



Retirement News Highlights

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Maryland pension system halted investments in TEDCO fund amid agency's troubles

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The Maryland State Retirement and Pension System stopped investing in a fund managed by the Maryland Technology Development Corp. last year amid the agency's troubles and it remains to be seen if investing will resume.

Maryland's \$54 billion pension fund committed up to \$25 million in 2017 to be invested in the Maryland Innovation Opportunity Fund, known as MIOF. The commitment was celebrated as a key partnership between two state entities. It meant millions of dollars for investment in Maryland startup companies that would hopefully provide returns benefiting state employees.

The pension system has about \$13 million invested in MIOF, according to Chief Investment Officer Andy Palmer.

After TEDCO saw a flurry of executives leave following a damaging state audit, the pension system suspended TEDCO's rights to call for capital contributions and to make portfolio investments, according to a May 29 letter obtained by the Baltimore Business Journal.

A month later, on June 27, the pension system sent another letter to TEDCO raising concerns about the agency's "ability and capacity to preserve and manage [MIOF's] existing assets consistent with TEDCO's fiduciary duties." The pension system also asked TEDCO to prepare a written transition plan detailing how TEDCO planned to manage the fund going forward.

Palmer originally told the Business Journal that investing stopped because TEDCO wasn't bringing forth investment proposals due to a lack of staffing. When confronted about the letters that showed the pension system ordered the halt of investments, Palmer said the pension system wanted "to make sure the legal documentation reflects the business relationship in place at the time."

The pension system agreed to an amended operating agreement with TEDCO in September and gave the agency permission to start bringing forth proposals for follow-on investments. However, Palmer said TEDCO remains short-staffed. He said the pension system has about \$13 million invested in MIOF.

"There is more clarity than there was in July," Palmer said. "It's better than it was, but it's nowhere near business as usual."

TEDCO has been short-staffed in the aftermath of a February audit questioning the practices of TEDCO's Maryland Venture Fund. The audit found that the fund had invested in recent years in several tech companies that either left Maryland or employed a majority of employees working outside the state. Some lawmakers questioned whether TEDCO was spending taxpayer money appropriately.

The General Assembly passed a bill increasing regulation and oversight of TEDCO. The agency's new regulations went into effect on December 30.

George Davis, TEDCO's former CEO, and Andy Jones, who oversaw the Maryland Venture Fund, were among the executives who left TEDCO. TEDCO has said the resignations were not connected to the audit or new law.

Myra Norton, chair of TEDCO's board, said in a November interview that hiring is a top priority so the agency can get back to running normally.

"We hope to have the leadership in place here in the next couple of months," Norton said. "For us this is a high priority, but it's also really important that we get the right person on board. So we are going to err on the side of getting the right person on board as quickly as we can."

TEDCO named Elizabeth Good Mazhari as interim managing director of the Maryland Venture Fund in December. Palmer acknowledged the hire but said TEDCO still needs to rebuild its team.

The pension system would like to keep investing with TEDCO if the agency is able to get back on track but could seek other options, Palmer said.

"We have an obligation to find investments in Maryland companies," Palmer said. "We worked with TEDCO. If it's a viable option, we will continue to work with TEDCO. We are exploring other ways to accomplish same thing. If we have to use another partner, we'll do that."

Norton said she hopes the partnership remains intact because it is beneficial for both entities. A report submitted to the General Assembly on Dec. 1 shows that 10 active portfolio companies in the MIOF created 148 net new jobs during fiscal year 2019 and generated more than \$96 million in payroll.

"I think we all agree this partnership is really good for the state and enables both organizations to fulfill the missions that we have been called on to fulfill," Norton said. "In terms of the impact to TEDCO, we operated before MIOF was even on the table and we can operate afterwards if that is the unfortunate case. But we are hopeful that we will get the right leadership on board and we'll be investing again for pension."



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