G20J01
State Retirement Agency

Operating Budget Data

($ in Thousands)

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change	% Change Prior Year
Special Fund	$31,322	$27,768	$3,412	-$24,356	-87.7%
Adjusted Special Fund	**$31,322**	**$27,768**	**$3,412**	**-$24,356**	**-87.7%**
Reimbursable Fund	0	0	22,555	22,555	
Adjusted Reimbursable Fund	**$0**	**$0**	**$22,555**	**$22,555**	
Adjusted Grand Total	**$31,322**	**$27,768**	**$25,968**	**-$1,800**	**-6.5%**

- The major change to the State Retirement Agency (SRA) budget is a shift from the exclusive utilization of special funds appropriated from the pension trust in order to finance agency operations to the majority of the budget being funded through reimbursable funds from State agencies and special fund revenues from participating governmental units generated by a new administrative charge to all employers for whom the agency administers retiree benefits.

- In total, the SRA fiscal 2013 allowance decreases by $1,800,482 when compared to the fiscal 2012 working appropriation. The prime cause of the decline is the removal of $2.5 million in funding for the second phase of the Maryland Pension Administration System (MPAS-2) information technology project, which has been halted by the agency. Offsetting growth primarily arises in expenses related to software licenses, personnel spending for fringe benefits, and consulting charges.

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

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Personnel Data

	FY 11 Actual	FY 12 Working	FY 13 Allowance	FY 12-13 Change
Regular Positions	193.00	187.00	189.00	2.00
Contractual FTEs	10.74	15.00	14.50	-0.50
Total Personnel	**203.74**	**202.00**	**203.50**	**1.50**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	7.50	4.01%
Positions and Percentage Vacant as of 12/31/11	2.00	1.07%

- The agency receives 2.0 new positions in the allowance, an administrative officer I and accountant I, with a combined salary and fringe benefit value of $93,182. Both are to provide support to the Benefits Administration Division.

- Contractual employment decreases by 0.50 full-time equivalent.

Analysis in Brief

Major Trends

Peer Comparisons of Investment Returns: From 2009 to 2011, Maryland's performance ranked fourteenth out of 26 comparable systems in terms of annualized return, and State Retirement and Pension System's (SRPS) 3.07% average return exceeded the 2.9% average of its peers. **The agency should describe how it can employ research on the portfolios of high-performing peer systems to enhance SRPS investment returns.**

Call Center Performance Begins to Rebound: Midway through fiscal 2012, productivity measures for member services team show it overcoming problems that caused long wait times and high call abandonment rates in the prior fiscal year.

Issues

System Status After 2011 Pension Reform: Post-reform State pension contributions lower the system's liabilities and reinvest savings to improve its funded status.

Benefits of Reviewing Actuarial Assumptions and Funding Method: A board proposal on changes to the funding method and amortization policy could further solidify the system's fiscal posture, but additional adjustments to actuarial assumptions to provide a holistic picture of its impact on State finances are required. **The Department of Legislative Services recommends that SRA and DLS develop and submit a report to the Joint Committee on Pensions that details a plan to phase out the corridor funding method and adjust all pertinent actuarial assumptions to improve the financial stability of the system.**

No Funding for MPAS-2 Is a Missed Opportunity for Efficiencies: The SRA fiscal 2013 allowance does not include any funds for the second phase of the MPAS project, marking a missed opportunity to take advantage of the large investment made in upgrading the agency's computer system. **The agency should comment on its plans for completing the subsequent stages of MPAS.**

Recommended Actions

1. Requires submission of a report to the Joint Committee on Pensions on corridor funding and actuarial assumptions.

Updates

Administrative Fee Takes Effect: The agency's budget is for the first time being funded through an administrative charge to all employers for whom the agency administers retiree benefits, rather than being withdrawn from the pension trust.

Operating Budget Analysis

Program Description

The State Retirement Agency (SRA), under the direction of the 14-member Board of Trustees (board) 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 to all retirement plan participants 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.

The agency's administrative budget is funded through a new method in fiscal 2013. Previously, 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.

As of June 30, 2011, the system's assets totaled $37.6 billion, a $5.7 billion increase from the end of fiscal 2010. **Appendix 2** contains detail on SRPS asset changes.

Performance Analysis: Managing for Results

Peer Comparisons of Investment Returns

SRPS ended fiscal 2011 with a 20% return on its investment portfolio, continuing the fiscal 2010 recovery from significant negative rates of return in fiscal 2008 and 2009. To best describe the performance of SRPS' investment performance in relation to its peers, SRA and the

Department of Legislative Services (DLS) have worked together to identify 25 other large pension systems most like Maryland. Comparative data on returns and asset allocations have been researched annually to generate a ranking from fiscal 2009 to 2011 of the highest and lowest performing systems in each period. The allocation to equities has also been recorded, with equities here reflecting publicly traded equities, private equity investments and real estate; a description of SRPS' current holdings by asset class and targeted allocations is provided in **Appendix 3.** Systems that report on a different fiscal year schedule provided information not typically made public to allow for data comparability. **Exhibit 1** charts the performance of Maryland and key comparable systems in this newly devised peer universe; the names of the systems have been removed because much of the information provided to SRA by its peers was done so confidentially and is not for public release.

Over the three years for which data has been gathered, Maryland's performance ranked fourteenth out of the 26 systems in terms of annualized return, and SRPS' 3.07% average return exceeded the 2.9% average of its peers. The data indicates several potential lines of investigation:

- First, the data clearly shows that a single year's return is not correlated to longer term success. Pension System A had the largest percentage return in fiscal 2011, growing by 24.0%, but even with that stellar temporary jump, it was eighteenth of 26 over the three-year term. A similar story has played out in each of the previous two fiscal years under review.

- Second, asset allocation alone, particularly the percentage a system dedicates to highly volatile equities, will not dictate longer term outcomes. Eleven of the systems that outperformed SRPS over the three-year period have a higher allocation to equities than Maryland, as do ten systems that underperformed SRPS. It should be noted, however, that the system with the greatest portion of its assets committed to equities, the California Public Employees' Retirement System, had the third worst overall performance over the three years for which comparative data is available.

- Third, the annualized returns reflect the comparatively greater power of negative returns on a system's assets than positive ones. Of the eight highest performing systems over the three-year period, seven were in the top eight in fiscal 2009, the year when the largest market losses were recorded. For example, even though Pension System D ranked dead last in fiscal 2011's return rankings, it placed second overall in the three-year period because it fell just 14.3% in fiscal 2009, when the average system dropped by over 20.0%. Positioning the portfolio to protect gains made a larger impact than posting high rebound returns in subsequent years.

