

Department of Legislative Services  
Maryland General Assembly  
2005 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 370

(Senator Kasemeyer)  
(Chairman, Joint Committee on Pensions)

Budget and Taxation

Appropriations

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State and Local Pension Systems - Uniform Management of Public Employee  
Retirement Systems Act

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This bill requires any public pension system established by a local jurisdiction on or after July 1, 2005 to adhere to the principles incorporated in the Uniform Management of Public Employee Retirement Systems Act (UMPERSA). The bill also requires existing public pension systems, including the State Retirement and Pension System (SRPS), to certify to the Joint Committee on Pensions by July 1, 2006 that the plan provisions governing these plans adhere to the principles incorporated in UMPERSA addressing investment and management of funds for a public pension system. The bill requires that the pension system explain any deviations from the principles of UMPERSA in plan provisions. The bill further provides that it may not be construed to limit the authority of the General Assembly or a legislative governing body over the budget of a preexisting public pension system.

The bill takes effect July 1, 2005.

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Fiscal Summary

**State Effect:** None. The bill would not materially affect governmental operations or finances.

**Local Effect:** Local governments may incur minimal administrative costs for required revisions to pension plan government documents.

**Small Business Effect:** None.

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## Analysis

**Current Law:** The State Personnel and Pension Article governs SRPS (and the 112 participating local governmental units). Provisions governing fiduciary responsibilities do not extend to the independent (*i.e.*, not participating in the State pension system) pension plans for counties and other local governments. These plans may be subject to fiduciary principles found in local laws or resolutions.

**Background:** At present, the public employee pension systems throughout the United States serving state and local governments, manage more than \$1 trillion in assets. However, there is little uniformity among the provisions that govern these plans. In Maryland, there are at least 50 different public employee pension systems. These systems include SRPS and various systems for several of the counties and municipalities. **Exhibit 1** shows the county governments and boards of education participating in the State Employees' Pension and Retirement Systems.

Each of these plans have their own plan provisions, and while there may be similarities among them, few, if any, have identical provisions. For instance, benefit structures in public safety plans (*i.e.*, police and fire plans) differ vastly from benefit structures in plans for general employees of a State or local jurisdiction. Other provisions that may vary from plan to plan are those that address fiduciary responsibilities of the governing boards of trustees with regard to investing the assets of their plans.

Because there is no required conformity among state and local pension plans with regard to the investment of the assets, many of these plans have provisions that are outdated and do not reflect modern investment practices. Accordingly, the trustees for these plans may be limited in the types of investments they may make on behalf of their plan, resulting in lost income that could be used to increase pension benefits or lower contribution rates.

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**Exhibit 1**  
**County Governments and Boards of Education Participating in the**  
**Employees' Retirement and Pension Systems**

Allegany County Board of Education	Howard County Board of Education
Allegany County Commission	Kent County Board of Education
Anne Arundel County Board of Education	Prince George's County Board of Education
Calvert County Board of Education	Prince George's County Government
Caroline County Board of Education	Queen Anne's County Board of Education
Carroll County Board of Education	Queen Anne's County Commission
Cecil County Board of Education	St. Mary's County Board of Education
Cecil County Commission	St. Mary's County Commission
Dorchester County Board of Education	Somerset County Board of Education
Dorchester County Commission	Somerset County Commission
Frederick County Board of Education	Talbot County Board of Education
Garrett County Board of Education	Talbot County Council
Garrett County Commission	Washington County Board of Education
Harford County Board of Education	Worcester County Board of Education
Harford County Government	Worcester County Commission

Source: Maryland State Retirement Agency

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UMPERSA was promulgated by the National Conference of Commissioners in Uniform State Laws to modernize, clarify, and make uniform the laws governing the management of public pension plans. It provides legal rules that permit public employee retirement systems to invest their funds in the most productive and secure manner possible. Specifically, UMPERSA articulates the fiduciary obligations of trustees and others with discretionary authority over various aspects of a retirement system and ensures that trustees have sufficient authority to fulfill their obligations.

The Joint Committee on Pensions studied UMPERSA during the 2004 interim, and determined that to the extent it could be verified, the practices of Maryland counties with independent plans were in compliance with UMPERSA. No state has completely adopted UMPERSA. SRPS is in compliance with the principles of UMPERSA.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Milliman USA, Washington County, Montgomery County, Prince George's County, Kent County, Worcester County, State Retirement Agency, Baltimore City, Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2005  
mp/jr Revised - Enrolled Bill - April 20, 2005

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Analysis by: Martin L. Levine

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510