HB 390

Department of Legislative Services

Maryland General Assembly
2013 Session

FISCAL AND POLICY NOTE

House Bill 390 (Delegate Griffith, *et al.*)
Appropriations Budget and Taxation

State Retirement and Pension System - Board of Trustees

This bill increases the membership of the Board of Trustees of the State Retirement and Pension System (SRPS) to 15 by adding a member to represent the interests of county governments. The additional member (1) must have at least 10 years of experience in financial management and oversight of county government budgets; (2) is appointed by the Governor; and (3) may be appointed from a list submitted by the Maryland Association of Counties.

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: Any expense reimbursements for the additional member of the board are assumed to be minimal and can be absorbed with existing budgeted resources of the State Retirement Agency. No effect on revenues.

Local Effect: No effect on local governmental finances; county governments will have one additional voice representing them on the SRPS Board of Trustees.

Small Business Effect: None.

Analysis

Current Law: The 14-member SRPS board includes:

- five members elected by members and retirees of the several systems;
- five members appointed by the Governor to represent the interests of the public, and who have at least 10 years of relevant experience, as specified in statute;

- three *ex officio* members (the Treasurer, the Comptroller, and the Secretary of Budget and Management); and
- one member appointed by the Governor to represent the interests of local governments that participate in the Employees' Pension System or the Employees' Retirement System.

The board is responsible for the management, general administration, and proper operation of the several systems. It is not responsible for reviewing benefit structures or considering benefit enhancements for its members.

Terms on the board are four years. Members of the board do not receive compensation but are entitled to reimbursement for expenses.

Background: Chapter 1 of the first special session of 2012 (SB 1301) requires local school boards to pay the normal cost for their employees who are members of either the Teachers' Retirement System or the Teachers' Pension System, phased in over five years. Prior to that, the State paid 100% of the annual employer contribution (normal cost plus an unfunded liability rate) on behalf of teachers in the State. Based on 2012 projections of the normal cost, local school boards pay 50% of the normal cost in fiscal 2013, phasing up to 100% of the normal cost by fiscal 2016. For those four years, Chapter 1 specifies the exact dollar amount to be paid by each local school board based on the projected normal cost and the local share of that cost. Beginning in fiscal 2017, however, local school boards must pay 100% of the *actual* normal cost.

Beginning in fiscal 2013, Chapter 1 also requires county governments (including Baltimore City) to adjust their maintenance-of-effort payments to local school boards to fully compensate them for teacher pension costs. Beginning in fiscal 2017, the fiscal 2016 payments by the counties are included in subsequent years' maintenance-of-effort calculations, so local school boards are responsible for any increase in normal cost payments between fiscal 2016 and each succeeding year.

Additional Information

Prior Introductions: None.

Cross File: SB 741 (Senator Jones-Rodwell) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 15, 2013
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