G20J01
State Retirement Agency

Operating Budget Data

($ in Thousands)

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change	% Change Prior Year
Special Fund	$17,009	$18,198	$18,534	$336	1.8%
Contingent & Back of Bill Reductions	0	0	-138	-138	
Adjusted Special Fund	**$17,009**	**$18,198**	**$18,397**	**$199**	**1.1%**
Reimbursable Fund	9,244	9,845	9,862	17	0.2%
Adjusted Reimbursable Fund	**$9,244**	**$9,845**	**$9,862**	**$17**	**0.2%**
Adjusted Grand Total	**$26,253**	**$28,043**	**$28,259**	**$215**	**0.8%**

- The State Retirement Agency's (SRA) overall operating budget increases a modest 0.8%, reflecting no new staffing or major new initiatives, after accounting for contingent and back of bill reductions. In the absence of those reductions, the agency's budget grows by a still modest 1.3%.

- Reimbursable funds, which represent State agency payments for administrative costs, grow at a slower pace than special funds, which represent participating governmental unit payments for administrative costs because State employee membership declined by about 700 members while local governmental membership (including teachers) increased by more than 500 members.

Personnel Data

	FY 13 Actual	FY 14 Working	FY 15 Allowance	FY 14-15 Change
Regular Positions	192.00	192.00	192.00	0.00
Contractual FTEs	16.50	16.50	16.50	0.00
Total Personnel	**208.50**	**208.50**	**208.50**	**0.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	9.02	4.70%
Positions and Percentage Vacant as of 12/31/13	17.00	8.85%

Note: Numbers may not sum to total due to rounding.

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- Agency staffing remains unchanged, with 192.0 full-time equivalent (FTE) regular positions and 16.5 contractual FTEs.

- The 17.0 vacant positions represent an increase over the 15.0 positions that were vacant at the same time last year. The number of actual vacancies (17.0) exceeds the number necessary to achieve turnover (9.0) by 8.0. The fiscal 2015 4.7% turnover rate represents an increase from the prior 4.0% rate, reflecting SRA's persistently high vacancy rate over the past two years.

- Unlike last year, when most of the agency's vacancies were relatively recent occurrences, the agency has 2.0 positions that have been vacant for more than one year. Both of those positions are in the Member Services division and involve direct service to members and retirees. Given the need to improve the performance of the call center, elimination of those positions is not recommended, and SRA is encouraged to make filling those vacancies a priority.

Analysis in Brief

Major Trends

Investment Returns Exceed Targets, but Asset Allocation Results in Underperformance Relative to Peers: The system's investments returned 10.6% in fiscal 2013, which exceeded both the actuarial funding target and its own plan benchmark. However, the fund performed poorly in comparison to other large public pension plans.

Call Center Performance Has Deteriorated, in Large Measure Due to Persistent Vacancies: A total of 3 vacancies among call center staff, including 2 long-term vacancies, has resulted in underperformance relative to its performance targets.

Issues

Progress on Phase 2 of the Maryland Pension Administration System Has Been Slow Due to Competing Priorities: SRA has spent only a fraction of its fiscal 2014 allocation for the project.

Board of Trustees' Elections Are Expensive Despite Minimal Participation: SRA spends about $125,000 on each election for representatives of members and retirees to the board of trustees, yet only about 5% of eligible voters participate.

Recommended Actions

		Funds
1.	Reduce funding for a Maryland Pension Administration System II information technology contractor by $250,000.	$ 250,000
2.	Adopt committee narrative requiring a report on alternatives to board of trustees' elections.	
	Total Reductions	**$ 250,000**

Updates

Governor Keeps Reinvested Savings Set Aside for Sequester, Proposes Making Reduction Permanent: A total of $87.1 million in general funds originally intended for the State pension fund but held in reserve to offset possible cuts to critical programs due to federal sequestration have instead been applied to the fiscal 2014 budget. In the Budget Reconciliation and Financing Act of 2014, the Governor has proposed permanently reducing the reinvested savings paid to the State pension fund by $100 million ($86.3 million in general funds).

Local Governments Should Continue to Plan for a Higher-than-forecast Normal Cost Rate in Fiscal 2017: Changes in actuarial assumptions adopted in 2012 continue to mean that pension contributions by local governments on behalf of teachers will be higher in fiscal 2017 than originally forecast.

New Pension Accounting Standards Take Effect: New accounting standards approved by the Governmental Accounting Standards Board affect how the system reports its funding status on financial statements but have no effect on the State's pension funding policy.

Operating Budget Analysis

Program Description

The State Retirement Agency (SRA), under the direction of the 15-member Board of Trustees for the State Retirement and Pension System (SRPS), is responsible for administering the State's retirement and pension systems. The fifteenth position on the board, which represents local governments, was added as a result of legislation adopted during the 2013 session. The board-appointed executive director is responsible for policy development, legislation, and legal affairs.

