

Department of Legislative Services  
Maryland General Assembly  
1999 Session

FISCAL NOTE

Senate Bill 731 (Senator Kasemever)

Budget and Taxation

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**State Retirement and Pension System - Administrative and Operational Expenses**

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This pension bill increases the maximum spending authority for administrative and operational expenses of the Board of Trustees for the State Retirement and Pension System of Maryland (SRPS) and the State Retirement Agency. The bill increases the spending authority from 0.2% of the payroll of SRPS members to 0.22%.

The bill takes effect July 1, 1999.

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**Fiscal Summary**

**State Effect:** Potential increase in special fund expenditures by the State Retirement Agency from increasing by \$1.3 million per year the spending authority to administer the SRPS.

**Local Effect:** None.

**Small Business Effect:** None.

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**Fiscal Analysis**

**Background:** The board of trustees pays its administrative and operational expenses and those of the State Retirement Agency from the assets of the SRPS. By law, payment of these expenses cannot exceed 0.2% of the payroll of members.

The 0.2% cap on administrative and operational expenses has been in effect since July 1, 1985. Due to slow growth in hiring and salaries of the membership, the payroll base, and hence the expense cap, have not grown at the anticipated rate. The administrative expenses of the system, however, have grown as anticipated based on the increasing number of retirees and beneficiaries.

**State Expenditures:** The agency's fiscal 2000 budget allowance for administrative expenses is \$12,897,907. (The agency's total budget of \$24,341,105 includes additional one-time funds for replacement of its mainframe computer system.) The administrative budget is within \$696 of its forecasted spending authority cap of \$12,898,603 (based on a payroll base of \$6,449,301,748). Any legislation passed during the 1999 session that increases the State Retirement Agency's expenditures is likely to trigger the spending cap.

Adjusting the cap formula to 0.22% will increase the agency's spending authority to \$14,188,464 for fiscal 2000, for an increase of \$1,289,861. The agency could not spend the additional funds without a legislative appropriation or budget amendment.

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

**Fiscal Note History:** First Reader - March 8, 1999

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