The rankings show which systems it may profit SRPS investment staff to analyze further, such as Pension System C. Data on how the successful systems designed their portfolio to protect principal and incur lower losses could provide guidance as the system refines its asset allocations under the newly appointed Chief Investment Officer. Detail on the timing when the best performing system held each type of asset would illuminate the performance figures even further. **The agency should describe how it can employ research on the portfolios of high-performing peer systems to enhance SRPS investment returns.**

Exhibit 1
Top 25 Peer-State Pension Plans
Fiscal 2009-2011

State System	One-year Returns through 6/30/2011	Rank Fiscal 2011	One-year Returns through 6/30/2010	Rank Fiscal 2010	One-year Returns through 6/30/2009	Rank Fiscal 2009	Equity Exposure	Highest Equity Exposure	Ranked 3-year Performance	3-year Average Return
Single Year High Performers										
Pension System A	24.0%	1	13.5%	11	-22.7%	20	66.2%	16	18	2.84%
Pension System B	22.3%	10	17.0%	1	-22.3%	19	74.0%	6	9	3.65%
Pension System C	21.3%	15	11.1%	23	-13.1%	1	61.9%	21	1	5.42%
Period High Performers										
Pension System D	18.0%	26	14.4%	5	-14.3%	3	56.6%	23	2	4.97%
Pension System E	23.3%	3	15.2%	3	-18.8%	6	72.3%	9	3	4.87%
Pension System F	22.9%	7	13.3%	12	-17.7%	5	65.0%	17	4	4.65%
Pension System G	18.5%	25	12.0%	19	-14.2%	2	50.9%	25	5	4.41%
Pension System H	22.1%	12	14.0%	8	-19.0%	7	71.1%	11	6	4.07%
Pension System I	19.6%	21	10.2%	25	-15.3%	4	77.9%	4	8	3.76%
Pension System J	18.6%	24	13.8%	9	-19.04%	8	46.9%	26	15	2.99%
California Public Employees' Retirement System	*20.7%*	*17*	*11.4%*	*22*	*-24.0%*	*22*	*83.1%*	*1*	*24*	*0.72%*
State Retirement and Pension System of Maryland	**20.0%**	**20**	**14.0%**	**7**	**-20.0%**	**13**	**57.3%**	**22**	**14**	**3.07%**
Average Return All Systems	**21.41%**		**12.94%**		**-20.29%**		**67.5%**			**2.98%**

Note: Equity reflects public equity, private equity, and real estate.

Source: State Retirement Agency; Department of Legislative Services

Call Center Performance Begins to Rebound

SRA's call center is the agency's primary vehicle for communicating with system members about the benefits to which they are entitled. **Exhibit 2** tracks the monthly results of the agency's two key metrics of call service efficacy: the rate of call abandonment and the average time to answer each call.

Exhibit 2
Monthly Rate of Call Abandonment and Average Time to Answer
Fiscal 2010-2012

	Rate of Call Abandonment			Average Time to Answer		
	2010	**2011**	**2012**	**2010**	**2011**	**2012**
July	3.4%	7.9%	3.1%	0:57	2:31	1:04
August	4.4%	6.8%	2.5%	1:28	2:11	0:53
September	6.9%	7.8%	2.2%	1:54	2:23	0:43
October	4.4%	6.8%	2.8%	1:09	2:01	0:49
November	5.3%	5.0%	1.9%	1:23	1:36	0:36
December	3.3%	9.6%	1.7%	0:49	2:56	0:29
January	3.7%	11.8%		1:12	4:10	
February	5.4%	14.9%		1:43	5:31	
March	5.5%	12.0%		1:34	4:09	
April	3.8%	5.8%		1:08	2:01	
May	2.8%	4.6%		0:44	1:22	
June	3.2%	3.8%		1:00	1:13	
Average	**4.3%**	**8.1%**	**2.4%**	**1:15**	**2:40**	**0:45**
Goal	**6.5%**	**6.0%**	**6.0%**	**1:30**	**1:30**	**1:30**

Note: Fiscal 2012 figures as of January 1, 2012.

Source: State Retirement Agency

As discussed during the 2011 session, January through March 2011 represented a period of extremely high volume and low staffing level for the call center. Call volume was increased due to the short timeframe for employees to opt for retirement under the Administration's Voluntary Separation Program, the flood of responses to a letter issued by the Internal Revenue Service/SRA to over 38,000 deferred vested members seeking updated status information, and the enactment of several early retirement incentive programs by participating governmental units. The agency also advises that these events required the call center to direct three of its staff members away from the phones and toward the backlog of estimates that had accumulated.

As a result, in fiscal 2011, an average of 8.1% of calls was abandoned before a counselor attended to the caller, nearly twice the amount registered in fiscal 2010. As for the time to connect to a benefits counselor, wait times clocked in at 2:40 minutes, after having beaten the agency goal of 1:30 minutes in fiscal 2010. However, Exhibit 2 shows that, midway through fiscal 2012, the member services team has overcome these problems, as both of the agency's Managing for Results measures exceed their target goals.

Fiscal 2012 Actions

Section 47 of the fiscal 2012 budget bill required the Governor to abolish 450 positions as of January 1, 2012. This agency's share of the reduction was 2 positions. The annualized salary savings due to the abolition of these positions is expected to be $109,532 in special funds.

Proposed Budget

As seen in **Exhibit 3**, the removal of funding for the second phase of the Maryland Pension Administration System (MPAS) project is the source of greatest change in the fiscal 2013 allowance, removing $2.5 million in funding that had been included in the fiscal 2012 working appropriation. Yet, two computer-related contracts also form the source of the allowance's largest increases. The System Development Support Services contracts ($388,000) provides operational support for those applications and development platforms not related to MPAS, such as the Deferred Retirement Option Program, Service Buy-Backs, imaging and indexing, traverse accounting, the public website, and the agency's Intranet. These services had formerly been completed by contractual full-time equivalents, but SRA had frequent difficulties with turnover in this function and opted to lower that contractual outlay ($401,012) in favor of a vendor contract. However, this change prompts an offsetting adjustment to the agency's contractual employee turnover of -$119,466.