The agency has identified four fundamental goals for its operation:

- to prudently invest system assets in a well-diversified manner that optimizes long-term returns while controlling risk through excellence in the execution of the investment objectives and strategies of the system;

- to effectively communicate with all retirement plan participants to inform them about the benefits provided by the system and to educate them about planning and preparing for all aspects of their defined benefit system;

- to pay all retirement allowances provided by State pension law to the system's retirees and their beneficiaries in an accurate and timely manner; and

- to efficiently collect the required employer and employee contribution necessary to fund the system.

A new strategy for funding the agency's operations took effect in fiscal 2013. Previously, special funds appropriated from the pension trust financed agency operations. Now, an administrative charge to all employers for whom the agency administers retiree benefits provides the revenue to fund the agency. In proportion to total system membership, administrative charge revenue from State agencies pays for roughly one-third (35%) of agency operations, and revenue from local employers pays for the remaining two-thirds (65%). The new approach allows the agency to keep, and therefore invest, all member and employer contributions and investment proceeds for the direct benefit of members. Participating employers will pay approximately $147 per member in fiscal 2015.

As of June 30, 2013, the system's assets totaled $40.25 billion, a $3.2 billion increase from the end of fiscal 2012, which is attributable to revenues from investments exceeding expenses and benefits paid.

Performance Analysis: Managing for Results

1. Investment Returns Exceed Targets, but Asset Allocation Results in Underperformance Relative to Peers

The system's investment return for fiscal 2013 was 10.6% net of management fees, exceeding its investment return target of 7.75% for the fourth time in the last five years. After struggling through most of fiscal 2012, public equity markets led the resurgence in worldwide financial market performance in fiscal 2013. Broad indices of public equities were all strongly higher: the U.S. domestic Standards & Poor's (S&P) 500 index rose 20.6%, and the MSCI international index rose 13.6%. With public equities making up 42.3% of the portfolio, this impressive performance propelled the system to generate returns well in excess of its target. The pension fund's return also exceeded its plan benchmark by 207 basis points.

Exhibit 1 shows that the system is still implementing changes in asset allocation that were adopted beginning in fiscal 2008, with allocations moving closer to their long-term targets. The primary purpose of these changes has been to diversify the fund's holdings in order to both maximize long-term returns and reduce volatility in annual returns. Through October 2013, the fund's allocation to public equity dropped to 41.1%, and fixed income dropped to 15.3%, moving closer to their respective targets. There were corresponding increases to private equity, real return, and absolute return.

The fund's movement away from public equity at a time when it is performing well continues to place it at a disadvantage relative to the performance of its peers, whose allocations to public equity tend to be greater. According to the Trust Universe Comparison Service (TUCS), the system's fiscal 2013 investment performance was among the worst (in the ninety-third percentile) of 19 public pension funds with at least $25 billion in assets. Among the large public funds against which Maryland is measured, TUCS reported that the median allocation to domestic equity was 30.6%, compared with 25.7% for Maryland. In a year in which domestic equity led all asset classes in performance, Maryland's underweight to that asset class clearly impeded its relative performance. **SRA is asked to explain the rationale for greater diversification, especially at a time when public equity is generating strong returns.**

Exhibit 1
State Retirement and Pension System Asset Allocation
Fiscal 2011-2013

	Strategic Target 6/30/2013	**Actual 10/31/2013**	**Actual 6/30/2012**	**Actual 6/30/2011**
Equity				
Domestic Stocks		10.5%	13.0%	16.3%
International Stocks		13.3%	15.0%	18.7%
Global Equity		17.3%	14.4%	12.2%
Total Public Equity	**35.0%**	**41.1%**	**42.4%**	**47.2%**
Private Equity	10.0%	6.3%	5.7%	4.3%
Real Estate	10.0%	5.9%	6.4%	5.8%
Fixed Income	10.0%	15.3%	19.2%	20.3%
Real Return Strategies	14.0%	11.6%	10.0%	10.4%
Absolute Return	10.0%	7.6%	6.8%	4.4%
Credit/Debt	10.0%	10.0%	7.8%	5.9%
Cash and Other	1.0%	2.2%	1.7%	1.7%
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**

