

G20J01
State Retirement Agency

Operating Budget Data

(\$ in Thousands)

	<u>FY 15</u> <u>Actual</u>	<u>FY 16</u> <u>Working</u>	<u>FY 17</u> <u>Allowance</u>	<u>FY 16-17</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
Special Fund	\$17,704	\$18,273	\$20,698	\$2,424	13.3%
Deficiencies and Reductions	0	0	-43	-43	
Adjusted Special Fund	\$17,704	\$18,273	\$20,654	\$2,381	13.0%
Reimbursable Fund	9,642	9,839	10,786	947	9.6%
Deficiencies and Reductions	0	0	0	0	
Adjusted Reimbursable Fund	\$9,642	\$9,839	\$10,786	\$947	9.6%
Adjusted Grand Total	\$27,346	\$28,113	\$31,441	\$3,328	11.8%

- Overall, the State Retirement Agency (SRA) fiscal 2017 budget grows by 11.8% over fiscal 2016 levels, after accounting for an across-the-board reduction of \$43,266 for overbudgeted employee health insurance costs.
- The largest single increase over the fiscal 2016 working appropriation is \$1.57 million for an anticipated increase in fees for custodial banking services when the contract for those services is rebid as of January 2017; this represents nearly half of the \$3.3 million increase in the agency's allowance.

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

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Personnel Data

	<u>FY 15 Actual</u>	<u>FY 16 Working</u>	<u>FY 17 Allowance</u>	<u>FY 16-17 Change</u>
Regular Positions	192.00	200.00	202.00	2.00
Contractual FTEs	<u>15.50</u>	<u>9.50</u>	<u>9.50</u>	<u>0.00</u>
Total Personnel	207.50	209.50	211.50	2.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	10.02	5.01%
Positions and Percentage Vacant as of 12/31/15	27.00	13.50%

- The fiscal 2016 working appropriation of 200 full-time equivalent (FTE) regular positions reflects the reassignment of 3 human resource positions to the Department of Budget and Management for shared personnel services, which occurred early in fiscal 2016.
- The fiscal 2017 allowance includes 2 new retirement benefit specialist positions in the Member Services unit.
- Vacancy data provided for this analysis does not include 4 regular positions in the Information Services unit that were approved in the fiscal 2016 budget bill but have not yet been filled; this is discussed in greater detail in the Issues section of this analysis. Therefore, the total number of vacancies is 31, which is 21 vacancies in excess of the 10 vacancies necessary to meet the turnover allowance.
- Of the 31 vacancies, 19 have been vacant for fewer than four months, and 17 have either been filled this month or are in various stages of recruitment or selection, including some of the recent vacancies.

Analysis in Brief

Major Trends

Is This the Year That the System Is Rewarded for Its Asset Allocation?: The investment program is unlikely to reach its 7.55% target return in fiscal 2016 due to global financial troubles, but it may perform better than many of its peers.

Call Center’s Struggles Reach Unprecedented Levels: The call center failed to achieve its performance goals for almost all of fiscal 2015. **The Department of Legislative Services (DLS) recommends deleting 1 of 2 new retirement specialist positions.**

Issues

Efforts to Address Information Technology Workload Hit Snags: SRA has been unable to fill new information technology (IT) positions to address a backlog in agency projects. **DLS recommends reducing funding for IT contractors and reassessing IT staffing.**

Report on Alternatives to Board of Trustees Elections Is Delayed: The agency’s report includes three options for reducing or eliminating costs associated with trustee elections. **DLS recommends a reduction of \$137,500 contingent on enactment of legislation.**

Recommended Actions

	<u>Funds</u>	<u>Positions</u>
1. Reduce funding for information technology contractors.	\$ 190,000	
2. Reduce funding for postage.	250,000	
3. Reduce funding for equipment.	100,000	
4. Delete 1 retirement benefits specialist I (new position).	48,693	1.0
5. Delete funding for trustee election services.	137,500	
Total Reductions	\$ 726,193	1.0

Updates

The Department of Legislative Services’ Review of Disability Benefits Recommends Numerous Changes: DLS completed its comprehensive review of disability benefits provided by the system and recommended numerous changes to the process and benefit structure.

Contributions by Local School Boards Are Still Higher Than the Original Forecast, but Less Than Last Year’s Prediction: Total contributions by local school boards in fiscal 2017 increase by \$25 million over fiscal 2016 levels.

Actuarial Stress Test Confirms Risks of Poor Investment Performance: Funding discipline is key to weathering the storm of low investment returns.

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State Retirement Agency

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 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.

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 (34%) of agency operations, and revenue from local employers pays for the remaining two-thirds (66%). Based on the Governor's allowance, participating employers will pay approximately \$163 per member in fiscal 2017, a \$16 increase over fiscal 2016; however, the final per-member fee is based on the budget enacted by the General Assembly. Reimbursable fund revenues represent State agency payments for administrative costs, and special fund revenues represent administrative payments by local school boards and participating governmental units.