The other computer expenditure that has grown in the fiscal 2013 allowance is a series of maintenance contracts with a combined value of $325,531. This expense includes, among others, the hardware and software for the Interactive Voice Response system, rules engine software, storage area network hardware, several servers at the end of their initial warranty periods, and Symantec anti-virus software licenses. The agency estimates that approximately $122,000, or 37.5% of the increase, is related to MPAS upkeep. Also of note is the need to provide $180,000 for upcoming board elections.

In terms of personnel, the largest increases are for employee/retiree health insurance costs ($168,851) and retirement contributions ($112,863), which are partially offset by the largest decrease, the removal of funding from the one-time bonus ($140,419). Also, through the creation of 2 new positions in the allowance, an administrative officer I and accountant I, SRA salary and fringe benefits costs increase by $93,182.

Exhibit 3
Proposed Budget
State Retirement Agency
($ in Thousands)

How Much It Grows:	Special Fund	Reimb. Fund	Total
2012 Working Appropriation	$27,768	$0	$27,768
2013 Allowance	3,412	22,555	25,968
Amount Change	-$24,356	$22,555	-$1,800
Percent Change	-87.7%		-6.5%
Contingent Reductions	$0	$0	$0
Adjusted Change	-$24,356	$22,555	-$1,800
Adjusted Percent Change	-87.7%		-6.5%

Where It Goes:

Personnel Expenses	
Employee and retiree health insurance	$169
Retirement contributions	113
New positions	93
Workers' compensation premium assessment	49
Turnover adjustments	-9
Overtime	-45
Salary adjustments	-48
Bonus funds	-140
Other fringe benefit adjustments	1
Other Changes	
Non-MPAS System Development Support Services contract	388
Computer maintenance contracts	326
Board of Trustee elections	180
Contractual employee turnover adjustment	119
Statewide personnel system allocation	90
Investment audits	63
Technical fees	29
Department of Information Technology charge	26

Where It Goes:

Statewide cost allocation	20
Office supplies	19
Attorney General fee	17
Travel	-15
Rent expense	-19
Annapolis Data Center	-50
Interest	-55
Communication costs	-63
Office equipment and computer workstations	-118
Programming contractors	-401
MPAS-2 funding	-2,500
Other	-39
Total	**-$1,800**

MPAS-2: Maryland Pension Administration System-2

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

Issues

1. System Status After 2011 Pension Reform

Pension changes adopted by the General Assembly during the 2011 session in Chapter 397 of 2011 (the Budget Reconciliation and Financing Act (BRFA) of 2011) altered the benefits offered to State employees and teachers and created a new budgeting mechanism to tackle the twin challenges of sustainable long-term system funding and affordable annual appropriations.

Liability Reduction

The reforms, detailed in **Appendix 4**, reduced the State's fiscal 2013 liabilities by $311 million, a figure projected to grow to over $450 million per year within five years. The liability reduction principally increases over time in step from the hiring of a new cohort of employees and teachers that will receive the Reformed Contributory Pension Benefit package rather than its more generous predecessors. The immediate value of the changes is highlighted in **Exhibit 4**, which compares the State contribution in the fiscal 2013 allowance to the systems with the contribution that would have been necessary without any changes. In the absence of the 2011 pension reform, State contributions for fiscal 2013 would have equaled $1.617 billion, or $223 million above the amount directed to the systems in the allowance. A three-year accounting of the contribution dollar figures and rates as a percentage of payroll is included in **Appendix 5**.

Exhibit 4
State Pension System – Contribution Rates and Budgeted Funding Levels
Fiscal 2011 Actual to Fiscal 2013 Allowance
($ in Millions)

	2011	2012	With Reform 2013	Change w/Reform 2012-13	Without Reform 2013	Change w/o Reform 2012-13
Employees' System – State Rate	11.69%	13.40%	14.36%		15.16%	
Employees' System – State $	*$321*	*$367*	*$416*	*$49*	*$439*	*$72*
Teachers' System – State Rate	14.34%	15.45%	15.30%		16.57%	
*Teachers' System – State $**	*$920*	*$920*	*$972*	*$52*	*$1,053*	*$133*
*Other Systems – State $***	*$93*	*$108*	*$110*	*$2*	*$126*	*$18*
Total $ Contribution	**$1,334**	**$1,395**	**$1,497**	**$102**	**$1,617**	**$223**

*The fiscal 2013 allowance contains contingent reductions to the State contribution into the Teachers' System of $229 million for local teachers and $9 million for those in community colleges to implement a cost sharing program with local employers. The State Retirement Agency administrative charge is removed.

**Other systems represent those serving State Police, judges, law enforcement officers, and legislators, and the differential between the budgeted and actuarial salary bases. Maryland Transportation Authority police officers are not included because they are nonbudgeted.

Numbers may not sum due to rounding.

Source: Gabriel, Roeder, Smith & Company; Department of Budget and Management; Department of Legislative Services

Yet, despite the reduction in liabilities, the State's contribution into the pension trust increases by $102 million. This increase is due to the new funding structure that reinvests savings realized from the reforms back into the systems to enhance their funded status.

Fiscal 2013 Allowance Funding Structure

The fiscal 2013 allowance utilizes two sources of contributions to arrive at the amounts budgeted by the State to fund pension benefits: the post-reform corridor rate and a reinvestment calculation. The post-reform rate reflects the State's new liability horizon and, as show in **Exhibit 5**, creates a required base contribution of $1.319 billion into the pension trust. This figure represents the minimum the State would have to contribute into the system given the reformed benefit structure and the corridor funding rules to meet statutory requirements. However, the BRFA of 2011 added another statutory requirement, namely the reinvestment of reform savings, because of the State's stated goal of reaching 80% funded status by 2022. In fiscal 2013, reinvestment will contribute an additional $191 million to the pension trust toward that end. This figure represents the $311 million of liability reduction achieved by the reforms less the $120 million reduction called for in the same 2011 BRFA provision. In fiscal 2014 and beyond, the State's reinvestment will be an additional $300 million annually above the corridor rate.