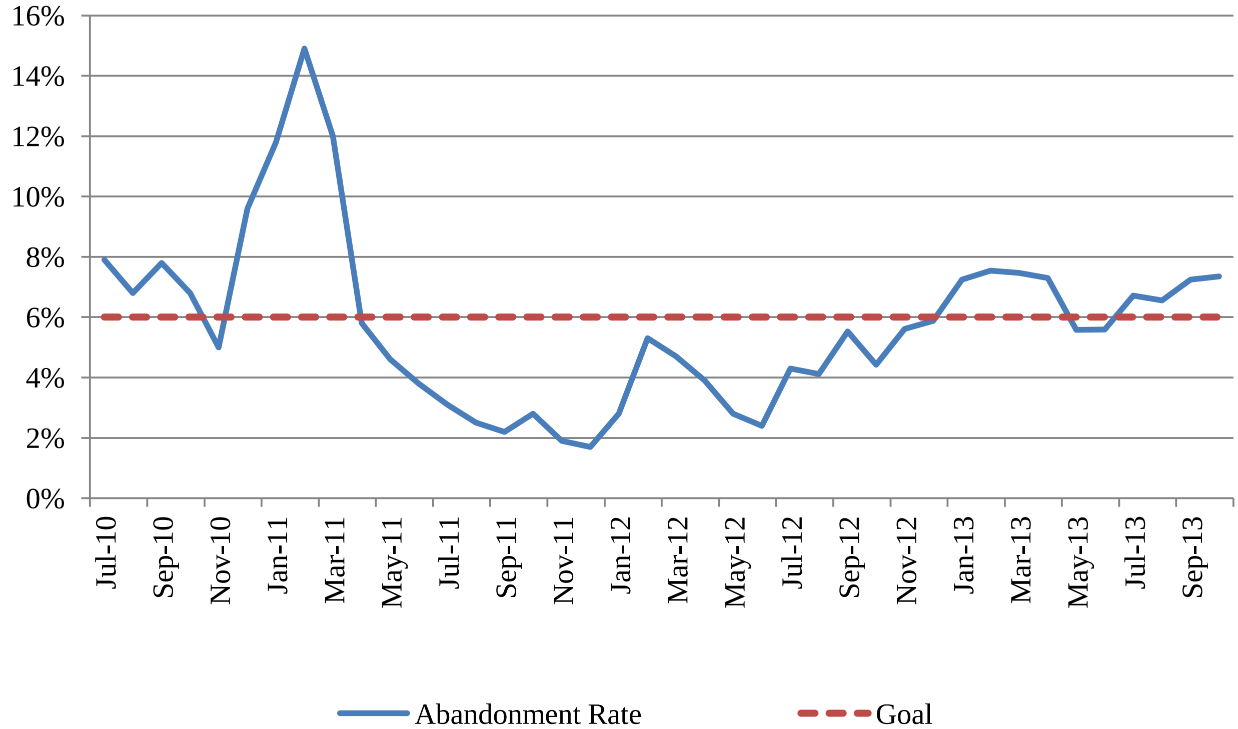
Note: Data reflects all system assets held at State Street. Columns may not add to total due to rounding.

Source: State Retirement Agency

2. Call Center Performance Has Deteriorated, in Large Measure Due to Persistent Vacancies

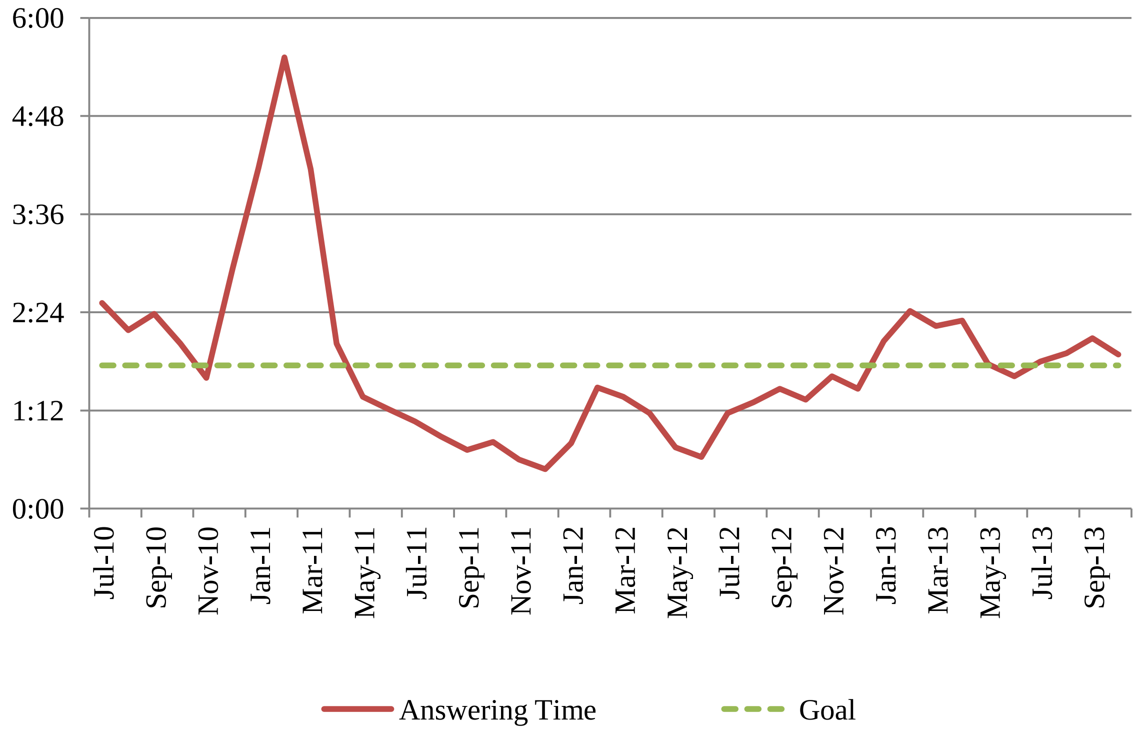
Performance of the agency's call center, which handles queries from members and retirees about their benefits and related questions, generally stabilized during fiscal 2013 but failed to meet its performance targets during one-third of the year, as shown in **Exhibits 2** and **3**. The unit's targets are that fewer than 6% of calls will be abandoned by callers and that the wait time for a counselor to answer a call will not exceed 90 seconds. Perhaps more troubling, the exhibits also show that recent performance has declined, with the call center failing to meet its targets for the first four months of the current fiscal year. The call center currently has 3 vacancies among its customer service agents, 2 of which date back more than one year. The lack of adequate staffing has contributed directly to the deterioration in the call center's performance. **SRA is asked to describe its plans to improve call center performance and address staffing shortages in Member Services.**

