

# HOUSE BILL 803

P6

3lr1921  
CF SB 834

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By: **Delegate Forbes (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 8, 2023

Assigned to: Appropriations

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 11, 2023

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **State Retirement and Pension System – Administrative Fees**

3 FOR the purpose of altering the method by which administrative fees for participants in  
4 the State Retirement and Pension System are calculated by and remitted to the State  
5 Retirement and Pension System; requiring the Board of Trustees for the State  
6 Retirement and Pension System to provide certain notice to local participating  
7 employers; and generally relating to the funding of expenses incurred by the Board  
8 of Trustees for the State Retirement and Pension System and the State Retirement  
9 Agency.

10 BY repealing and reenacting, with amendments,  
11 Article – State Personnel and Pensions  
12 Section 21–302, 21–303(d), and 21–316  
13 Annotated Code of Maryland  
14 (2015 Replacement Volume and 2022 Supplement)

15 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
16 That the Laws of Maryland read as follows:

17 **Article – State Personnel and Pensions**

18 21–302.

19 (a) The following are obligations of the State:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (1) the payment of all allowances and other benefits payable under this  
2 Division II;

3 (2) the creation and maintenance of reserves in the accumulation funds of  
4 the several systems;

5 (3) the crediting of regular interest to the annuity savings funds of the  
6 several systems; and

7 (4) except as provided in § 21–316 of this subtitle, the payment of the  
8 expenses for administration and operation of the several systems.

9 (b) [Subject to § 21–316 of this subtitle, the] **THE** assets of the several systems  
10 shall be used to pay the obligations of the State specified in this section.

11 (c) Each fiscal year the State shall pay to the accumulation fund of each State  
12 system at least an amount that when combined with the amount in the accumulation fund  
13 of the system is sufficient to provide the allowances and other benefits payable out of the  
14 fund during that fiscal year.

15 21–303.

16 (d) (1) [Except as provided in paragraph (2) of this subsection, each] **EACH**  
17 year, the Board of Trustees shall transfer from the accumulation fund of each State system  
18 to the expense fund of that system the amounts required by § 21–315 of this subtitle.

19 [(2) The administrative and operational expenses of the Board of Trustees  
20 and the State Retirement Agency, not including amounts as authorized by the Board of  
21 Trustees necessary for investment management services and personnel and operational  
22 expenses of the Investment Division, shall be paid by participating employers as provided  
23 in § 21–316 of this subtitle and may not be transferred from the accumulation fund of each  
24 system.

25 (3) (i) 1. Notwithstanding paragraph (2) of this subsection, if a  
26 budget amendment is approved in any fiscal year for administrative and operational  
27 expenses for the Board of Trustees and the State Retirement Agency, the Board of Trustees  
28 may transfer the amount approved by budget amendment from the accumulation funds of  
29 the State Retirement and Pension System to the expense funds of the State Retirement and  
30 Pension System.

31 2. A. Subject to subsubsubparagraph B of this  
32 subsubparagraph, any funds transferred from the accumulation funds under  
33 subsubparagraph 1 of this subparagraph shall be reimbursed to the accumulation funds on  
34 or before June 30 of the second following fiscal year from payments for administrative and  
35 operational expenses received by the Board of Trustees under § 21–316 of this subtitle.

1           B. Any funds transferred from the accumulation funds under  
2           subsubparagraph 1 of this subparagraph resulting from an underpayment of  
3           administrative and operational expenses owed by the State or local employers under §  
4           21–316 of this subtitle, shall be reimbursed to the accumulation funds as part of the annual  
5           or quarterly administrative and operational expense reimbursements on or before June 30  
6           of the second following fiscal year from payments for administrative and operational  
7           expenses received by the Board of Trustees under § 21–316 of this subtitle by the  
8           appropriate employers.

9           (ii) Notwithstanding paragraph (2) of this subsection, if the Board of  
10          Trustees and the State Retirement Agency receive administrative and operational expenses  
11          in excess of the amount expended, the Board of Trustees shall offset the annual or quarterly  
12          administrative and operational expense reimbursements of the appropriate employers on  
13          or before June 30 of the second following fiscal year by the excess amount of administrative  
14          and operational expenses received.]

15           **(2) ON OR BEFORE JUNE 30 EACH YEAR, THE ADMINISTRATIVE FEES**  
16          **THAT ARE PAID BY PARTICIPATING EMPLOYERS AS PROVIDED IN § 21–316 OF THIS**  
17          **SUBTITLE FOR THAT YEAR SHALL BE REIMBURSED TO THE ACCUMULATION FUND OF**  
18          **EACH STATE SYSTEM FOR THE AMOUNT TRANSFERRED TO THE EXPENSE FUND OF**  
19          **THAT SYSTEM UNDER PARAGRAPH (1) OF THIS SUBSECTION.**

20          21–316.

21          (a) (1) In this section the following words have the meanings indicated.

22           (2) **“ADMINISTRATIVE FEES” MEANS THE ACTUAL ADMINISTRATIVE**  
23          **AND OPERATIONAL EXPENSES INCURRED BY THE BOARD OF TRUSTEES AND THE**  
24          **STATE RETIREMENT AGENCY AS OF JUNE 30 OF THE SECOND PRIOR FISCAL YEAR.**

25           (3) “Library” means a library that is established or operates under the  
26          Education Article.