As of June 30, 2015, the system's assets totaled \$45.83 billion, an increase of about \$420 million from the end of fiscal 2014.

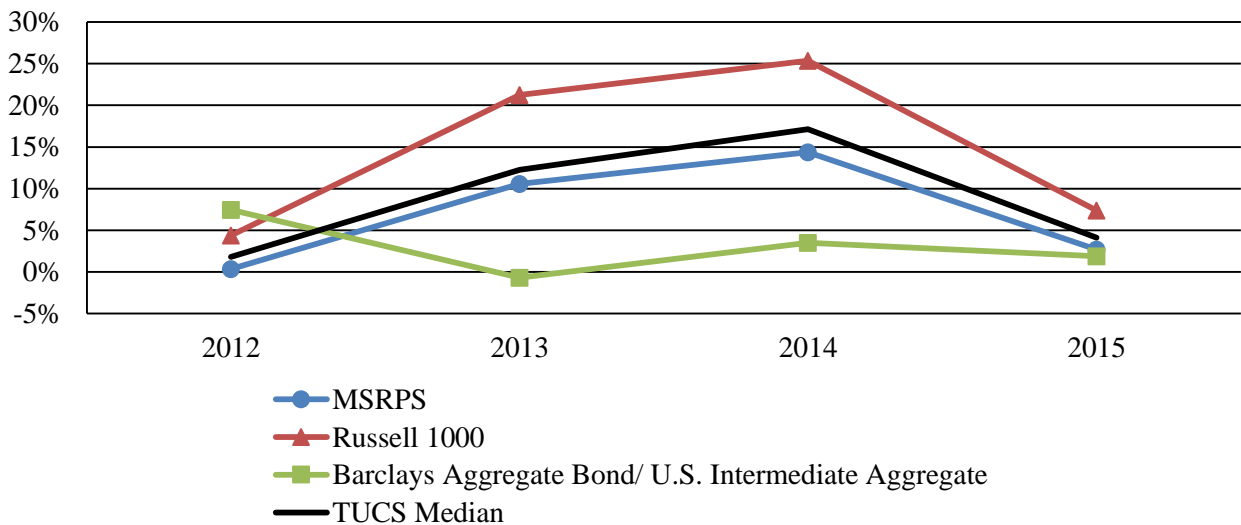
Performance Analysis: Managing for Results

1. Is This the Year That the System Is Rewarded For Its Asset Allocation?

With a fiscal year-end return of 2.68% net of fees, the SRPS’ investment program had mixed results in fiscal 2015. On the positive side, it outperformed its custom weighted benchmark by 181 basis points, indicating that active management provided significant added value to the portfolio. However, weak financial markets in virtually all sectors prevented the program from attaining the target return of 7.55% for the first time since fiscal 2012, and the fund continued to underperform virtually all other comparable public pension funds.

Exhibit 1 shows that for the past four years, the SRPS fund has generally underperformed U.S. equities and outperformed U.S. fixed income. This is to be expected in a diversified portfolio in years when equities are relatively strong and fixed income is weak. However, the system’s allocation to public equities is substantially below that of its peers, so it has consistently underperformed them. In each of the last four years, also shown in Exhibit 1, the program’s performance has been below the median for the Trust Universe Comparison Service (TUCS), which includes approximately 30 public pension funds of comparable size. Indeed, it has typically been at or near the bottom of the TUCS rankings.

Exhibit 1
Pension Fund and Benchmark Returns
Fiscal 2012-2015



MSRPS: Maryland State Retirement and Pension System
TUCS: Trust Universe Comparison Service

Source: State Street Bank, Wilshire

The significant correction in both domestic and international public equity markets that began in November 2015 and accelerated in January 2016 may finally justify the system's underweight in public equities. Just prior to the financial crisis of 2008, the SRPS board adopted a new asset allocation that began the underweight to equities as a means to reduce the volatility of returns, and then expanded the underweight in the wake of the crisis. The Department of Legislative Services (DLS) supported the new asset allocation for several years, particularly because of the risk that rising interest rates would weaken equity markets. As the years progressed, however, interest rates did not rise, and public equities led the recovery of domestic financial markets. It became evident that the system was not fully reaping the benefits of rising equities, and the board resisted calls from DLS to modestly increase its allocation to public equities. Recently, however, the board did approve a higher allocation to emerging market equities, raising the overall equity target from 35% to 37%. Finally, the 2015 *Joint Chairmen's Report* (JCR) required the board to retain a third-party expert to conduct a review of its asset allocation and make recommendations for possible adjustments.