Exhibit 2
State Retirement and Pension System
Member Services Call Abandonment
July 2010 – October 2013



Source: State Retirement Agency

Exhibit 3
State Retirement and Pension System
Member Services Call Answering Time (in Minutes)
July 2010 – October 2013



Source: State Retirement Agency

Proposed Budget

With spending growth at just 0.8% after accounting for contingent reductions, SRA's fiscal 2015 allowance represents a maintenance budget. **Exhibit 4** shows that increases in compensation and retirement costs are mostly offset by a higher turnover allowance and health insurance savings. Similarly, nonpersonnel costs grow minimally, with higher costs for investment consulting and risk management software largely offset by the termination of a contract for investment accounting services, which have been assumed by the system's custodial bank at substantial savings. Other major nonpersonnel increases are for postage and election services related to elections for board of trustees' members.

Exhibit 4
Proposed Budget
State Retirement Agency
($ in Thousands)

How Much It Grows:	Special Fund	Reimb. Fund	Total
2014 Working Appropriation	$18,198	$9,845	$28,043
2015 Allowance	18,397	9,862	28,259
Amount Change	$199	$17	$215
Percent Change	1.1%	0.2%	0.8%

Where It Goes:

Personnel Expenses	
Annualization of fiscal 2014 general salary increase and increments	$510
Retirement	140
Other fringe benefit adjustments	21
Turnover	-132
Employee/retiree health insurance	-421
Other Changes	
Investment consultants	228
Investment risk management software	141
Postage	125
Computer hardware, software, and services	63
Board of Trustees' election service	42
Actuarial services	40
New vehicle	25
Other contractual services	-41
Rent	-82
Investment accounting system	-446
Other	2
Total	**$215**

Note: The fiscal 2014 working appropriation reflects negative deficiencies and contingent reductions. The fiscal 2015 allowance reflects back of the bill and contingent reductions. Numbers may not sum to total due to rounding.

Cost Containment

There is one across-the-board reduction and one contingent reduction reflected in the Governor's spending plan for the fiscal 2015 allowance. This affects funding for employee/retiree health insurance and retirement reinvestment. These actions are fully explained later in this analysis and in the analysis of the Department of Budget and Management – Personnel.

Issues

1. Progress on Phase 2 of the Maryland Pension Administration System Has Been Slow Due to Competing Priorities

History of the Endeavor

Phase 2 of the Maryland Pension Administration System (MPAS-II) is devoted to data scrubbing to verify that members' salary and service credit data currently in the agency's information system are accurate, and that appropriate filters are in place to improve the accuracy of new data entered into the system. It is the necessary precursor to future service upgrades, including more interactive customer services such as web-based personalized benefit calculators. In fiscal 2014, $634,000 was budgeted for MPAS-II, allocated as follows:

Contracted programming services	$450,000
Equipment	116,548
2 full-time equivalent contractuals	53,452
Software	14,000
Total	**$634,000**

The agency's approach entails writing and executing a series of data filters to identify irregularities that exist in individual records as well as incoming payroll data, and then either correcting or flagging the data for future reconciliation. The programming of data filters is being carried out by an information technology contractor, with 2 additional contractual staff (likely former agency employees) being responsible for reviewing the results and identifying corrections or flags to be inserted into the system.

Current Status of the Project

The agency used its existing contract with Hewlett-Packard, which provides operational and maintenance support for MPAS, by adding 2 programmers, bringing the total number to 5, the maximum number allowed by the contract. The 2 additional programmers are tasked with writing the data filters used to identify anomalies in the existing data. The first step has entailed an effort to link multiple accounts held by individual members. For instance, an individual may have worked as a teacher before joining State government. That individual likely has service credit earned while a member of the Teachers' Pension System in addition to credit earned as a member of the Employees' Pension System. This stage of the project is finding those multiple accounts and linking them. To date, the programmers have successfully developed code to link accounts in a pilot project and will then begin applying the same code to find and link accounts in the entire member database. Filtering of the data has not yet begun.