Exhibit 5

Employer Retirement Dollar and Percentage of Payroll Contribution Rates

Fiscal 2013 Allowance

Rates as % of Payroll	**Required Base**	**Required Reinvestment**	**Total**
Employees' Retirement	12.29%	2.07%	14.36%
Teachers' Retirement – State	13.29%	1.85%	15.14%
Teachers' Retirement – Local	13.29%	2.01%	15.30%
State Police	61.21%	3.42%	64.63%
LEOPS	46.81%	5.08%	51.89%
Judges'	61.18%	0.00%	61.18%

Rates as Budgeted $ Amounts	**Required Base**	**Required Reinvestment**	**Actual Included after 5% Turnover**	**Additional Included to Ensure Reinvestment Achieved**
Employees' Retirement	$358,532,382	$56,000,000	$415,900,480	$1,368,098
Teachers' Retirement – State	24,666,099	3,400,000	28,118,000	51,901
Teachers' Retirement – Local*	831,509,939	125,800,000	957,468,778	158,839
State Police	51,455,034	2,700,000	54,186,245	31,211
LEOPS	28,286,329	2,900,000	31,202,582	16,253
Judges'	24,112,494	0	24,112,494	0
Total	**$1,318,562,276**	**$190,800,000**	**$1,510,988,579**	**$1,626,303**

LEOPS: Law Enforcement Officers' Pension System

* Turnover is not applied to the local share of Teachers' Retirement as this payment is not processed through payroll; State Retirement Agency administrative charges have not been netted out to reflect how the figures appear in the allowance.

Source: Department of Budget and Management

Notably, the lowering of contributions achieved by the reforms has been partially offset by the large investment losses of calendar 2008 to 2009, in spite of the positive experience in fiscal 2010 to 2011. **Appendix 6** shows that, in spite of the 20% investment gain realized in fiscal 2011, the actuarially smoothed value of assets posted a loss due to divergences from plan assumptions. Falling payroll levels and accrued corridor-based liabilities joined past investment losses to push the base contribution rates upward in fiscal 2013. Still, the reforms have set the proper course as Gabriel, Roeder, Smith and Company (GRS), the system's actuary, reports that the combined State system will reach the 80% funded status target in 2021 under the current funding policy.

Finally, the fiscal 2013 allowance contains contingent reductions to the State contribution into the Teachers' System of $229 million for local school boards and $9 million for community colleges to implement a cost sharing program with local employers. However, because the source of the funds, whether they come from the State or from local employers, does not alter the total amounts that must be provided to the pension trust, this analysis does not address the Administration's proposed change. The DLS Aid to Education and Aid to Community Colleges analyses discuss this item in greater detail.

2. Benefits of Reviewing Actuarial Assumptions and Funding Method

During the 2011 interim, SRA presented a board-sponsored proposal to the Joint Committee on Pensions (JCP) that would move SRPS away from the statutorily mandated corridor funding methodology to another funding policy for the Employees' Pension System (EPS) and Teachers' Pension Systems (TPS), as the other systems do not use the corridor method. JCP has been supportive of the board's desire to move away from the corridor funding system, but the high cost of doing so has made any transition prohibitive. However, DLS believes that the new liability outlook provided by the 2011 pension reforms provides an opportunity to rework the funding policy. Yet, the board proposal does not address additional adjustments to several actuarial assumptions that must be considered together to provide a holistic picture of the impact the board proposal may have on State finances.

Board Proposal – Description

The corridor funding methodology states that when the system's funded ratio is less than 90% or higher than 110%, the rate utilized to determine the employer contribution is not the actuarially determined rate for that fiscal year but rather the rate used in the prior fiscal year plus 20% of the difference between the actuarial rate and the prior year's rate. Mathematically, this is equivalent to using 80% of the prior year's rate and 20% of the actuarial rate. This way of looking at the issue is helpful because the board proposal suggested that the actuarial rate in this calculation be increased and the use of the prior year's rate be reduced gradually over the course of 10 years. The plan suggests a 10% annual switch, so the 80% prior rate and 20% actuarial rate used for fiscal 2013 would be changed to 70% prior rate and 30% actuarial rate for fiscal 2014, and so on. By 2021, the actuarial rate would represent 100% of the total, and the corridor would be eliminated.

To offset the impact of the switch, the board proposal alters the amortization policy employed by SRPS for its liabilities. Currently, SRPS has two bases that must be amortized: the unfunded liability base extant as of July 2000 and the amount that has emerged in subsequent years. The pre-July 2000 portion is being amortized over a 20-year closed period. The liabilities for all subsequent years are amortized on separate 25-year closed periods, with each year creating a new base. A closed amortization period sums all outstanding liabilities and sets an end date when all the liabilities included in the base must be paid off, including new liabilities generated in each year. The proposal suggested a switch to a new, unified 25-year closed amortization base for all past liability sets, essentially beginning the financing of past obligations anew. This combination of the corridor phase-out and a new amortization policy method has both advantages and disadvantages, as will be described below.

Board Proposal – Advantages

Appropriate Moment to Exit the Corridor Method

The corridor method began by freezing the contribution rates for the EPS and TPS at fiscal 2002 levels, as long as the systems posted funded ratios between 90 and 110%. The timing of the corridor's implementation in fiscal 2002 was somewhat propitious given the investment climate that was to ensue in the mid-term. The fiscal 2001 and 2002 investment losses that had contributed to the implementation of the corridor methodology were mollified by positive investment experience over the subsequent five years. GRS reports that over the eight-year period from fiscal 2003 to 2010, the corridor underfunded the system by $938 million, a significant, but not overwhelming, amount given the $34.7 billion of actuarial assets held by the system at the end of fiscal 2010.

However, the staggering comparative size of the investment losses that occurred in fiscal 2008 and 2009, and which subsequently began to appear in the rate-setting valuations, made the corridor smoothing method exponentially more expensive. The underfunding that resulted when these large losses had to be run through the rate calculations exploded, summing to a projected $1.3 billion for the three years of fiscal 2011, 2012, and 2013. That is a total of $2.4 billion when the invested value of the forgone contributions are considered for the 11 years the corridor methodology has been in place. However, to put these figures in perspective, the system's investment losses from fiscal 2009 alone underfunded the system in that one year by $10.2 billion on a market basis and $7.6 billion in actuarial terms. Given the ever more uncertain investment climate, a move to actuarial funding is increasingly in the system's best interest.

Yet, the main obstacle to exiting the corridor methodology has long been the cost. Providing the funds to repay the totals underfunded in the past has been expensive, amounting to nearly hundreds of millions of dollars annually in times of constrained budgetary resources. Fortunately, the reduction of the liability structure stemming from the 2011 pension reforms has created an opportunity to transition by significantly bringing down current contribution rates, allowing for a shift that will not increase the State's annual budget contributions into the pension trust to such a degree that spikes emerge in agency budgets. The board plan cushions the potential impact by phasing out the corridor methodology over 10 years, repaying of past underfunding over an extended timeframe. The cost will continue to grow due to the pessimistic outlook of recent investment experience unless a phase-out is undertaken in the near future, so prolonged delays will become increasingly expensive to resolve.