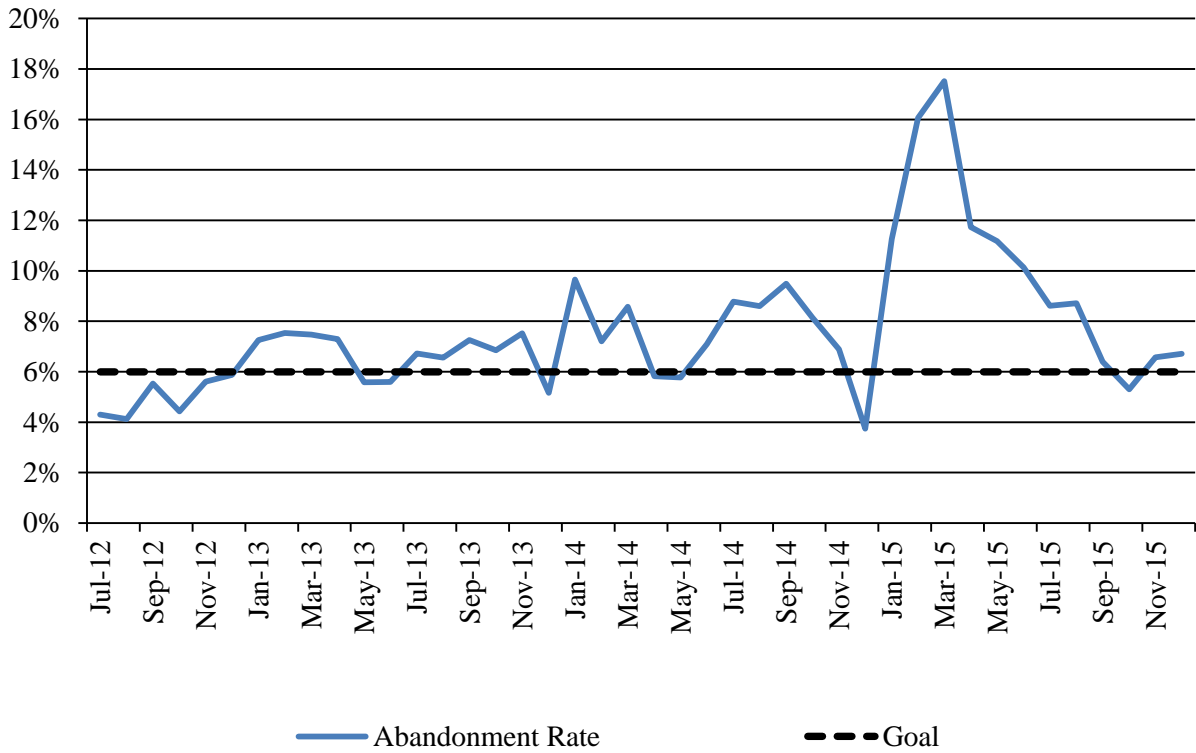
The resulting analysis by NEPC, LLC generally endorses the system's current asset allocation. It describes the allocation as "robust and well diversified...and providing a long term expected return of 7.51% over 30 years." It confirms that the system is substantially underweighting equities compared with its peers (37.0% vs. 54.0%), but generally views this as consistent with best practices. It further notes that recent increases to emerging market equities and long-term Treasuries contribute positively to the investment program's risk profile and projected returns. NEPC's analysis does recommend several minor adjustments to the system's asset allocation, most notably greater exposure to international equities and expansion of private debt and risk parity strategies.

One significantly positive conclusion from the NEPC analysis is that the system has "less reliance on equity market risk" than its peers. Although its exposure to equity market risk is greater than its allocation of assets to equity markets (prompting the recommendation to expand risk parity strategies), the comparatively low equity risk should provide some insulation from the recent equity market correction and generate returns that are comparatively higher than peers with higher public equity allocations. **The Board of Trustees and SRA are asked to comment on the findings from the NEPC analysis, and to discuss the prospects for fiscal year returns, particularly the probability of improved comparative returns.**

2. Call Center's Struggles Reach Unprecedented Levels

Multiple factors caused the performance of SRA's call center to deteriorate to levels not seen in recent years. The call center failed to meet its key performance targets for most of fiscal 2015, 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 1:45 minutes. As the exhibits show, the call center achieved each of those goals in just one month of fiscal 2015. Moreover, the percentage of dropped calls exceeded 10% for six straight months beginning in January 2015, and wait times exceeded three minutes for five straight months, also beginning in January.