Progress on MPAS-II has been held up by competing demands on the agency's business analysts' time. The agency is currently preparing to mail out tax forms for retirees and beneficiaries receiving payments from the system, which requires considerable programming and business analyst resources. In addition, the agency has undertaken a major initiative to ensure the integrity of payments made through domestic relations orders (divorce settlements). Errors related to domestic relations orders in the system have resulted in several significant overpayments. As a result, through December 2013, which represents half of the fiscal year, the project has spent only $56,503 of the $450,000 allocated for programming services.

Fiscal 2015 Allowance

The Governor's fiscal 2015 allowance includes an additional $450,000 for programming costs related to MPAS-II. However, the agency has not shown the need for these resources. At its current pace, the agency will spend only about one-fourth of the fiscal 2014 allocation, leaving a substantial encumbered balance to apply to fiscal 2015 costs. One approach would be to accelerate spending on the project by expanding staff, but this seems unlikely for two reasons. First, the agency has reached the maximum staffing capacity under its existing contract with Hewlett-Packard, so it cannot expand the number of contracted staff devoted to the project without either modifying or rebidding the current contract, both of which can be time consuming. Second, the prospect of additional competing demands on programmers' time makes it unlikely that the project's pace will quicken in the remaining six months of the current fiscal year. The Department of Legislative Services (DLS) concludes that the full $450,000 allocation for fiscal 2015 is excessive because the agency will be unable to expend the full amount barring a monumental (and unlikely) acceleration in the pace of the project. To the extent that the agency is unable to complete MPAS-II as scheduled by the conclusion of fiscal 2015 and requires additional resources, it can seek those through the budget process for fiscal 2016. **Therefore, DLS recommends reducing the MPAS-II allowance for programming costs by $250,000.**

2. Board of Trustees' Elections Are Expensive Despite Minimal Participation

The 15-member board includes five members elected to represent retired and active State employees (one each), retired and active teachers (one each), and State Police officers (one representative for both active and retired officers). Elections for each trustee position are held every four years on a staggered basis. The last contested election (for the representative of active State employees) was held in May 2013; a second election (for the representative of active teachers) was uncontested. One election is budgeted for fiscal 2014 and funding for two elections is included in the fiscal 2015 allowance.

Election procedures require mailing notices to all active and retired members of the relevant systems. Voting is conducted electronically, with voters having the option of voting by telephone using an interactive voice response system or voting over the web. The agency typically contracts with a vendor to manage the electronic voting process.

Participation in board of trustees' elections is exceedingly low. The proportion of eligible voters who cast ballots in the last two contested elections was 5.4 and 6.4%, respectively.

Nevertheless, expenditures for elections are very high. Postage costs for a single election are budgeted at $65,000, and the cost of the election services vendor is about $60,000 per election, for a total cost approaching $125,000 per election. With low turnout, this level of expenditure seems excessive. **SRA should discuss costs associated with carrying out board elections. DLS requests that SRA conduct a study of alternatives to current practice related to the selection of representatives of active and retired members to serve on the board of trustees.**

Recommended Actions

	Amount Reduction	
1. Reduce funding for a Maryland Pension Administration System (MPAS) II information technology contractor by $250,000. MPAS-II is behind schedule, having spent only about $59,000 of its $450,000 fiscal 2014 allocation for programming services through the first six months of the fiscal year. Due to competing demands for programming services within the agency and contractual restrictions on available programmers, it is unlikely that the State Retirement Agency can significantly accelerate the pace of the project. With a substantial encumbered balance expected at the end of fiscal 2014, the full allowance of $450,000 for fiscal 2015 is not necessary.	$ 250,000	SF

2. Adopt the following narrative:

Alternatives to Board of Trustees' Elections: The State Retirement Agency, in consultation with the Department of Legislative Services, should study alternatives to current practices related to the selection of representatives of active and retired members to serve on the board of trustees. The study should examine, at a minimum, the costs and participation rates of recent board elections and alternative practices used in other states to select representatives of active and retired members to serve on pension boards. The agency should submit a report with its findings and recommendations to the Joint Committee on Pensions, the Senate Budget and Taxation Committee, and the House Appropriations Committee by December 1, 2014.