27           ~~(3)~~ (4) “Local employer” means a participating employer other than the  
28          State.

29          (b) (1) Subject to paragraph (3) of this subsection, for each fiscal year, the  
30          State and each local employer shall pay to the Board of Trustees their pro rata shares of  
31          the [amount necessary for the administrative and operational expenses of the Board of  
32          Trustees and the State Retirement Agency] **ADMINISTRATIVE FEES.**

33           (2) The pro rata share of **THE ADMINISTRATIVE FEES OF** the State and of  
34          each local employer for each fiscal year shall be based on the number of members of the  
35          several systems employed by the State or local employer as of June 30 of the second prior  
36          fiscal year compared to the total membership of the several systems as of that date.

1 (3) The State shall pay the pro rata share under this section of each library.

2 (4) The administrative [and operational expenses of the Board of Trustees  
3 and the State Retirement Agency] FEES used to determine the pro rata shares under this  
4 subsection may not include costs for the personnel and operational expenses of the  
5 Investment Division.

6 (c) As part of its annual budget submission for a fiscal year, the Board of Trustees  
7 shall certify to the Secretary of Budget and Management the percentage of the total  
8 membership of the several systems that is employed by the State, the libraries, and each  
9 local employer as of June 30 of the second prior fiscal year.

10 (d) (1) The Governor shall include in the budget bill an appropriation to the  
11 [expense] ACCUMULATION funds of the State Retirement and Pension System that equals  
12 the authorized administrative [and operational expenses of the Board of Trustees and the  
13 State Retirement Agency] FEES for the fiscal year.

14 (2) The amounts payable by the State under this section with respect to  
15 members employed by each State unit shall be charged against the budget of that unit.

16 (3) The State shall pay its pro rata share of the amount of administrative  
17 [and operational expenses] FEES authorized in the State budget to the Board of Trustees  
18 on July 1 of the applicable fiscal year.

19 ~~(E) ON OR BEFORE OCTOBER 1 EACH YEAR, THE BOARD OF TRUSTEES~~  
20 ~~SHALL:~~

21 ~~(1) PROVIDE EACH LOCAL EMPLOYER, OTHER THAN A LIBRARY, AN~~  
22 ~~ESTIMATE OF THE AMOUNT THAT WILL BE PAYABLE FOR THE NEXT FISCAL YEAR BY~~  
23 ~~THE LOCAL EMPLOYER THAT IS EQUAL TO THE PERCENTAGE CERTIFIED UNDER~~  
24 ~~SUBSECTION (C) OF THIS SECTION MULTIPLIED BY THE AMOUNT OF~~  
25 ~~ADMINISTRATIVE FEES; AND~~

26 ~~(2) NOTIFY THE SECRETARY OF BUDGET AND MANAGEMENT AND~~  
27 ~~THE DEPARTMENT OF LEGISLATIVE SERVICES OF THE ESTIMATES SENT UNDER~~  
28 ~~ITEM (1) OF THIS SUBSECTION.~~

29 ~~[(e)] (F)~~ (1) On or before [February 1 of] **OCTOBER 1** each year, the Board  
30 of Trustees shall:

31 (i) certify to each local employer other than a library the amount  
32 payable by the local employer that is equal to the percentage certified under subsection (c)  
33 of this section multiplied by the amount of administrative and operational expenses  
34 authorized in the State budget for the next fiscal year; and

1 (ii) notify the Secretary of Budget and Management and the  
 2 Department of Legislative Services of the certifications sent under item (i) of this  
 3 paragraph.

4 (2) ~~{On} IMMEDIATELY FOLLOWING THE CERTIFICATION REQUIRED~~  
 5 ~~IN PARAGRAPH (1) OF THIS SUBSECTION, ON~~ or before October 1, January 1, April 16,  
 6 and June 1 of ~~each~~ THE fiscal year IMMEDIATELY FOLLOWING THE CERTIFICATION  
 7 REQUIRED IN PARAGRAPH (1) OF THIS SUBSECTION, each local employer shall pay to  
 8 the Board of Trustees 25% of the amount certified to the local employer by the Board of  
 9 Trustees under paragraph (1) of this subsection.

10 (3) If a local employer does not pay the amounts required under this section  
 11 within the time required, the local employer is liable for interest on delinquent amounts at  
 12 a rate of 4% a year until payment.

13 (4) The Secretary of the Board of Trustees may allow a grace period not to  
 14 exceed 10 calendar days for payment of the amounts certified under this section.

15 (5) On notification by the Secretary of the Board of Trustees that a  
 16 delinquency exists, the State Comptroller immediately shall exercise the right of setoff  
 17 against any money due or coming due to that local employer from the State.

18 (6) A participating governmental unit or employer required to make  
 19 employer contributions under § 21–307 of this subtitle may deduct the payments required  
 20 under this section from payments for employer contributions required under §§ 21–305  
 21 through 21–307 of this subtitle.

22 ~~{f} (c)~~ On receipt of payments under this section, the Board of Trustees shall  
 23 credit these amounts to the [expense] **ACCUMULATION** fund of the appropriate State  
 24 system.

25 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
 26 1, 2023.

Approved:

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Governor.

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Speaker of the House of Delegates.

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President of the Senate.