

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 162
Appropriations

(Delegate Griffith)(Chair, Joint Committee on Pensions)

Budget and Taxation

State Retirement and Pension System - Administrative and Operational Expenses
- Certifications and Notifications

This bill requires the Board of Trustees of the State Retirement and Pension System (SRPS) to certify to each local employer, other than libraries, by February 1 of each year the amount payable to the system for its pro-rata share of SRPS operational and administrative expenses. If the amount certified is greater than the actual amount due, the difference will be credited against the State or local employer's quarterly or annual payments over the next two fiscal years. If the amount certified is less than the actual amount due, the employer must make up the difference through quarterly or annual payments over the next two fiscal years.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: None. The State Retirement Agency (SRA) can carry out the bill's requirements with existing budgeted resources.

Local Effect: No direct fiscal effect on local governments, but there may be a small operational impact on local budgets to the extent that overpayments or underpayments result in adjustments to future local payments to SRPS.

Small Business Effect: None.

Analysis

Current Law: Chapter 397 of 2011 (the Budget Reconciliation and Financing Act) requires the State and each local employer within SRPS to pay its prorated share of SRA's administrative and operational expenses, based on the proportion of the system's total members employed by each employer in the second prior fiscal year. However, the State pays the local share attributable to local public libraries. By May 1 of each year, the board must certify to each local employer, other than libraries, the amount payable to the system by the local employer.

Background: Typically, the State budget for the upcoming fiscal year beginning July 1 is enacted in early April. Under current law, this gives the board less than one month to calculate, verify, and certify the share of SRA's administrative and operational expenses attributable to more than 100 local employers, including local school boards, community colleges, and participating governmental units (PGUs).

The fiscal 2013 working appropriation for SRA is \$26.3 million. Of the system's 195,059 total active members as of June 30, 2011, 101,289 (51.9%) are employed by local school boards or community colleges, and 25,633 (13.1%) are employed by PGUs. Therefore, local employers are responsible for a combined total of 65.0% of SRA's administrative and operational expenses, or approximately \$17.1 million in fiscal 2013.

Additional Information

Prior Introductions: None.

Cross File: SB 273 (Senator Jones-Rodwell)(Chair, Joint Committee on Pensions) – Budget and Taxation.

Information Source(s): Maryland State Retirement Agency, Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2012
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