Leverages Amortization Changes

The prime reason that the board proposal is able to move away from the corridor method is that it leverages changes to the amortization schedules, as described above. This refinancing technique offsets the increased cost of paying a greater share of the actuarially determined rate each year by spreading payments due in the near-term under the current amortization structure across a new 25-year unified base. This change is powerful enough to provoke a net savings to the system, an estimated $471.0 million by 2018 and $1.75 billion by 2022, even as additional funding to eliminate the corridor system is provided. It has the added advantage of resolving an impending problem set to occur in the State Police system. When the pre-2000 amortization base reaches the end of its closed period in 2020, the employer contribution rates, which are already over 60% of payroll, will double. Such an outcome would effectively make the State's annual pension contribution for each police officer greater than his or her actual salary. Rolling these liabilities into a new base allows a gradual resolution of this system's required payment schedule.

Preserves Goals of Pension Reform and Meets Accepted Standards

Finally, GRS calculates that the system will still reach 80% funded status by 2022 under the board proposal, thus achieving the State's mid-term funding goal. The system's funded status over the past five fiscal years is shown in **Exhibit 6**. By adhering to this goal and adopting a path to full actuarial funding, the board proposal moves SRPS to a recognized accounting standard and demonstrates the type of fiscal action desired by bond ratings agencies. Such improvements are increasingly important in light of a host of proposed Governmental Accounting Standards Board (GASB) accounting changes that will require greater disclosure of system financial information and are sure to attract increased scrutiny to pension-related liabilities and how they are derived.

Exhibit 6
State Retirement and Pension System of Maryland Funded Ratio
Fiscal 2007-2011
($ in Millions)

	2007	2008	2009	2010	2011
Market Value of Assets	$39,455	$36,614	$28,571	$31,924	$37,593
Actuarial Value of Assets	37,887	39,504	34,285	34,688	36,178
Actuarial Accrued Liability (AAL)	47,144	50,244	52,729	54,085	55,918
Unfunded AAL	9,257	10,740	18,444	19,397	19,740
Funded Ratio	**80.4%**	**78.6%**	**65.0%**	**64.1%**	**64.7%**
Average Public System Funded Ratio	86.2%	84.9%	79.8%	77.0%	n/a

Note: Average public system represents the funded ratio of 93 large U.S. public pension funds.

Source: Gabriel, Roeder, Smith and Company; Cheiron, Inc., *Public Fund Survey*; State Retirement and Pension System of Maryland

Board Proposal – Disadvantages and Sources of Improvement

In spite of the positive attributes of the board proposal, DLS believes that there are several outstanding issues that should be addressed before a legislative change to the funding method proceeds.

Addresses Areas of Legislative Purview Not Actuarial Terms Under Board Control

Both the corridor methodology and the amortization policy are dictated by statute, which is why the board must propose legislation to change them. Yet, the system's actuarial assumptions create the rule set for how SRPS values its assets and liabilities. These assumptions help determine the amount that the State is required to contribute in each year to meets its obligations. They are also exclusively under the purview of the board, and the JCP does not have an opportunity to opine on the merit of alternative assumption levels. As such, the legislature could enact the board's proposal guided by projections based on one set of actuarial assumptions that could be summarily altered as the board sees fit and significantly move the system away from legislative intent.

Perhaps the most powerful assumption controlled by the board is its ability to change the assumed rate of return on invested assets. This figure, currently set at 7.75% annually, is used to discount the system's assets and, therefore, directly impacts the annual contributions the State must pay into the pension trust in its role as employer. The higher the assumed discounting rate, the higher the value the system's assets are projected to hold in the future. Lowering the rate conversely increases how much the State must contribute as assets held in trust are assumed to grow by a lower rate over time. The board has the power to alter this figure and, because a 0.25% change can require an additional $100 million annually in State funding, any adjustment of the rate should be done in the context of the larger issues discussed in this issue to ensure that figures relied upon to indicate the outcome of any proposed legislative change are accurate. GRS is preparing a follow-up to its 2011 actuarial experience study that may suggest this rate should be revised downward.

Indeed, DLS believes that the increasing maturity of the system quantified in **Appendix 7**, which indicates that there is a steadily growing proportion of retirees to active employees, justifies a downward movement of the rate of return. As a pension system matures, inflows from member contributions are gradually subsumed by outflows in the form of benefit payments. This trend suggests that the assumed rate of return should fall as the system moves into less risky assets that have a better risk-profile match to the State's liability structure.

Other key assumptions that can influence contribution totals would be best addressed in the context of the overall funding methodology plan as well. These include the assumptions for inflation, annual payroll growth, and a host of demographic-based inputs. As the JCP's 2011 interim report indicates, changes to all of these items should be counted for or against the savings associated with the board's proposal to recognize the full implications to the State budget of any proposal.

Slower Move to Full Funding

While the board plan reaches the State's mid-term funding goal of 80% on the desired timetable, it is slower in reaching 100% funded status than the current methodology. The proposal would not reach 100% funding until 2038 instead of the current target year of 2030. This delay is a function of the lower annual contribution the proposal requires, but adjustments could be designed to bring the goal nearer to what was envisioned in the 2011 pension reform.

Increased Volatility from Corridor Phase-out and New Amortization Policy

Finally, the stability in contribution rates provided by the corridor will be removed. While the phasing-in of the change and the improved funded status associated with the reforms should mitigate the extent of potential swings, State contribution rates will be more exposed to single-year swings than is currently the case. Similarly, while beneficial because an end date is set on repayment of all current and to-be-accrued liabilities, a single 25-year closed period is more subject to swings from missed actuarial assumptions from an annual contribution standpoint. This volatility is especially true in terms of the investment return assumption and grows as the end of the closed period approaches.

Given these considerations, and following the JCP recommendation to coordinate a holistic solution, **DLS recommends that SRA and DLS submit a report to JCP that details a plan to phase out the corridor funding method and adjust all pertinent actuarial assumptions to improve the financial stability of the system.**

3. No Funding for MPAS-2 Is a Missed Opportunity for Efficiencies

In fiscal 2011, funds appropriated for MPAS-2 were instead dedicated to programming efforts associated with the 2011 pension reform. In fiscal 2012, no procurement has been issued to date dealing with the project. In fiscal 2013, no money is included in the allowance for the project. So, no part of MPAS-2 has been undertaken to date, and the agency has no plan in place to advance the project. Over $25 million has been spent on this iteration of the modernization effort, and a replication of the previous system using modern computer platforms is as far as the project has gone.