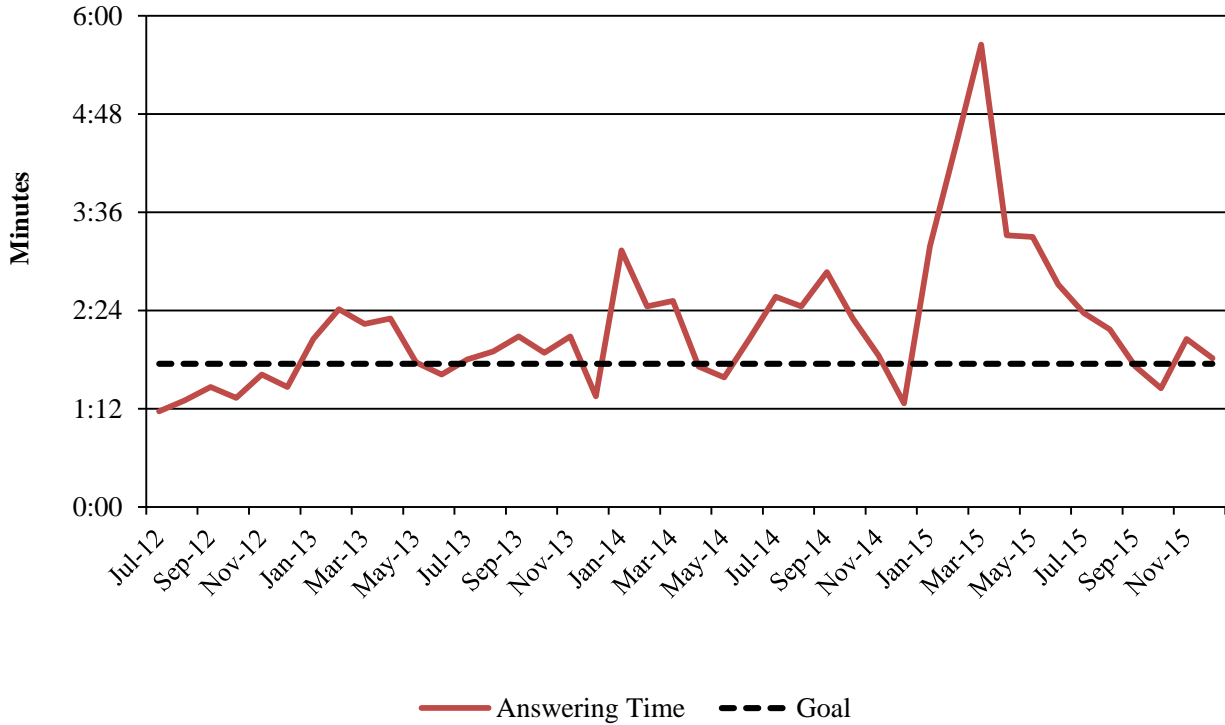
Exhibit 2
SRPS Member Services Call Abandonment Rate
July 2012 - December 2015



SRPS: State Retirement and Pension System

Source: State Retirement Agency

Exhibit 3
SRPS Member Services Call Answering Time
July 2012 - December 2015

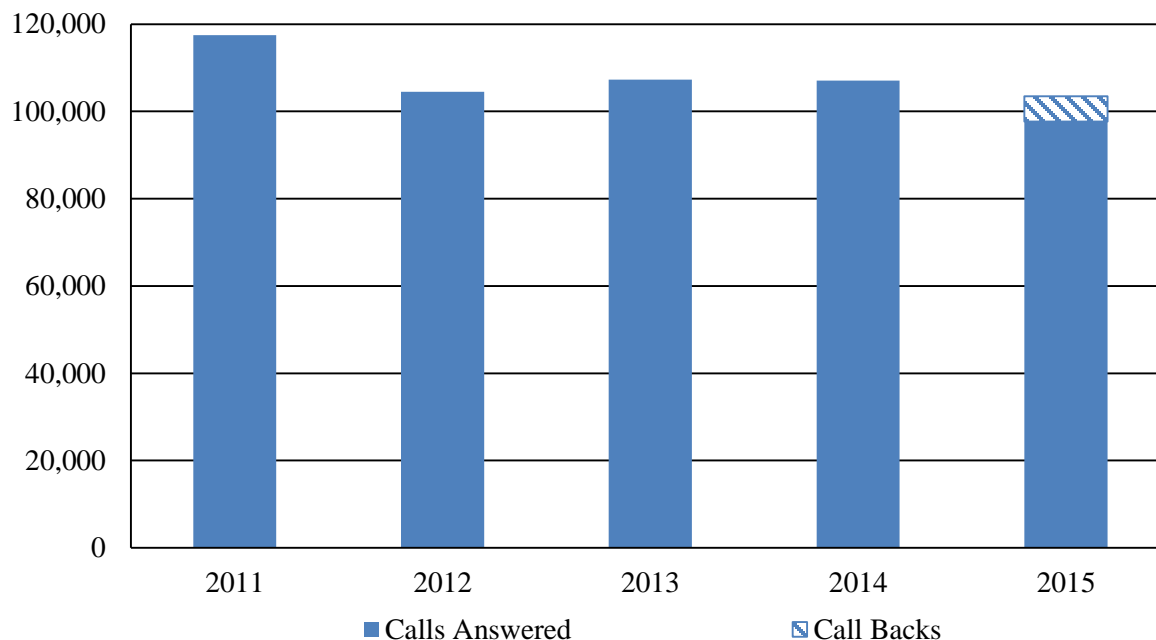


SRPS: State Retirement and Pension System

Source: State Retirement Agency

Exhibit 4 shows that call volume is not the reason for the call center’s struggles in fiscal 2015. In fact, even after accounting for callbacks, a feature of the agency’s new phone system, call volume in fiscal 2015 was below that of the prior two fiscal years and significantly below that of fiscal 2011. Yet, the call center’s performance in fiscal 2015 was substantially worse than in those prior years. Three factors other than call volume contributed to the poor performance: the Voluntary Separation Program (VSP), defective phone lines, and counselor turnover. As these issues have been addressed, the call center’s performance has improved noticeably. It still was unable to meet its targets in most of the early months of fiscal 2016, but the gaps between the goals and actual performance have narrowed substantially.