Information Request	Author	Due Date
Report on alternatives to board of trustees' elections	State Retirement Agency	December 1, 2014

Total Special Fund Reductions **$ 250,000**

Updates

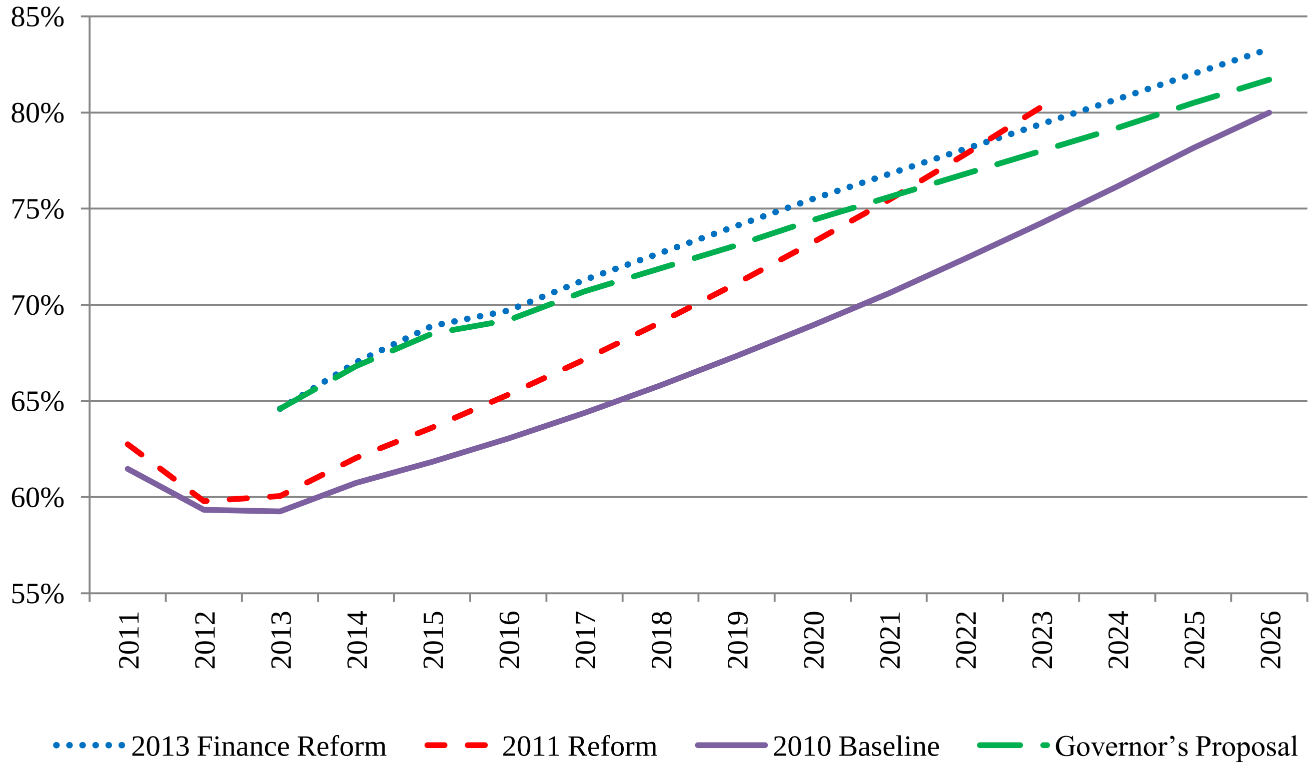
1. Governor Keeps Reinvested Savings Set Aside for Sequester, Proposes Making Reduction Permanent

Section 42 of the fiscal 2014 budget bill designated $87.1 million in general funds that were to be paid to the State pension fund to be held in reserve. It authorized the Governor to transfer those funds by budget amendment to the Dedicated Purpose Account (DPA) "to provide funds to support critical programs impacted by federal sequestration." Any unused funds remaining in the DPA on January 1, 2014, were to be transferred to the Accumulation Fund of the State Retirement and Pension System.

The funds were never transferred to the DPA and were never used to offset federal sequestration. Instead, the Governor held the funds in reserve and has applied them to the fiscal 2014 budget. The $87.1 million represents a portion of the $300 million in savings generated by pension reform legislation (Chapter 397 of 2011) that is required to be reinvested in the State pension fund to accelerate the reduction in unfunded liabilities. At the time the pension reform legislation was enacted, the goal of the reinvestment was to enable the pension fund to achieve an 80% funding level within 10 years. Subsequent funding reforms enacted in 2013 pushed back the target by one year (from fiscal 2023 to 2024). By itself, the Governor's action does not affect the likelihood of the fund reaching the 80% funding level by the new target date of fiscal 2024.

However, through the Budget Reconciliation and Financing Act of 2014, the Governor has proposed a permanent reduction in the amount of reinvested savings paid to the pension fund, from $300 million to $200 million (with $87.1 million representing the general fund portion of the reduction). If enacted, this would represent a reduction in the State's structural deficit, but would also further delay achieving the 80% funding level by one year, based on actuarial projections, as shown in **Exhibit 5**. Based on those projections, the fund will now reach the 80% funding level in fiscal 2025 rather than fiscal 2024.

