G20J01

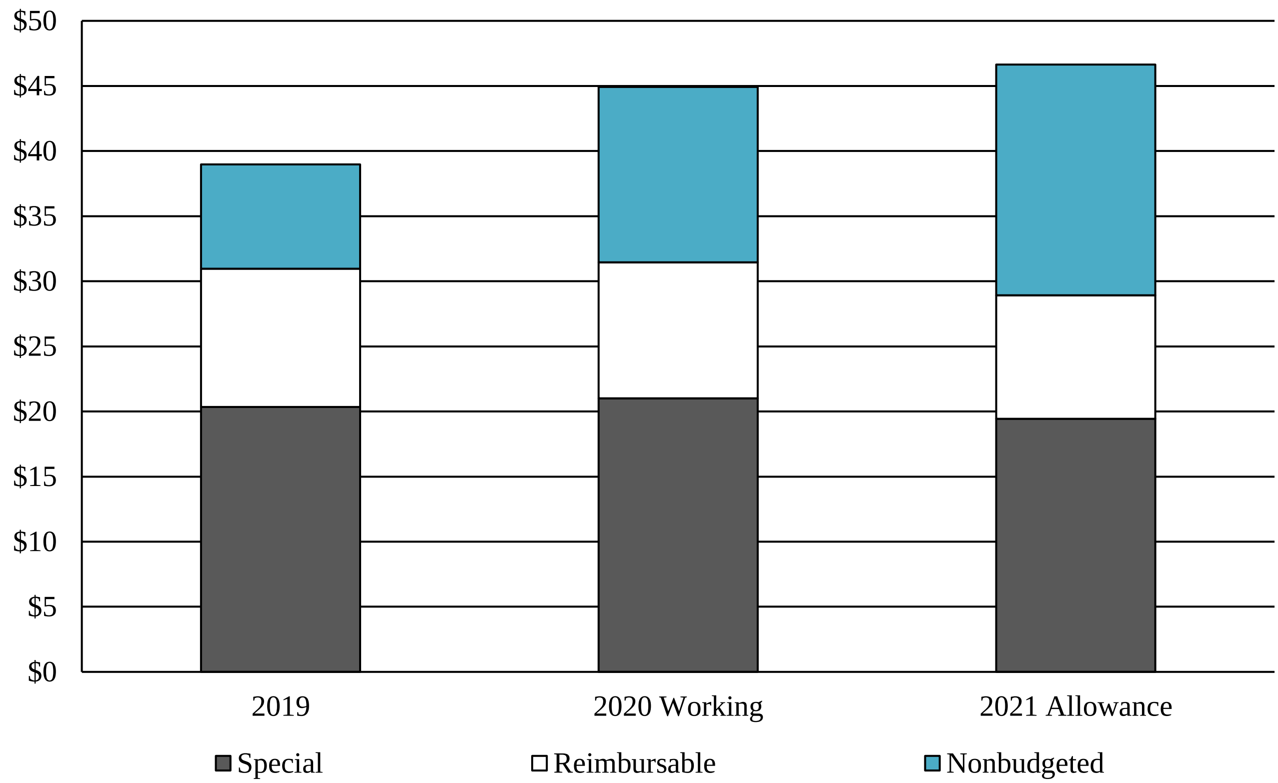
State Retirement Agency

Executive Summary

The State Retirement Agency (SRA), under the direction of the board of trustees, is responsible for administering the State Retirement and Pension System (SRPS). SRA is responsible for policy development, legislation, and legal affairs related to the State's retirement systems as well as investments, benefit payments, and employer/employee contributions.

Operating Budget Summary

Budget Increases $1.7 Million or 3.8% to $46.6 Million in Fiscal 2021
($ in Thousands)



Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

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- Funding for the nonbudgeted Investment Division increases by $4.3 million, or 31.7%, in fiscal 2021 due to the addition of 6 new positions as well as other compensation and private equity consulting service increases.

- The increase is offset by a $4.3 million decrease in funding for the Maryland Pension Administration System major information technology project that is nearing completion.

Key Observations

- ***Share of Retiree Members Continues to Grow:*** Active membership in SRPS has remained flat as retired membership grows, putting more pressure on employer contributions to maintain system funding.

- ***Reform Goals Being Met Ahead of Schedule:*** Pension reforms enacted in 2011 expected the system to be 71.1% funded in fiscal 2019. The system is now anticipated to be 80% funded by fiscal 2026 and was 72.2% funded in fiscal 2019, both ahead of schedule.