Exhibit 4
SRPS Call Center Volume
Fiscal 2011-2015



SRPS: State Retirement and Pension System

Note: Exhibit includes only calls handled by counselors; additional calls are handled by an automated system.

Source: State Retirement Agency

Beginning in January 2015, the agency fielded a high volume of requests for benefit estimates from employees considering taking advantage of the Administration’s VSP. This prompted the agency to reassign a number of counselors away from answering telephone inquiries to address the VSP requests. Second, after hearing numerous complaints that phone calls were being dropped, the agency determined that some of the phone lines coming into the system were defective. The problem has been addressed with Verizon. Finally, the agency continues to experience turnover among the benefit counselor positions. Although the positions were fully staffed in January 2015, several vacancies occurred subsequently, with 3 positions still vacant as of December 31, 2015, and an additional vacancy occurring in January 2016. Nevertheless, in the absence of external factors such as VSP and bad phone lines, the call center is very close to achieving its performance goals, and the absence of a growing call volume does not justify the addition of 2 benefit specialists. **Therefore, DLS recommends cutting 1 new benefit specialist position, leaving 1 of the new positions in place to help the call center meet its performance goals more regularly.**

Proposed Budget

As shown in **Exhibit 5**, the increase of \$1.57 million for custodial banking is prompted in part by the growth in the number of managers in the system’s investment portfolio. The current custodial banking contract dates to January 2008, when the system had fewer than 100 external managers and only a small number in alternative classes (it now has more than 300, with a substantial number of those in alternative asset classes). Research on the market rate for comparable services indicates that fees for custodial banking services for a portfolio as large and complex as the system’s portfolio may be as high as \$4.0 million, compared with \$900,000 for the current contract. The additional allowance covers one-half year of the new contract, which will take effect January 2017.

Additional funds for retirement benefit specialists (\$114,199) and information technology (IT) contractors (\$380,000) are discussed elsewhere in this analysis. The allowance also includes \$137,500 for election services, as terms for two elected members of the board expire in fiscal 2017, and \$86,000 for contracted rent increases.

Exhibit 5
Proposed Budget
State Retirement Agency
(\$ in Thousands)

How Much It Grows:	<u>Special</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
Fiscal 2015 Actual	\$17,704	\$9,642	\$27,346
Fiscal 2016 Working Appropriation	18,273	9,839	28,113
Fiscal 2017 Allowance	<u>20,654</u>	<u>10,786</u>	<u>31,441</u>
Fiscal 2016-2017 Amount Change	\$2,381	\$947	\$3,328
Fiscal 2016-2017 Percent Change	13.0%	9.6%	11.8%

Where It Goes:

Personnel Expenses

New positions.....	\$114
Increments and other compensation.....	-222
Employee and retiree health insurance	514
Workers’ compensation premium assessment	3
Turnover adjustments.....	91
Retirement.....	328
Other fringe benefit adjustments.....	-20

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Where It Goes

Other Changes

Custodial banking services	1,570
Programming and data entry contracts.....	396
Shared human resource services allocation	175
Board election services	138
New software	122
Rent.....	86
Postage.....	65
Travel.....	40
Contractual human resources position transferred.....	-41
Actuarial services.....	-45
Other	15
Total	\$3,328

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

Across-the-board Reductions

The fiscal 2017 budget bill includes an across-the-board reduction for employee health insurance, based on a revised estimate of the amount of funding needed. This agency’s share of these reductions is \$43,266 in special funds. There is an additional across-the-board reduction to abolish positions statewide, but the amounts have not been allocated by agency.

Issues

1. Efforts to Address Information Technology Workload Hit Snags

SRA is experiencing a growing backlog of IT projects. In fiscal 2016, it had to reprogram its system to accommodate the State's new Wellness Program to allow for possible deductions and/or incentive payments to retiree checks based on their compliance with the program's requirements. This was an unplanned initiative that caused delays to other agency priorities, most notably the implementation of Phase II of the Maryland Pension Administration System (MPAS). Ongoing changes to the tax code and the board's recent decision to update option and annuity factors used to calculate retiree benefits also compete for IT resources, along with other internal initiatives to incorporate business practices into MPAS that are not fully automated. Currently, most of the operation and maintenance of MPAS is carried out by 5 outside contractors, with the contract allowing up to 7 contractors.