Exhibit 5
Projections for Reaching 80% Funding Level
Fiscal 2011-2026



Source: State Retirement Agency; Department of Legislative Services

2. Local Governments Should Continue to Plan for a Higher-than-forecast Normal Cost Rate in Fiscal 2017

The board of trustees voted in spring 2012 to adopt the recommendations of its actuary to change a variety of demographic assumptions used to calculate pension liabilities. The new assumptions related to rates of retirement, disability, withdrawal, and mortality were first applied to the June 30, 2012 actuarial valuation, which is the basis for the calculation of employer contribution rates for fiscal 2014. The changes vary extensively across different plans within SRPS, as well as by age and accumulated service credit, reflecting actual trends in those rates identified by an experience study completed in 2011. The net effect, however, was an increase in the value of service credit earned by SRPS members. This is reflected in an increase in the normal cost, which is the value of pension benefits earned in a given year by members.

In the case of the Teachers' Retirement System and Teachers' Pension System (TRS/TPS), the employer share of the normal cost increased from 4.62% in fiscal 2013 to 5.64% in fiscal 2015. Absent the board's actions, the employer normal cost had been projected to decrease to 4.32%, which is shown in **Exhibit 6.**

Exhibit 6
Projected Local Share of Teacher Pension Costs

	2012 Projection	2014 Projection	Difference
TCS Normal Cost			
Fiscal 2013 (actual)	4.62%	4.62%	0.00
Fiscal 2015	4.32%	5.64%	1.32
Fiscal 2017	4.05%	5.37%	1.32
Pension Contributions			
Fiscal 2015 School Boards	$221,578,201	$282,587,189	$61,008,988
Fiscal 2017 School Boards	$249,299,915	$322,590,415	$73,290,500

TCS: Teachers' Combined Systems

Source: State Retirement Agency; Department of Legislative Services

Chapter 1 of the first Special Session of 2012 requires local school boards to pay a portion of the normal cost for their employees who are members of TRS/TPS. Prior to that, the State paid 100% of the annual employer contribution 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. It bears noting that beginning in fiscal 2013, Chapter 1 also requires county governments and Baltimore City to adjust their maintenance of effort payments to local school boards to 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.

The increase in the normal cost prompted by the board's action means that, beginning in fiscal 2017, local school board contributions will increase by a projected $73.3 million, also shown in Exhibit 6. **Appendix 3** contains a breakdown of the increased costs in fiscal 2017 for each county. Had the local school boards not been held harmless by Chapter 1, their fiscal 2015 payment would have increased by $61.0 million over the initial projections. Instead, the State is making up the difference through its continued payment on behalf of TRS/TPS members.

3. New Pension Accounting Standards Take Effect

In June 2012, the Governmental Accounting Standards Board (GASB) gave final approval to changes in pension accounting standards that will begin to take effect next fiscal year. The new standards change key aspects of pension accounting and reporting but have no effect on the State's pension funding policies. Among the key changes adopted by GASB that affect the reporting of Maryland's pension liabilities are:

- **Total pension liabilities will be reported on balance sheets.** Previously, only the *net* pension obligation was reported on balance sheets, which is the cumulative difference between actuarially required contributions and actual contributions made by plan sponsors. Regardless of a plan's total unfunded liabilities, if the plan sponsor fully paid the annual required contribution every year, no pension liabilities were reported on the balance sheet. Total unfunded liabilities, however, were typically included in footnotes to financial statements and were also disclosed on all statements accompanying bond offerings.

- **Market value of assets will be used to determine total pension liability.** Currently, most plans use an actuarial value of assets that is based on smoothing annual investment gains and losses over several years. Maryland smoothes gains and losses over five years. The use of the market value of assets, though it benefits Maryland this year because the fiscal 2013 market value slightly exceeded the comparable actuarial value of assets, will add substantial volatility to the calculation of total pension liability.

- **Calculation of pension liabilities may be subject to a lower discount rate.** To the extent that current and future assets are not expected to cover the cost of future benefits, the discount rate used to calculate the value of benefits not covered by assets is the rate on 20-year tax-exempt bonds. This rate is typically substantially lower than discount rates currently used by public pension plans to calculate the value of liabilities. SRA reports that current projections show that, using GASB's methodology, assets are expected to cover all future liabilities, so it will not have to use a blended discount rate in the first year that the new standards are in effect.

Appendix 1

Current and Prior Year Budgets

Current and Prior Year Budgets
State Retirement Agency
($ in Thousands)

	General Fund	Special Fund	Federal Fund	Reimb. Fund	Total
Fiscal 2013					
Legislative Appropriation	$0	$3,447	$0	$22,829	$26,275
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	13,563	0	-13,585	-22
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	**$0**	**$17,009**	**$0**	**$9,244**	**$26,253**
Fiscal 2014					
Legislative Appropriation	$0	$18,008	$0	$9,727	$27,735
Budget Amendments	0	190	0	118	308
Working Appropriation	**$0**	**$18,198**	**$0**	**$9,845**	**$28,043**

Note: The fiscal 2014 working appropriation does not include deficiencies or contingent reductions. Numbers may not sum to total due to rounding.