- ***Investment Division Continues to Grow:*** Recent legislation moved SRA's Investment Division off-budget and provided the agency authority to set compensation and establish positions. The fiscal 2021 allowance includes funding for 6 new positions in the division, bringing compensation costs in the division to $7.9 million in fiscal 2021; SRA has long-term plans to expand the personnel complement to 52.

Operating Budget Recommended Actions

1. Adopt committee narrative requesting that the agency submit an annual report on savings realized from moving the Investment Division off-budget and managing system assets internally.

Operating Budget Analysis

Program Description

The State Retirement Agency (SRA), under the direction of the 15-member Board of Trustees for the State Retirement and Pension System (SRPS), is responsible for administering the State's retirement and pension systems. The board-appointed executive director is responsible for policy development, legislation, and legal affairs. The agency has identified four fundamental goals for its operation:

- to prudently invest system assets in a well-diversified manner to optimize long-term returns while controlling risk through the excellence in execution of investment objectives and strategies of the system;

- to effectively communicate to all retirement plan participants the benefits provided by the system and to educate them about planning and preparing for all aspects of their defined benefit;

- to pay all retirement allowances provided by State pension law to the system's retirees and their beneficiaries in an accurate and timely manner; and

- to efficiently collect the required employer and employee contributions necessary to fund the system.

An administrative charge to all employers for whom the agency administers retiree benefits provides the revenue to fund the agency. In proportion to total system membership, administrative charge revenue from State agencies pays for roughly one-third of agency operations (represented as reimbursable funds), and revenue from local school boards and participating governmental units pay for the remaining two-thirds (represented as special funds). Based on the Governor's allowance and certified membership of 192,854, participating employers will pay approximately $148.76 per member in fiscal 2021; however, the final per member fee is based on actual expenditures. The agency is subject to a statutory spending cap of 0.22% of the active member payroll, retiree benefits, and compensation of vested former members, as codified by Chapters 723 and 724 of 2018. The calculated cap for fiscal 2021 is $40.7 million.

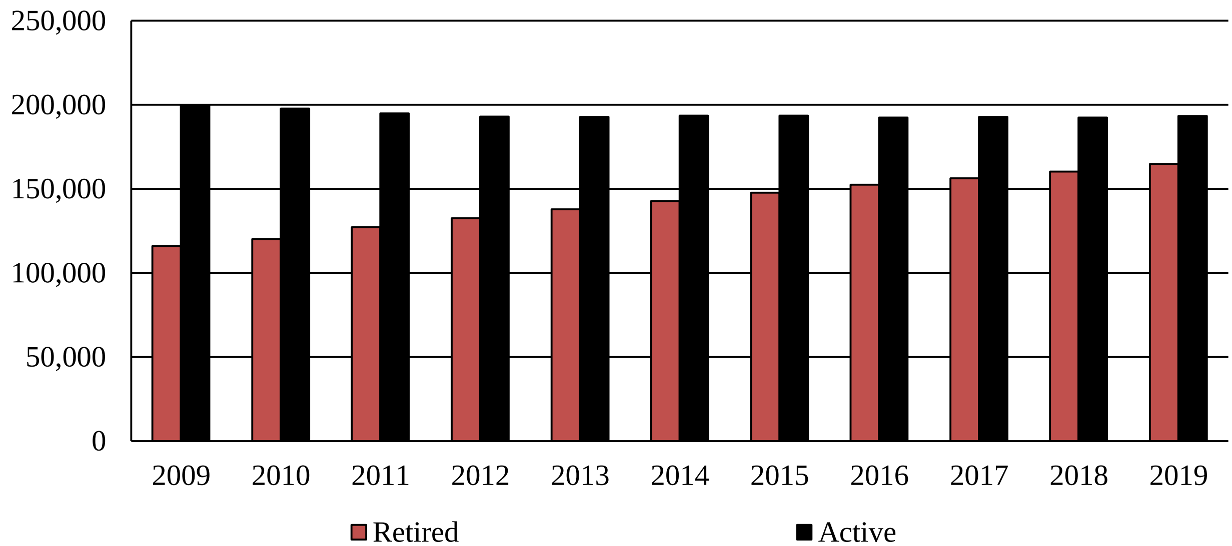
Chapters 727 and 728 of 2018 specified that compensation and other operational expenses for the Investment Division would be paid out of the accumulation of funds of the State's retirement systems (the "pension trust fund") instead of from special or reimbursable funds representing administrative fees collected from participating employers for agency expenses. This effectively took the division off-budget starting in fiscal 2019, and costs associated with the Investment Division no longer count against SRA's expense cap.