Partly as a way to address the backlog, but also to reduce reliance on outside contractors for critical agency functions, the agency devised a plan last year to reduce the number of contractors by 2 individuals and convert the funding for those positions into 4 regular positions, for a net gain of 2 IT staff at no additional cost to the agency. SRA has twice recruited for the 4 new positions, but has received only one application. As a result, it has maintained the current complement of 5 contractors, and briefly increased it to 7 to complete a time-sensitive project.

The Governor's allowance includes \$380,000 to add 2 additional IT contractors to begin to address the backlog of IT projects, thereby raising the number of contractors to the full amount allowed by the operations and maintenance contract. However, the agency advises that it has been working closely with the Department of Budget and Management to expand its recruitment process for the new regular positions, and it remains hopeful that it can eventually fill the new positions. Given that it still has six months until the beginning of the fiscal year to fill those positions, it seems premature to provide funding for 2 additional contractors when the agency may be able to substantially address its needs by filling existing positions. **Therefore, DLS recommends cutting the new allocation in half, to \$190,000, leaving funding for 1 additional contractor as a contingency in the event that the new positions are not filled. DLS further recommends that the entire complement of IT staff be reassessed prior to fiscal 2018.**

2. Report on Alternatives to Board of Trustees Elections Is Delayed

The 2014 JCR requested a report from the agency by December 1, 2014, on possible alternatives to holding elections for the five individuals who represent active and retired members on the Board of Trustees. The 2014 DLS analysis found that the elections are expensive to run and have extremely low participation rates, typically under 10%. The report was to include information on whether other state pension boards include member and retiree representatives and how they are selected. SRA requested and was granted an extension to January 31, 2015, to complete the report.

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SRA delivered the report on January 28, 2016 (*i.e.*, one year late). The report notes that since fiscal 2000, fewer than half of the vacancies among the elected members of the board have been filled by contested elections. In 14 of 24 instances in which a vacancy occurred, the vacancy was filled by a direct appointment to the board as a result of the individual running unopposed, with 10 vacancies being filled by a contested election. The average voter participation rate in those 10 elections was about 13%, with several recent elections having participation rates under 7%. The costs of the three most recent contested elections held by the board were \$130,000, \$122,000, and \$193,000, the latter costing more because two notices were mailed to voters in an effort to increase participation.

The report includes four options for consideration by the General Assembly, which are:

- do nothing;
- reduce the costs of elections by eliminating or reducing the need for outside vendors and paper mailings;
- require the Governor to appoint employee and retiree representatives from lists provided by exclusive representatives or organizations representing the members; or
- require the board to appoint employee and retiree representatives through an open screening process developed by the board.

DLS notes that options 2 through 4 would reduce or eliminate agency expenditures for the conduct of contested elections. The fiscal 2017 allowance includes \$137,500 for trustee election services for two scheduled elections and additional funding for postage to distribute notices and ballots for the elections. Had the agency submitted the report timely, the Joint Committee on Pensions (JCP) could have considered these options and possibly introduced legislation in the current session to implement one of the alternative selection methods outlined in the report, potentially saving as much as \$200,000. Nevertheless, there may still be interest in enacting legislation during this session to implement one of the board's recommendations and obviate the need for elections to be held in fiscal 2017. **Therefore, DLS recommends a reduction of \$137,500 that is contingent on the enactment of legislation that repeals trustee elections in fiscal 2017.**

Recommended Actions

	<u>Amount Reduction</u>		<u>Position Reduction</u>
1. Reduce funding for information technology (IT) contractors. Allows for 1 new operations and maintenance IT contractor (instead of 2) as a contingency in the event that the agency cannot fill existing vacant IT positions.	\$ 190,000	SF	
2. Reduce funding for postage; the agency used surplus funds in fiscal 2015 to prepay postage.	250,000	SF	
3. Reduce funding for equipment; the agency used surplus funds in fiscal 2015 to purchase additional equipment.	100,000	SF	
4. Delete 1 retirement benefits specialist I (new position). The call volume and performance in the agency's call center warrants the addition of 1, not 2, new specialists.	48,693	SF	1.0
5. Delete funding for trustee election services vendor, contingent on the enactment of legislation that repeals elections for members of the Board of Trustees.	137,500	SF	
Total Special Fund Reductions	\$ 726,193		1.0

Updates

1. Department of Legislative Services’ Review of Disability Benefits Recommends Numerous Changes

The 2015 JCR asked DLS, working with SRA, to review the process used to award disability benefits and the benefits provided in comparison to those provided by other states. DLS completed the review and reported its findings and recommendations to JCP in October 2015. Among the key findings from the review were:

- The SRA process for reviewing applications for disability benefits is rigorous and multi-layered, relying heavily on assessments by medical professionals. During the course of the DLS review, the board voted to eliminate exceptions hearings that allow applicants to appeal the recommendations of the Office of Administrative Hearings (OAH) directly to the board. Therefore, OAH will have final decision making authority with regard to disability appeals, subject to judicial review by the circuit court.
- At least 90% of applications for disability benefits were approved by the board in each of the last five fiscal years. This includes applications for accidental or special disability that were granted ordinary disability benefits.
- Maryland has the highest percentage of disability retirees of the 50 states (11.67% of all retirees).
- Maryland has the twelfth highest average disability payment (\$20,670) of the 50 states.
- The structure of disability benefits in Maryland is generally consistent with that of other states, except that only 6 states project years of service for the calculation of ordinary disability benefits to normal retirement age.

