

# SENATE BILL 862

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By: **Senator Jackson (Chair, Joint Committee on Pensions)**

Introduced and read first time: January 28, 2025

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of requiring the Board of Trustees for the State Retirement and Pension  
4 System to certify certain employer contribution rates each fiscal year; requiring the  
5 employer contribution rates to include recognition of certain administrative and  
6 operational expenses; repealing a requirement that certain administrative and  
7 operational expenses of the State Retirement and Pension System and the State  
8 Retirement Agency be funded by charging each participating employer an  
9 administrative fee for each system participant; requiring the Board of Trustees to  
10 fund certain operating expenses of the State Retirement Agency through the  
11 accumulation fund; and generally relating to the funding of the administrative and  
12 operating expenses of the State Retirement and Pension System and the State  
13 Retirement Agency.

14 BY repealing and reenacting, with amendments,  
15 Article – State Personnel and Pensions  
16 Section 21–125, 21–302, 21–303, and 21–315  
17 Annotated Code of Maryland  
18 (2024 Replacement Volume and 2024 Supplement)

19 BY repealing and reenacting, without amendments,  
20 Article – State Personnel and Pensions  
21 Section 21–301  
22 Annotated Code of Maryland  
23 (2024 Replacement Volume and 2024 Supplement)

24 BY repealing  
25 Article – State Personnel and Pensions  
26 Section 21–316  
27 Annotated Code of Maryland  
28 (2024 Replacement Volume and 2024 Supplement)

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – State Personnel and Pensions**

4 21–125.

5 (a) The Board of Trustees shall designate an actuary who shall:

6 (1) give technical advice to the Board of Trustees on the operation of the  
7 funds of the several systems; and

8 (2) perform other related duties that the Board of Trustees requires.

9 (b) (1) On the basis of actuarial assumptions that the Board of Trustees  
10 adopts, each year the actuary shall make a valuation of the assets and liabilities of the  
11 funds of the several systems **AND SHALL RECOMMEND THE RATES OF EMPLOYER**  
12 **CONTRIBUTIONS TO BE CERTIFIED BY THE BOARD OF TRUSTEES.**

13 (2) (I) 1. Each year, **ON THE RECOMMENDATION OF THE**  
14 **ACTUARY**, the Board of Trustees shall certify to the Secretary of Budget and Management  
15 and to the Governor the rates of employer contributions.

16 2. **EACH YEAR, ON THE RECOMMENDATION OF THE**  
17 **ACTUARY, THE BOARD OF TRUSTEES SHALL CERTIFY TO ALL OTHER PARTICIPATING**  
18 **EMPLOYERS THE RATES OF EMPLOYER CONTRIBUTIONS.**

19 (II) **THE NORMAL CONTRIBUTION RATE RECOMMENDED BY THE**  
20 **ACTUARY AND CERTIFIED BY THE BOARD OF TRUSTEES FOR ALL EMPLOYERS**  
21 **UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH FOR EACH FISCAL YEAR SHALL**  
22 **INCLUDE AN AMOUNT NECESSARY FOR THE ADMINISTRATIVE AND OPERATIONAL**  
23 **EXPENSES OF THE BOARD OF TRUSTEES AND THE STATE RETIREMENT AGENCY,**  
24 **EXCLUDING THE ADMINISTRATIVE AND OPERATIONAL EXPENSES OF THE**  
25 **INVESTMENT DIVISION.**

26 (3) For purposes of actuarial valuation, the Board of Trustees may adopt a  
27 generally accepted method for determining the value of the assets held by the several  
28 systems.

29 (4) For general ledger accounting and financial reporting, the Board of  
30 Trustees shall use generally accepted accounting principles.

31 (c) (1) At least once in each 5–year period, the actuary shall make:

1 (i) actuarial investigations into the compensation, mortality, and  
2 service experience of the participants of each of the several systems; and

3 (ii) a valuation of the assets and liabilities of the funds of each of the  
4 several systems.

5 (2) The Board of Trustees shall:

6 (i) review the results of the investigations and valuations of the  
7 actuary; and

8 (ii) adopt the actuarial assumptions for each of the several systems  
9 as the Board of Trustees considers necessary.

10 21–301.

11 (a) In each State system, there is:

12 (1) an accumulation fund;

13 (2) an annuity savings fund; and

14 (3) an expense fund.