Performance Analysis: Managing for Results

1. Retirees Increasing While Active Membership in State Pension Stays Flat

As shown in **Exhibit 1**, active membership in the State's retirement system has remained flat since fiscal 2012, totaling 193,458 members in fiscal 2019. During this same time period, retired members have increased from 132,483 to 164,892, an increase of 3.2% annually. In fiscal 2019, retirees represent 46% of the State's pension plan participation. The flattening of active participation means that less payroll is supporting retiree benefits, resulting in higher employer contribution rates.

Exhibit 1
State Pension System Membership
Fiscal 2009-2019



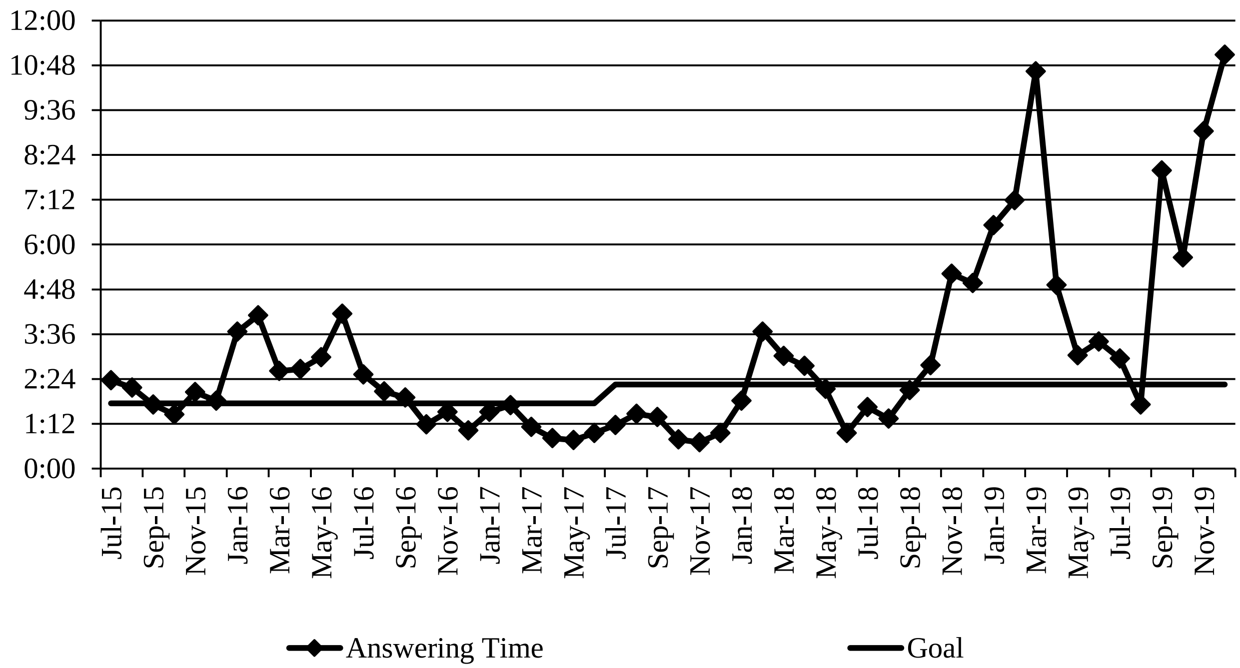
Source: State Retirement Agency

2. SRA Call Center Changes and Disruptions Lead to Long Wait Times

As the administrator of retirement benefits, SRA's performance measures focus on customer service that the agency provides to participants of the State's pension plans. After struggling for several years to meet its dual goals of fewer than 6% of calls being dropped and callers waiting no more than 1:45 minutes for a counselor to pick up their call, the agency raised its call center goals to no more than 7.5% of calls being dropped and callers waiting no more than 2:15 minutes, starting in fiscal 2018. In fiscal 2017, 5.4% of calls were dropped, and average wait times were shorter than 1:45 minutes, meeting the old goals. In fiscal 2018, 6.5% of calls were dropped and wait times were 1:44 minutes, meeting the revised goals.

However, several issues over the past calendar year have driven up the number of dropped calls and the average wait time experienced by callers. In fiscal 2019, the system dropped 15% of calls, and as shown in **Exhibit 2**, there was only one month in which the 2:15 minute goal was met; in three months, the wait time was more than 9:00 minutes.

