

Department of Legislative Services  
Maryland General Assembly  
2000 Session

FISCAL NOTE

House Bill 423 (Delegate Proctor)  
(Chairman, Joint Committee on Pensions)

Appropriations

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**Employees' Pension System - Participating Governmental Units - Local  
Pension System**

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This pension bill modifies the rules governing the entry of a participating local government into the "municipal pool" of the State Retirement and Pension System (SRPS). Under the bill, the pension liabilities associated with existing retirees and former vested members of the local governmental unit will not be transferred to the SRPS. (Only assets and liabilities associated with active employees transferring to the SRPS will be transferred). The local government is given the option to continue to operate a local pension system to provide benefits to retirees, former vested members, and those active employees who do not elect to join the SRPS.

The bill takes effect July 1, 2000.

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**Fiscal Summary**

**State Effect:** Special fund expenditures by the State Retirement Agency will decrease as a result of reduced administrative expenses of between \$150,000 and \$200,000 per year for each local government that joins the SRPS.

**Local Effect:** For local governments that join the SRPS, administrative expenditures will increase as a result of continuation of their pension systems for existing retirees and certain other members, depending on the costs of their existing systems.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** When a governmental unit elects to participate in a system within the SRPS, retired and vested members of that governmental unit's existing plan are transferred to the SRPS. The State Retirement Agency then becomes responsible for paying the benefits of the former system to these retirees, as well as paying vested members when their benefits become due.

**Background:** The benefits owed to retirees and vested members of local plans differ greatly from the payments made by the State Retirement Agency to the retirees of the various State systems. It is therefore extremely difficult for the Retirement Agency to administer the payments for these transferees.

**State Expenditures:** At this time, none of the local governments currently participating in the SRPS had a pension system prior to participation, so it has not been an issue for the State Retirement Agency. At least two jurisdictions, however, have approached the agency about joining the SRPS. In the absence of this legislation, administrative expenditures by the State Retirement Agency would increase by approximately \$150,000 to \$200,000 for each local government that elects to participate in the State system.

**Local Expenditures:** For local governments that join the SRPS, administrative expenditures will increase as a result of continuation of their pension systems for existing retirees and certain other members. The amount of these additional expenditures will depend on the administrative costs of their existing system and cannot be reliably estimated at this time.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

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