15 (b) The Board of Trustees shall credit the assets of each State system to the  
16 appropriate fund of the State system according to the purpose for which the assets are held.

17 21–302.

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

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

21 (2) the creation and maintenance of reserves in the accumulation funds of  
22 the several systems; **AND**

23 (3) the crediting of regular interest to the annuity savings funds of the  
24 several systems]; and

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

27 (b) The assets of the several systems shall be used to pay the obligations of the  
28 State specified in this section.

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

5 21–303.

6 (a) The Board of Trustees shall credit to the accumulation fund of each State  
7 system:

8 (1) all employer contributions to the State system;

9 (2) all interest, dividends, and other income derived from the assets of the  
10 State system; and

11 (3) amounts transferred under § 21–311(c) or (d) of this subtitle.

12 (b) The Board of Trustees shall pay from the accumulation fund of a State system  
13 all benefits payable under that State system except for benefits payable from the annuity  
14 savings fund of that State system.

15 (c) (1) Each year the Board of Trustees shall transfer from the accumulation  
16 fund of each State system to each member’s account in the annuity savings fund of that  
17 State system regular interest on the account as provided in this Division II.

18 (2) If a retiree who has retired because of disability is restored to  
19 membership, the Board of Trustees shall transfer from the accumulation fund of the  
20 appropriate State system to the annuity savings fund of that State system an amount equal  
21 to the remaining portion of the retiree’s annuity reserve.

22 (d) [(1)] Each year, the Board of Trustees shall transfer from the accumulation  
23 fund of each State system to the expense fund of that system the amounts required by §  
24 21–315 of this subtitle.

25 [(2) On or before June 30 each year, the administrative fees that are paid  
26 by participating employers as provided in § 21–316 of this subtitle for that year shall be  
27 reimbursed to the accumulation fund of each State system for the amount transferred to  
28 the expense fund of that system under paragraph (1) of this subsection.]

29 21–315.

30 (a) The Board of Trustees shall credit to the expense fund of each State system  
31 its pro rata share of:

32 (1) the amount [provided in the annual State budget to pay the  
33 administrative and operational expenses of the Board of Trustees and the State Retirement  
34 Agency] **ATTRIBUTABLE TO THE ADMINISTRATIVE AND OPERATIONAL EXPENSES OF**

1 **THE BOARD OF TRUSTEES AND THE STATE RETIREMENT AGENCY AS CERTIFIED BY**  
2 **THE BOARD OF TRUSTEES UNDER § 21-125 OF THIS TITLE;**

3 (2) the amounts authorized by the Board of Trustees under this section for  
4 investment management services, including personnel and operational expenses of the  
5 Investment Division; and

6 (3) the amount authorized by the Board of Trustees to implement a closing  
7 agreement with the Internal Revenue Service regarding former members of the Employees'  
8 Retirement System or the Teachers' Retirement System who elected to become members of  
9 or participate in those State systems under former Article 73B, §§ 2-206 and 3-206 of the  
10 Code.

11 (b) (1) The Board of Trustees shall pay from the expense fund of each State  
12 system its pro rata share of:

13 (i) the administrative and operational expenses of the Board of  
14 Trustees and the State Retirement Agency, in accordance with the annual State budget;

15 (ii) the amounts as authorized by the Board of Trustees necessary  
16 for investment management services, including personnel and operational expenses of the  
17 Investment Division; and

18 (iii) the amounts as authorized by the Board of Trustees necessary to  
19 implement a closing agreement with the Internal Revenue Service regarding former  
20 members of the Employees' Retirement System or the Teachers' Retirement System who  
21 elected to become members of or participate in those State systems under former Article  
22 73B, §§ 2-206 and 3-206 of the Code.

23 (2) The amounts for the personnel and operational expenses of the  
24 Investment Division shall be paid out of the accumulation fund of each State system on a  
25 pro rata basis [and may not be paid by participating employers as provided in § 21-316 of  
26 this subtitle].

27 (c) Each year the Board of Trustees shall estimate the amount, not exceeding  
28 0.22% of active member payroll, retiree benefits, and former member compensation,  
29 necessary for the administrative and operational expenses of the Board of Trustees and the  
30 State Retirement Agency.

