Department of Legislative Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 333 (Delegate Proctor)
(Chairman, Joint Committee on Pensions)
Appropriations

Retirement and Pensions - Payroll Reporting Data

This amended bill requires employers of employees who are eligible for membership in one of the plans of the Maryland State Retirement and Pension System (MSRPS) to submit to the State Retirement Agency supporting payroll data within five working days after the payment of each payroll. Employers that do not provide the payroll data within the required time period would be subject to a $250 late charge and interest on delinquent late charges at 10% per year. This bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Minimal reduction in administrative expenses (special fund) due to increased timeliness of employer data. Minimal or no increase in special fund revenue, assuming increased compliance with reporting deadlines.

Local Effect: The bill would only affect local governments that participate in the Maryland State Retirement and Pension System (MSRPS). Of these participating governments, only a small percentage fail to provide supporting data on a timely basis and could be subject to the penalty.

Small Business Effect: None.

Fiscal Analysis

Background: Current law requires participating employers to promptly remit member contributions based upon a payroll ending date. Employers that fail to pay these member contributions in a timely fashion are subject to a 10% penalty with interest on the amount due. The Secretary of the Board of Trustees may allow a grace period not to exceed 10 calendar days on the amounts due.
The law, however, does not require these employers to submit corresponding payroll data with member contributions. In addition, some agencies do not submit employee

contributions (because they only have employees in a pension system who earn less than the Social Security Wage Base) and provide supporting payroll data only sporadically. Without the payroll data to support contribution payments or without that data on its own, the retirement agency is unable to update members' accounts promptly. Payment of benefits may be delayed or have to be recalculated, and adjusted, when payroll data is finally received.

State Effect: This proposal requires the timely submission of payroll data to the State Retirement Agency. If the payroll data is not submitted within five working days of submitting payroll contributions, the employer is subject to a $250 penalty for each occurrence of missing payroll data. Furthermore, there is an additional charge of 10% annual interest on the $250 if not paid by the billing date established by the State Retirement Agency.

The State Retirement Agency will experience a minor reduction in administrative costs since the affected members' accounts would be processed in a timely manner and benefit payments would not be held nor require recalculations. Currently, there are five to six participating employers who are consistently at least two pay periods delinquent in the reporting of their payroll data. Any additional revenue from the penalty and interest charges is expected to be minimal due to increased compliance.

The bill grants a 10 working day grace period for submission of employee contributions and supporting data.

Information Source(s): Office of the Comptroller (Central Payroll Bureau), State Retirement Agency, Department of Legislative Services

Fiscal Note History: First Reader - February 16, 1998
tlw Revised - House Third Reader - March 18, 1998

Analysis by: Matthew D. Riven
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710