This situation is regrettable given the fact that tasks included in the second step of the MPAS effort would yield time and budgetary savings as activities currently done manually could be automated once all data sources have been scrubbed and verified. Naturally, completing MPAS-2 would also allow for the third project phase to be undertaken, wherein upgrades to the interactivity of the agency's computer system could be realized, benefitting the agency's productivity further and potentially even providing employee/retiree users with enhanced access to their benefit information.

During 2011 board meetings, the agency has stated that the completion of an offsite disaster recovery procurement and study held priority, in the event that its results would dictate the need to alter MPAS-related planning. While MPAS-3 may be impacted by connectivity enhancements suggested by the study, how scrubbing the in-house data through the completion of MPAS-2 relates to offsite access has not been elucidated. **The agency should comment on its plans for completing the subsequent stages of MPAS.**

Recommended Actions

1. Adopt the following narrative:

Pension System Funding Method, Amortization, and Actuarial Assumption Report: The Board of Trustees October 2011 report to the Joint Committee on Pensions proposed a gradated change to the State Retirement and Pension System's corridor funding method in conjunction with an updated liability amortization policy as part of the board's recommended legislation for the 2012 session. While attractive for its long-term benefits to the system, the fact that several actuarial assumptions that have significant implications on the State budget, such as the assumed rate of return on investments or that of payroll growth, can be altered outside of this proposal and outside of legislative control was not addressed concerned the joint committee. Moreover, a changing investment climate and evolving member demographics make alteration of these assumptions likely in the system's upcoming actuarial review. Given these facts, the joint committee decided that during the 2012 interim, the State Retirement Agency (SRA) and the Department of Legislative Services (DLS) should develop a plan to phase out the corridor funding methodology and adjust appropriate actuarial assumptions in light of the board plan and the goals of the 2011 pension reform. As such, the board funding methodology change should serve as the basis for a joint report generated by these agencies that provides recommendations for changes to any actuarial assumption necessary to improve the system's financial standing. The report shall be submitted to the Joint Committee on Pensions and will provide a framework for legislation in this area. The report shall be submitted no later than November 1, 2012.

Information Request	**Authors**	**Due Date**
Report on updated pension funding, amortization, and actuarial policies	SRA DLS	November 1, 2012

Updates

1. Administrative Fee Takes Effect

The agency's administrative budget is funded through a new method in fiscal 2013. Previously, 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 agency operations, as described in Chapter 397 of 2011 (the BRFA of 2011). **Exhibit 7** shows the membership totals upon which the charge is based for fiscal 2013.

Exhibit 7

Certified Membership Distribution for Administrative Charge as of June 30, 2011

	Active Members	Percent of Membership
State Employees	65,796	33.7%
Local Boards of Education	96,605	49.5%
Local Community Colleges	4,684	2.4%
Local Public Libraries	2,341	1.2%
Participating Governmental Units	25,633	13.1%
Total	**195,059**	
Total Budget	**$25,967,601**	
Per Employee Admin Charge	*$133.13*	

Note: The Budget Reconciliation and Financing Act of 2011, State Personnel and Pensions Article, Section 21-316(c) required the Board of Trustees to certify the percentage of active membership of the several systems by employer as of June 30 of the second prior fiscal year.

Source: State Retirement Agency

The statutory description of the charge explains that the amount owed by each employer is a function of what percentage of the active membership in SPRS their employees represented as of June 30 of the second prior fiscal year, which is fiscal June 30, 2011, for the fiscal 2013 allowance. As such, given the agency's $25,967,601 fiscal 2013 allowance, employers are being charged $133.13 per employee. The State and local portions have been deemed reimbursable funds due to their provenance from budgetary areas already active in the budget. The local libraries portion has been assumed by the State in the allowance, as dictated by the statute. The participating governmental units (PGU), however, generate the special fund revenue portion of the agency's budget as they collectively pay $3,412,442 for their 25,633 employees and provide revenue from non-State sources. It should be noted that the PGUs were held harmless in the creation of the charge as each unit may deduct its administrative charge payments from those it makes for the employer contributions into the pension trust.

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 2011					
Legislative Appropriation	$0	$30,772	$0	$0	$30,772
Deficiency Appropriation	0	0	0	0	0
Budget Amendments	0	550	0	0	550
Reversions and Cancellations	0	0	0	0	0
Actual Expenditures	**$0**	**$31,322**	**$0**	**$0**	**$31,322**
Fiscal 2012					
Legislative Appropriation	$0	$27,628	$0	$0	$27,628
Budget Amendments	0	140	0	0	140
Working Appropriation	**$0**	**$27,768**	**$0**	**$0**	**$27,768**

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

Fiscal 2011

- A special fund amendment increased the agency appropriation by a net of $550,000 to pay for programming costs to MPAS associated with the changes enacted in the various pension systems during the 2011 legislative session by transferring $800,000 from SRA's operating appropriation for contractual services to contractual services contained in the Major Information Technology program and drawing an additional $550,000 from the pension trust fund.

Fiscal 2012

- The distribution of centrally budgeted funds for a one-time employee bonus of $750 increased salaries by $140,419.

Appendix 2

State Retirement and Pension System of Maryland
Statement of Changes in Net Assets Available for Plan Benefits
Fiscal 2008-2011
($ in Millions)

	2008	2009	2010	2011
Beginning Asset Value	**$39,444.7**	**$36,613.7**	**$28,570.4**	**$31,923.6**
Source of Asset Growth				
State Contributions	$1,048.0	$1,109.5	$1,308.9	$1,512.5
Member Contributions	420.5	532.1	535.6	528.0
Investment Income (Loss)	-2,139.7	-7,355.9	4,016.4	6,273.3
Total Inflows	***-$671.2***	***-$5,714.3***	***$5,860.9***	***$8,313.8***
Source of Asset Outflows				
Benefit Payments	-$2,120.5	-$2,279.2	-$2,445.6	-$2,580.4
Administrative Expenses	-23.1	-27.5	-28.6	-33.4
Refunds	-16.2	-22.3	-33.5	-30.9
Total Outflows	***-$2,159.8***	***-$2,329.0***	***-$2,507.7***	***-$2,644.7***
End of Period Asset Value	**$36,613.7**	**$28,570.4**	**$31,923.6**	**$37,592.7**
Change in Assets during Period	**-$2,831.0**	**-$8,043.3**	**$3,353.2**	**$5,669.1**
Total Investment Return	**-5.4%**	**-20.0%**	**14.0%**	**20.0%**

Note: Data presented here includes the system's bank cash account and excludes money invested by the system on behalf of the Maryland Transportation Authority. Columns may not add to total due to rounding.