31 (d) (1) Each quarter of the fiscal year the Board of Trustees shall estimate  
32 one-fourth of an amount, not exceeding 0.5% of the market value as of the last day of the  
33 preceding quarter of invested assets that are externally managed exclusive of assets  
34 invested in real estate or alternative investments, necessary to procure and retain  
35 investment management services other than external real estate or alternative investment  
36 management services.

1           (2)    The Board of Trustees is not limited in the amount of investment  
2 manager fees that the Board of Trustees may pay as necessary for external real estate or  
3 alternative investment management services.

4           (e)    (1)    The amounts estimated under subsection (c) of this section shall be paid  
5 into the expense funds of the several systems during the ensuing year on a pro rata basis  
6 according to the total membership of each system.

7           (2)    The amounts estimated under subsection (d) of this section shall be paid  
8 into the expense funds of the several systems during the ensuing year on a pro rata basis  
9 according to the total assets held by each system.

10          (f)    The Board of Trustees may combine the expense funds of the several systems  
11 for budgetary and administrative efficiency.

12          (g)    (1)    (i)    On or before December 31 of each year, the Board of Trustees  
13 shall report to the General Assembly the actual amount spent for investment management  
14 services during the preceding fiscal year.

15                   (ii)   The report required under subparagraph (i) of this paragraph  
16 shall include the amount of carried interest on any assets of the system.

17          (2)    On or before December 31 each year, the Board of Trustees shall report  
18 to the General Assembly the actual amount spent for Investment Division operations  
19 during the preceding fiscal year.

20 [21–316.

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

22                   (2)    “Administrative fees” means the actual administrative and operational  
23 expenses incurred by the Board of Trustees and the State Retirement Agency as of June 30  
24 of the second prior fiscal year.

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

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

28          (b)    (1)    Subject to paragraph (3) of this subsection, for each fiscal year, the  
29 State and each local employer shall pay to the Board of Trustees their pro rata shares of  
30 the administrative fees.

31                   (2)    The pro rata share of the administrative fees of the State and of each  
32 local employer for each fiscal year shall be based on the number of members of the several  
33 systems employed by the State or local employer as of June 30 of the second prior fiscal  
34 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 fees used to determine the pro rata shares under  
3 this subsection may not include costs for the personnel and operational expenses of the  
4 Investment Division.

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

9           (d)     (1)     The Governor shall include in the budget bill an appropriation to the  
10 accumulation funds of the State Retirement and Pension System that equals the authorized  
11 administrative fees for the fiscal year.

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

14           (3)     The State shall pay its pro rata share of the amount of administrative  
15 fees authorized in the State budget to the Board of Trustees on July 1 of the applicable  
16 fiscal year.

17           (e)     (1)     On or before October 1 each year, the Board of Trustees shall:

18                   (i)     certify to each local employer other than a library the amount  
19 payable by the local employer for the next fiscal year that is equal to the percentage  
20 certified under subsection (c) of this section multiplied by the amount of administrative  
21 fees; and

22                   (ii)    notify the Secretary of Budget and Management and the  
23 Department of Legislative Services of the certifications sent under item (i) of this  
24 paragraph.

25           (2)     On or before October 1, January 1, April 16, and June 1 of the fiscal  
26 year immediately following the certification required in paragraph (1) of this subsection,  
27 each local employer shall pay to the Board of Trustees 25% of the amount certified to the  
28 local employer by the Board of Trustees under paragraph (1) of this subsection.

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

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

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

4           (f) On receipt of payments under this section, the Board of Trustees shall credit  
5 these amounts to the accumulation fund of the appropriate State system.]

6           SECTION 2. AND BE IT FURTHER ENACTED, That, for fiscal year 2026, the  
7 amounts for the administrative and operational expenses of the Board of Trustees for the  
8 State Retirement and Pension System and the State Retirement Agency shall be paid out  
9 of the accumulation fund of each State system on a pro rata basis.

10          SECTION 3. AND BE IT FURTHER ENACTED, That, for fiscal year 2027, the  
11 administrative and operational expenses of the Board of Trustees for the State Retirement  
12 and Pension System and the State Retirement Agency shall be included in the employer  
13 contribution rates certified by the Board of Trustees for the State Retirement and Pension  
14 System as provided in Section 1 of this Act.

15          SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect June  
16 1, 2025.