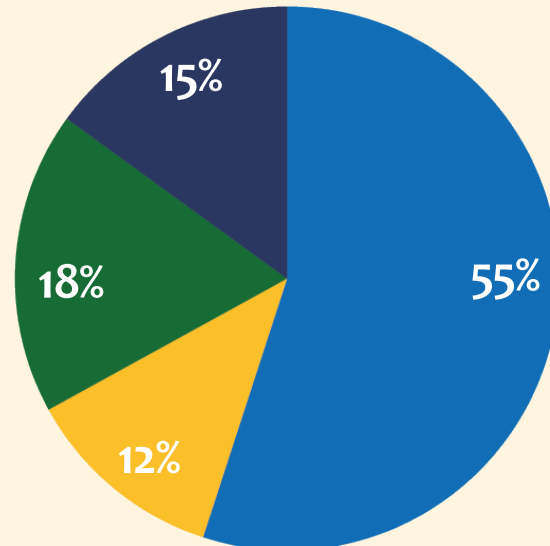
Every five years, SRPS conducts a comprehensive review of how its investments are allocated across different asset classes. Following months of analysis and input from investment experts, the SRPS Investment Committee approved a new asset allocation plan on March 25, 2025. This updated approach, designed to strengthen the long-term performance of the portfolio, was subsequently approved by the full Board of Trustees at its April 15 meeting. The new allocation is expected to increase returns with a prudent and reasonable level of risk and includes:

- A higher allocation in public and private equity, along with private credit.
- A reduction in bonds.
- A different geographic mix of global public stocks, aligning with global market benchmarks.
- The removal of the emerging market debt allocation.
- The removal of the absolute return asset class.

CURRENT ASSET ALLOCATION POLICY (%)



NEW ASSET ALLOCATION POLICY (%)



STAYING STEADY THROUGH MARKET VOLATILITY

All investment strategies will face bumps along the way. Economic shifts, global events, and financial cycles all contribute to market volatility. But volatility is not an indication of failure—it’s a normal part of investing. The SRPS portfolio is built to withstand these ups and downs. The diversified approach limits too much reliance on any one investment, and disciplined decision-making keeps the System on course during challenging economic times.

While markets may fluctuate, SRPS’s commitment to Maryland’s public servants remains unwavering. The System is thankful for the continued trust of Maryland’s employees and retirees and remains focused on protecting and growing the assets that fund their retirement.

The Maryland State Retirement and Pension System (SRPS) provides retirement, death, and disability benefits for over 420,000 members, including state employees, teachers, police, and judges. A 15-person Board of Trustees, led by the Treasurer and Comptroller, oversees the system. The Board and several committees meet regularly to set policies that guide investment strategy, and to review operations and performance. State Retirement Agency (SRA) staff execute the work to ensure timely benefits distribution and investment of plan assets for a fully funded retirement system.