Source: State Retirement Agency

Appendix 3

SRPS Investment Assets
Value by Class and Allocation
($ in Thousands)

	December 31, 2011	Actual Allocation on December 31, 2011	Allocation Target as of January 1, 2012
Public Equity	$15,644,369	44.2%	36.0%
U.S. Equity	*6,129,294*	*17.3%*	*14.0%*
International Equity	*5,494,539*	*15.5%*	*14.0%*
Global Equity	*4,020,537*	*11.4%*	*8.0%*
Fixed Income	7,142,993	20.2%	15.0%
Real Return	3,579,516	10.1%	10.0%
Private Equity	1,844,740	5.2%	10.0%
Real Estate	1,964,080	5.5%	10.0%
Absolute Return	2,469,411	7.0%	7.0%
Credit/Debt Strategies	2,504,977	7.1%	10.0%
Cash Aggregate	269,519	0.8%	2.0%
Total Plan	**$35,419,606**		

SRPS: State Retirement and Pension System

Source: State Street, State Retirement Agency

Appendix 4

Major Components of Pension Benefits by System
Current Law during Fiscal 2011 vs. Pension Reforms Adopted for Fiscal 2012

	Current Law	Pension Reform
Average Final Compensation		
EPS/TPS Members	3 consecutive years with highest average	*New employees:* 5 consecutive years with highest average.
Other Systems	3 years with highest average	Same as EPS/TPS.
Employee Contributions		
EPS/TPS Members	5.0%	*Current members*: 7.0% to maintain a 1.8% multiplier. *New employees*: 7.0% with a 1.5% multiplier in the newly opened State Reformed Contributory Pension Systems.
Judges' and Legislative	6.0%	No change. To be studied by the Judicial Compensation Commission and General Assembly Compensation Commission.
Other Systems	LEOPS: 4.0% CORS: 5.0% Police: 8.0%	*Current and new LEOPS employees*: 6.0% contribution in fiscal 2012 and 7.0% in fiscal 2013 and beyond.
Benefit Multipliers		
EPS/TPS Members	1.8% multiplier	*Current members*: 7.0% to maintain a 1.8% multiplier. *New employees*: 7.0% with a 1.5% multiplier in the newly opened State Reformed Contributory Pension Systems.
Other Systems	LEOPS: 2.0% multiplier Police: 2.55% multiplier Judges': two-thirds of a sitting judge's salary	No change.
Eligibility Requirements		
All Systems Vesting Period*	5 years of service	*New employees*: 10 years of service.

	Current Law	Pension Reform
Early Retirement Allowance EPS/TPS**	At least age 55 with 15 years of service – reduced 0.5% for every month before age 62	*Current members*: No change. *New employees in the State Reformed Contributory Pension Systems:* Age 60 with at least 15 years of service – reduced 0.5% for every month before age 65.
Normal EPS/TPS Retirement Eligibility	30 years of service regardless of age or 62 with at least 5 years of service	*Current members*: No change. *New employees in the State Reformed Contributory Pension Systems*: Age 65 with 10 years of service or the *Rule of 90*, which permits normal retirement if the sum of the employee's age and years of service equals 90 or more.
Normal Retirement Eligibility Other Systems	CORS: 20 years of service regardless of age; LEOPS: age 50 or 25 years of service; Police: age 50 or 22 years of service; JRS: age 60	*New Police employees*: age 50 or 25 years of service.
Benefit Adjustments		
Cost-of-living Adjustments – All Systems*	EPS/TPS: Capped at 3.0% LEOPS: Capped at 3.0% CORS and Police: Unlimited	*For all service credit earned after July 1, 2011:* Capped at 2.5% in any year the SRPS achieves its assumed rate of return (currently 7.75%) and capped 1.0% else wise.
Deferred Retirement Option Program (DROP)	Available to all members of Police and LEOPS. Account balances earn 6.0% interest compounded monthly.	All new DROP accounts begun after July 1, 2011, will earn 4.0% compounded annual interest.
Systemwide Considerations		
Reinvestment of Savings	n/a	A cap on the reinvestment of savings from pension reform was set at $300 million for any given fiscal year.
Funded Status	n/a	A goal of achieving 80.0% funded in 10 years was set.

CORS: Correctional Officers' Retirement System
EPS: Employees' Pension System
LEOPS: Law Enforcement Officers Pension System
SRPS: State Retirement and Pension System
TPS: Teachers' Pension System

* Does not include the Judges' Retirement System and the Legislative Pension Plan.
** Not applicable to other systems due to differing retirement eligibility factors.

Source: Department of Legislative Services

Appendix 5

State Agency Retirement Systems
Budgeted Rates and Contributions
Fiscal 2011-2013
($ in Millions)

System	2011 Actual	Approved Rates	2012 Working Approp.	Approved Rates	2013 Allowance	Approved Rates with Reinvestment	Change 2012-13
Employees	$321	11.69%	$367	13.40%	$416	14.36%	$49.0
Teachers	22	14.34%	25	15.45%	28	15.30%	3.0
State Police	45	57.03%	54	61.01%	54	64.63%	0.3
Judges	23	59.07%	25	60.37%	24	61.18%	-0.5
LEOPS	24	47.67%	29	49.26%	31	51.89%	2.0
State Subtotal	***$436***		***$500***		***$554***		***$54.0***
Teachers	$850	14.34%	$848	15.45%	$892	15.30%	$45.0
Libraries	14		15		14		-0.3
Community Colleges	34		33		37		5.0
Local Teachers Subtotal	***$897***		***$895***		***$944***		*$49.0*
Grand Total	**$1,334**		**$1,395**		**$1,497**		**$103.0**
General Fund Portion	*938*		*1,195*		*1,276*		81.0
Stimulus Portion	*235*		*0*		*0*		0.0
Other Fund Types	*196*		*200*		*221*		22.0
Other**	**$118**	n/a	**$121**		**$124**		**$3.0**

LEOPS: Law Enforcement Officers Pension System

* Net of administration charge to local employers.

**Other includes the Maryland Transit Administration Pension System, Optional Retirement/Pension System (TIAA), and legislative, which have independent rate setting mechanisms.