JCP considered 12 recommendations made by DLS. Several of the recommendations do not require legislative action because they can be handled administratively. Among the key recommendations accepted by JCP, and for which it will sponsor legislation, are:

- reducing from four to two the number of years following the end of paid employment during which a member can apply for ordinary disability;
- raising the small procurement cap from \$25,000 to \$50,000, only for independent medical evaluations requested by the agency;
- for the calculation of ordinary disability benefits, projecting service credit to first eligibility for retirement rather than normal retirement age;

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- authorizing SRA to review the disability status of a retiree and suspend benefits if it finds that the individual is no longer disabled; and
- making these changes effective for applications for disability benefits submitted on or after July 1, 2016.

Among the recommendations not accepted by JCP were:

- raising the vesting requirement for ordinary disability benefits from 5 to 10 years;
- repealing the annuity of accumulated contributions for accidental and special disability retirees; and
- adopting a two-tiered process for ordinary disability benefits, providing a temporary benefit for two years and then a permanent benefit if the incapacity meets specified criteria.

2. Contributions by Local School Boards Are Still Higher Than the Original Forecast, but Less Than Last Year’s Prediction

Fiscal 2017 represents the first year that local school boards must contribute 100.0% of the actual pension normal cost for their employees who are members of the Teachers’ Retirement System or the Teachers’ Pension System (TRS/TPS). During the 2012 legislative session, when the local contributions were phased in over five years, the SRPS actuary projected the normal cost rate for TRS/TPS to be 4.05% in fiscal 2017 (**Exhibit 6**). As recently as the 2015 session, it was projected to be 5.05%, with the higher figure largely due to changes in actuarial assumptions adopted by the board shortly after the 2012 session. As shown in Exhibit 6, however, the actual normal cost rate for fiscal 2017 is 4.56%, which is substantially less than the rate predicted in calendar 2015, but still higher than the original forecast. The reduction in the normal cost from the prediction in calendar 2015 is driven largely by higher than expected turnover among teachers, resulting in more new TRS/TPS members being hired under the new, less generous, benefit structure.

With a normal cost rate of 4.56%, pension contributions by local school boards total \$279.8 million in fiscal 2017, which is \$30.5 million higher than the original forecast and \$25.0 million more than they paid in fiscal 2016. However, it is \$26.2 million less than was predicted during the 2015 session. **Appendix 2** contains a breakdown of the increased costs in fiscal 2017 for each county. Local variation in the effect of the increased normal cost stems from differences in salary growth among local school boards.

Exhibit 6
Projected Local Share of Teacher Pension Costs

	<u>2012</u> <u>Projection</u>	<u>2015</u> <u>Projection</u>	<u>Current</u> <u>Projection</u>
TCS Normal Cost			
Fiscal 2017	4.05%	5.05%	4.56%
Pension Contributions			
Fiscal 2016 School Boards	\$254,754,588		
Fiscal 2017 School Boards	\$249,299,915	\$305,944,058	\$279,751,007

TCS: Teachers' Combined Systems

Source: State Retirement Agency; Department of Legislative Services

3. Actuarial Stress Test Confirms Risks of Poor Investment Performance

In response to a request from the chairmen of the Senate Budget and Taxation Committee and the Senate Pensions Subcommittee, the General Assembly's consulting actuary completed a stress test of the SRPS financial position. The stress test projected 30-year financial positions based on (1) the system's assumed rate of investment return, (2) annual rates of investment return that are 3 percentage points above and below the assumed rate, and (3) employer contributions totaling only 80% of the actuarially determined contribution (ADC) each year. The analysis yielded six scenarios, three with 100% funding of the ADC at each of the three investment return levels, and three with 80% funding of the ADC at each of the investment return levels.

Overall, the stress test demonstrated the critical role that investment returns play in achieving funding stability, but they also point to the importance of maintaining funding discipline even in difficult times. In three of the six scenarios, including the baseline scenario of 100.0% funding and a 7.55% investment return, the maximum employer contribution rate is achieved within the next two fiscal years. However, in both scenarios with a 4.55% investment return, the system fails to achieve the 80.0% funded level, much less full funding. Yet, even in the worst investment scenarios, the system never reaches insolvency as long as contributions are held at or close to the ADC level.