Fiscal 2013

Major adjustments to reimbursable and special fund totals reflect a change in the method of collecting administrative fees from local school boards and community colleges. Initially, their share of administrative fees for the agency's operating costs was allocated to the Maryland State Department of Education (MSDE) and the Maryland Higher Education Commission (MHEC). Following the introduction of the budget, it was learned that the agency was billing local school boards and community colleges directly. Two separate budget amendments increased special fund appropriations for the agency by $13,647,793 to reflect the direct billing of administrative fees and reduced reimbursable appropriations by the same amount (and also cancelled those appropriations for MSDE and MHEC). The distribution of centrally budgeted funds for a 2% employee cost-of-living adjustment (COLA) beginning January 1, 2013, increased expenditures of reimbursable funds by $118,765 and special funds by $18,301, for a total increase of $137,066. Additional budget amendments decreased special fund appropriations by $103,528 and reimbursable funds by $55,746 due to unused appropriations for health care expenses.

Fiscal 2014

The distribution of centrally budgeted funds for a 3% employee COLA beginning January 1, 2014, and additional increments increased expenditures of special funds by $189,963 and reimbursable funds by $118,280, for a total increase of $308,243.

Object/Fund Difference Report
State Retirement Agency

Object/Fund	FY 13 Actual	FY 14 Working Appropriation	FY 15 Allowance	FY 14 - FY 15 Amount Change	Percent Change
Positions					
01 Regular	192.00	192.00	192.00	0.00	0%
02 Contractual	16.50	16.50	16.50	0.00	0%
Total Positions	**208.50**	**208.50**	**208.50**	**0.00**	**0%**
Objects					
01 Salaries and Wages	$ 16,593,837	$ 17,793,751	$ 18,049,559	$ 255,808	1.4%
02 Technical and Spec. Fees	842,954	1,060,484	1,053,890	-6,594	-0.6%
03 Communication	521,534	456,777	589,848	133,071	29.1%
04 Travel	136,149	165,237	160,000	-5,237	-3.2%
07 Motor Vehicles	156,798	155,520	183,939	28,419	18.3%
08 Contractual Services	5,447,071	5,345,747	5,480,394	134,647	2.5%
09 Supplies and Materials	167,814	188,406	164,077	-24,329	-12.9%
10 Equipment – Replacement	68,940	345,451	330,151	-15,300	-4.4%
11 Equipment – Additional	8,807	141,973	70,000	-71,973	-50.7%
12 Grants, Subsidies, and Contributions	382,426	382,426	382,426	0	0%
13 Fixed Charges	1,926,661	2,007,709	1,932,224	-75,485	-3.8%
Total Objects	**$ 26,252,991**	**$ 28,043,481**	**$ 28,396,508**	**$ 353,027**	**1.3%**
Funds					
03 Special Fund	$ 17,009,116	$ 18,197,988	$ 18,534,401	$ 336,413	1.8%
09 Reimbursable Fund	9,243,875	9,845,493	9,862,107	16,614	0.2%
Total Funds	**$ 26,252,991**	**$ 28,043,481**	**$ 28,396,508**	**$ 353,027**	**1.3%**

Note: The fiscal 2014 appropriation does not include deficiencies. The fiscal 2015 allowance does not include contingent reductions.

Appendix 2

Appendix 3

Local Share of Projected Increase in Teacher Pension Payments
Fiscal 2017

County	2012 Projection	2014 Projection	Difference
Allegany	$2,714,289	$3,412,663	$698,374
Anne Arundel	20,969,486	27,121,259	6,151,773
Baltimore City	23,576,930	30,622,995	7,046,065
Baltimore	28,745,445	37,609,852	8,864,406
Calvert	5,173,986	6,371,799	1,197,813
Caroline	1,448,482	1,883,969	435,487
Carroll	7,308,290	9,346,918	2,038,627
Cecil	4,487,780	5,723,779	1,235,999
Charles	7,181,921	9,489,865	2,307,944
Dorchester	1,197,820	1,595,871	398,051
Frederick	10,752,240	14,258,344	3,506,104
Garrett	1,212,728	1,426,843	214,115
Harford	10,088,656	12,876,211	2,787,554
Howard	17,917,902	24,189,519	6,271,617
Kent	668,012	831,318	163,307
Montgomery	49,674,917	66,561,463	16,886,547
Prince George’s	35,676,071	42,531,073	6,855,002
Queen Anne’s	2,016,962	2,507,142	490,180
St. Mary’s	4,534,994	5,841,062	1,306,068
Somerset	875,955	1,119,453	243,498
Talbot	1,146,578	1,532,474	385,896
Washington	5,645,009	7,507,914	1,862,905
Wicomico	3,965,581	5,254,639	1,289,057
Worcester	2,319,881	2,973,989	654,108
Total	**$249,299,915**	**$322,590,415**	**$73,290,500**

Source: Department of Legislative Services