Source: Department of Budget and Management; Department of Legislative Services

Appendix 6

State Retirement and Pension System of Maryland
Actuarial Changes vs. Market Changes
Fiscal 2011
($ in Millions)

	Market Value	Actuarial Value
June 30, 2010 Value	$31,924	$34,688
Employer Contributions	1,512	1,512
Member Contributions	528	528
Benefit Payments	-2,645	-2,645
Expected Investment Earnings (7.75%)	2,451	2,665
Expected Asset Value June 30, 2010	*33,771*	*36,749*
Investment Gain (Loss)	3,822	-572
June 30, 2011 Value	**$37,593**	**$36,178**
Difference		-$1,415

Note: Figures may not sum due to rounding.

Source: Gabriel, Roeder, Smith and Company

Summary of State Membership Data by Plan
Fiscal 2008-2011

	Ratio Retirees to Actives	Total	Teachers' Retirement	Teachers' Pension	Employees' Retirement	Employees' Pension	Judges' Retirement	State Police Retirement	LEOPS
From 7/1/2007 to 6/30/2008									
Active Members	**56.4%**	199,202	4,125	101,836	9,740	79,462	286	1,426	2,327
Average Annual Salary		$52,913	$85,565	$56,607	$48,542	$46,465	$132,669	$60,634	$57,347
Retired Members		112,404	30,955	23,080	24,197	30,723	342	2,149	958
Average Annual Retirement Allowance		$19,357	$29,676	$16,632	$17,412	$10,188	$67,644	$40,776	$29,496
Vested Former Members		51,786	1,092	21,726	1,166	27,559	8	61	174
From 7/1/2008 to 6/30/2009									
Active Members	**58.1%**	199,637	3,554	102,553	9,962	79,418	297	1,408	2,445
Average Annual Salary		$53,648	$86,127	$57,420	$48,572	$47,415	$135,577	$60,785	$57,289
Retired Members		116,007	30,598	25,158	23,778	32,832	348	2,226	1,067
Average Annual Retirement Allowance		$20,154	$31,200	$17,484	$18,360	$10,860	$67,668	$42,288	$30,612
Vested Former Members		51,866	996	21,999	1,065	27,543	6	68	189
From 7/1/2009 to 6/30/2010									
Active Members	**60.8%**	197,720	3,111	103,162	9,665	77,660	294	1,354	2,474
Average Annual Salary		$53,884	$86,717	$58,014	$47,944	$47,310	$135,921	$60,344	$56,669
Retired Members		120,247	30,271	27,268	23,475	35,418	351	2,282	1,182
Average Annual Retirement Allowance		$20,249	$31,560	$17,796	$18,684	$11,280	$68,004	$42,204	$30,492
Vested Former Members		51,775	901	22,116	999	27,478	6	77	198
From 7/1/2010 to 6/30/2011									
Active Members	**65.2%**	194,973	2,589	102,939	9,189	76,264	286	1,295	2,411
Average Annual Salary		$53,722	$86,952	$58,014	$47,064	$47,143	$135,700	$58,341	$56,067
Retired Members		127,165	30,012	30,553	23,230	39,339	358	2,371	1,302
Average Annual Retirement Allowance		$20,249	$32,328	$18,156	$19,380	$11,784	$68,712	$43,212	$31,428
Vested Former Members		50,911	750	21,867	950	27,028	11	91	214

LEOPS: Law Enforcement Officers Pension System

Source: State Retirement Agency

Object/Fund Difference Report
State Retirement Agency

Object/Fund	FY 11 Actual	FY 12 Working Appropriation	FY 13 Allowance	FY 12 - FY 13 Amount Change	Percent Change
Positions					
01 Regular	193.00	187.00	189.00	2.00	1.1%
02 Contractual	10.74	15.00	14.50	-0.50	-3.3%
Total Positions	**203.74**	**202.00**	**203.50**	**1.50**	**0.7%**
Objects					
01 Salaries and Wages	$ 15,719,271	$ 16,309,514	$ 16,490,957	$ 181,443	1.1%
02 Technical and Spec. Fees	825,802	746,878	895,023	148,145	19.8%
03 Communication	654,701	516,305	452,896	-63,409	-12.3%
04 Travel	152,868	196,649	182,131	-14,518	-7.4%
07 Motor Vehicles	157,578	159,618	154,650	-4,968	-3.1%
08 Contractual Services	11,503,763	6,955,237	5,067,433	-1,887,804	-27.1%
09 Supplies and Materials	186,982	154,629	173,183	18,554	12.0%
10 Equipment – Replacement	65,424	128,000	64,950	-63,050	-49.3%
11 Equipment – Additional	111,815	87,696	32,300	-55,396	-63.2%
12 Grants, Subsidies, and Contributions	0	362,839	382,426	19,587	5.4%
13 Fixed Charges	1,943,378	2,150,718	2,071,652	-79,066	-3.7%
Total Objects	**$ 31,321,582**	**$ 27,768,083**	**$ 25,967,601**	**-$ 1,800,482**	**-6.5%**
Funds					
03 Special Fund	$ 31,321,582	$ 27,768,083	$ 3,412,442	-$ 24,355,641	-87.7%
09 Reimbursable Fund	0	0	22,555,159	22,555,159	N/A
Total Funds	**$ 31,321,582**	**$ 27,768,083**	**$ 25,967,601**	**-$ 1,800,482**	**-6.5%**

Note: The fiscal 2012 appropriation does not include deficiencies.

Fiscal Summary
State Retirement Agency

Program/Unit	FY 11 Actual	FY 12 Wrk Approp	FY 13 Allowance	Change	FY 12 - FY 13 % Change
01 State Retirement Agency	$ 24,260,506	$ 25,268,083	$ 25,967,601	$ 699,518	2.8%
02 Major Information Technology Development Projects	7,061,076	2,500,000	0	-2,500,000	-100.0%
Total Expenditures	**$ 31,321,582**	**$ 27,768,083**	**$ 25,967,601**	**-$ 1,800,482**	**-6.5%**
Special Fund	$ 31,321,582	$ 27,768,083	$ 3,412,442	-$ 24,355,641	-87.7%
Total Appropriations	**$ 31,321,582**	**$ 27,768,083**	**$ 3,412,442**	**-$ 24,355,641**	**-87.7%**
Reimbursable Fund	$ 0	$ 0	$ 22,555,159	$ 22,555,159	N/A
Total Funds	**$ 31,321,582**	**$ 27,768,083**	**$ 25,967,601**	**-$ 1,800,482**	**-6.5%**

Note: The fiscal 2012 appropriation does not include deficiencies.