Current and Prior Year Budgets

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

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2015					
Legislative Appropriation	\$0	\$18,062	\$0	\$9,862	\$27,924
Deficiency Appropriation	0	0	0	0	0
Cost Containment	0	0	0	0	0
Budget Amendments	0	99	0	54	153
Reversions and Cancellations	0	-458	0	-274	-732
Actual Expenditures	\$0	\$17,704	\$0	\$9,642	\$27,346
Fiscal 2016					
Legislative Appropriation	\$0	\$18,075	\$0	\$9,839	\$27,915
Budget Amendments	0	198	0	0	198
Working Appropriation	\$0	\$18,273	\$0	\$9,839	\$28,113

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. Numbers may not sum to total due to rounding.

Fiscal 2015

The distribution of centrally budgeted funds for a 2% employee cost-of-living adjustment beginning January 1, 2015, increased expenditures of special funds by \$99,373 and reimbursable funds by \$53,777, for a total increase of \$153,150.

The terms of a renegotiated lease resulted in lower than expected rent payments. In addition, two procurements expected to be completed in fiscal 2015 were deferred to fiscal 2016. Together, these two factors were largely responsible for an unspent balance of \$732,000 at the end of fiscal 2015.

Fiscal 2016

The restoration of a 2% employee salary adjustment authorized by the fiscal 2016 budget bill increased expenditures of special funds by \$198,000.

Local Share of Projected Increase in Teacher Pension Payments

Fiscal 2017

<u>County</u>	<u>2012 Projection</u>	<u>2016 Projection</u>	<u>Difference</u>
Allegany	\$2,714,289	\$2,763,242	\$48,953
Anne Arundel	20,969,486	23,751,648	2,782,163
Baltimore City	23,576,930	24,959,627	1,382,696
Baltimore	28,745,445	31,600,022	2,854,577
Calvert	5,173,986	5,326,003	152,017
Caroline	1,448,482	1,644,635	196,153
Carroll	7,308,290	7,460,180	151,890
Cecil	4,487,780	4,865,193	377,413
Charles	7,181,921	7,971,354	789,433
Dorchester	1,197,820	1,386,542	188,722
Frederick	10,752,240	12,112,802	1,360,562
Garrett	1,212,728	1,177,020	-35,707
Harford	10,088,656	10,170,828	82,171
Howard	17,917,902	21,295,257	3,377,355
Kent	668,012	657,556	-10,456
Montgomery	49,674,917	58,672,664	8,997,747
Prince George's	35,676,071	41,195,463	5,519,393
Queen Anne's	2,016,962	2,277,138	260,176
St. Mary's	4,534,994	4,781,065	246,070
Somerset	875,955	995,816	119,861
Talbot	1,146,578	1,279,527	132,949
Washington	5,645,009	6,334,809	689,800
Wicomico	3,965,581	4,543,143	577,562
Worcester	2,319,881	2,529,473	209,592
Total	\$249,299,915	\$279,751,007	\$30,451,092

Source: State Retirement Agency; Department of Legislative Services

**Object/Fund Difference Report
State Retirement Agency**

<u>Object/Fund</u>	<u>FY 15 Actual</u>	<u>FY 16 Working Appropriation</u>	<u>FY 17 Allowance</u>	<u>FY 16 - FY 17 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	192.00	200.00	202.00	2.00	1.0%
02 Contractual	15.50	9.50	9.50	0.00	0%
Total Positions	207.50	209.50	211.50	2.00	1.0%
Objects					
01 Salaries and Wages	\$ 17,995,769	\$ 19,493,001	\$ 20,344,077	\$ 851,076	4.4%
02 Technical and Spec. Fees	845,498	766,009	758,362	-7,647	-1.0%
03 Communication	842,906	540,628	634,779	94,151	17.4%
04 Travel	124,180	134,215	174,245	40,030	29.8%
07 Motor Vehicles	148,544	137,248	136,540	-708	-0.5%
08 Contractual Services	4,703,367	4,500,329	6,821,267	2,320,938	51.6%
09 Supplies and Materials	154,507	175,338	152,565	-22,773	-13.0%
10 Equipment – Replacement	625,215	154,163	150,200	-3,963	-2.6%
11 Equipment – Additional	93,256	66,148	60,300	-5,848	-8.8%
12 Grants, Subsidies, and Contributions	383,301	382,426	382,426	0	0%
13 Fixed Charges	1,429,125	1,763,216	1,869,246	106,030	6.0%
Total Objects	\$ 27,345,668	\$ 28,112,721	\$ 31,484,007	\$ 3,371,286	12.0%
Funds					
03 Special Fund	\$ 17,703,845	\$ 18,273,497	\$ 20,697,587	\$ 2,424,090	13.3%
09 Reimbursable Fund	9,641,823	9,839,224	10,786,420	947,196	9.6%
Total Funds	\$ 27,345,668	\$ 28,112,721	\$ 31,484,007	\$ 3,371,286	12.0%

Note: The fiscal 2016 working appropriation does not include deficiencies or reversions. The fiscal 2017 allowance does not include contingent reductions.