

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1338 (Delegate Proctor) (Chairman, Joint Committee on Pensions)  
Appropriations

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**Retirement and Pensions - Funding - Participating Governmental Units**

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This pension bill repeals and replaces provisions of law relating to the measurement of a participating governmental unit's assets, liabilities, and employer contribution rate. Further, the bill alters the method of computing the liabilities that a participating governmental unit is liable for when it withdraws from the Maryland State Retirement and Pension Systems. The bill provides for the establishment of a special payment schedule for the actuarial liability of a governmental unit that elects to participate in the State systems in the future.

The bill authorizes the board of trustees of the State systems to determine the asset valuation method applied to participating governmental units. Under current law there is a separate accounting of assets for the contributions of participants. Under this bill the contributions of all participants will be pooled and a participant's assets will be determined based on the overall funding status of the pool. The bill provides that the employer contribution rate of a governmental unit will include a 5% addition for active members of the Employees' Retirement System, an addition for any annual deficit, and a reduction for any surplus.

The bill provides that the Local Fire and Police System be administered in the same manner as those municipal corporations participating in the State systems. The bill is effective July 1, 1996.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Indeterminate effect on the retirement expenditures of local governmental units participating in the Maryland State Retirement and Pension Systems, as discussed below. No effect on revenues.

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## **Fiscal Analysis**

**Local Expenditures:** There are 99 governmental units participating in the Maryland State Retirement and Pension Systems. In addition, three employers participate in the Local Fire and Police System. This bill repeals current law regarding the valuation of assets and liabilities of participating governmental units. Under the bill a surplus or deficit is established for each participating employer based on valuations established by the State's actuary and the board of trustees. Surpluses reduce a governmental unit's future contributions and deficits increase future contributions. Provisions of law requiring the separate accounting of assets are repealed and assets are valued based on the funding status of all participants.

The Maryland State Retirement Agency estimates that the retirement contributions of 11 participating governmental units will increase and the retirement contributions of 88 governmental units will decrease compared to December 1996 retirement billings. In addition the Agency estimates that 23 participants will have funding deficits, 14 participants will have surpluses, and 22 will have transition adjustments under the withdrawal provisions of the bill.

**The Department of Fiscal Services has not received sufficient data to assess the fiscal impact of this bill.**

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

**Fiscal Note History:** First Reader - March 13, 1996

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