

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 834

(Senator Jackson)(Chair, Joint Committee on Pensions)

Budget and Taxation

Appropriations

State Retirement and Pension System - Administrative Fees

This bill alters the process and timing for calculating administrative fees paid by participating employers to the Board of Trustees of the State Retirement and Pension System (SRPS) to cover the annual operating expenses for the board and the State Retirement Agency (SRA). **The bill takes effect June 1, 2023.**

Fiscal Summary

State Effect: The bill is largely procedural in nature and has no material effect on State finances.

Local Effect: The bill is largely procedural in nature and has no material effect on local government finances.

Small Business Effect: None.

Analysis

Bill Summary: “Administrative fees” are defined as the actual administrative and operational expenses incurred by the SRPS board and SRA as of June 30 of the second prior fiscal year.

By October 1 of each year (instead of February 1), the SRPS board must certify to each local employer, other than a library, the amount payable by the local employer for the next fiscal year that is equal to the employer’s share of system membership and the amount of administrative fees, as defined by the bill.

The board must notify the Secretary of Budget and Management and the Department of Legislative Services of the estimates and certifications provided to local employers.

Following the certification by the board, local employers must each pay 25% of their certified fees to the board by October 1, January 1, April 16, and June 1 of the fiscal year immediately following the certification.

The bill includes additional provisions to ensure that only payments received from participating employers, and not assets of the State pension fund (the accumulation fund), are used to pay administrative expenses for the board and SRA.

Current Law: Chapter 397 of 2011 required participating employers of SRPS, including the State, local school boards, community colleges, and participating governmental units, to pay their prorated share of the system's administrative costs based on their share of total membership in the system; the State pays the share of public libraries. Prior to fiscal 2013, SRA's budget was funded solely from the system's assets. Chapters 727 and 728 of 2018 made expenses of the Investment Division nonbudgeted and, therefore, not included in the calculation of administrative fees paid by participating employers.

The basis for the initial calculation and certification of administrative fees is the Governor's allowance for the agency in the budget submitted for the following fiscal year. As part of its budget submission every year, the SRPS board must certify the percentage of the total membership that is employed by the State, libraries, and each local employer as of June 30 of the second prior fiscal year. By February 1 of each year, after the submission of the Governor's budget, the SRPS board must certify to each local employer, other than a library, the amount payable by the employer for the following fiscal year. The amount payable is derived by multiplying the employer's percentage share of system membership by the amount of administrative and operational expenses in the State budget for the next fiscal year.

By October 1, January 1, April 16, and June 1 of each fiscal year, each local employer must pay 25% of its annual share.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 803 (Delegate Forbes)(Chair, Joint Committee on Pensions) - Appropriations.

Information Source(s): Department of Budget and Management; State Retirement Agency; Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2023
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