Exhibit 2
Member Services Call Answering Time
July 2015 to December 2019



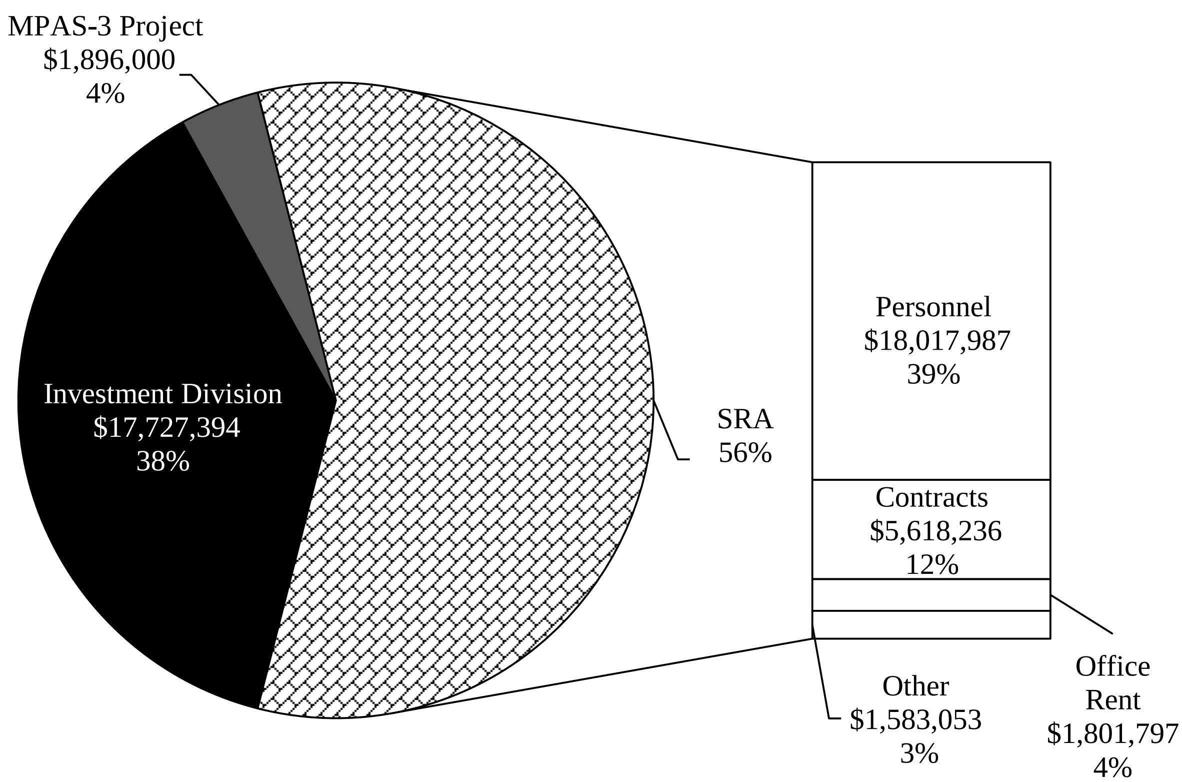
Source: State Retirement Agency

In March 2019, SRA increased its queue size from 10 to 20 callers allowed to be on hold, leading to average wait times of more than 10 minutes. The agency believed customers would prefer to be on hold rather than receive a busy signal if the queue is full when they call. SRA attributes the long wait times in December to members' concerns about changes to the State's prescription drug benefits for retirees. In addition, the agency experienced several phone service disruptions in December; resulting in times where callers were on hold, but SRA personnel were unable to pick up calls; times when calls were dropped; and times when the phone system was unavailable. SRA was also training personnel to use a new customer relations management application, resulting in fewer available call specialists available to answer calls from members. The agency is now evaluating call center standards to better align its queue size with its typical call volume and will decide if a change is necessary at the end of February.

Fiscal 2021 Overview of Agency Spending

SRA's fiscal 2021 allowance totals $46.6 million and is comprised of three components: SRA operations (56%); the Investment Division (38%); and the major information technology (IT) project Maryland Pension Administration System (MPAS-3) (4%), as shown in **Exhibit 3**. Personnel costs make up the largest portion of the SRA administration's budget. The allowance is overstated by $857,316 in the Investment Division due to a budgeting error, which is discussed in further detail later in this analysis.

Exhibit 3
Overview of Agency Spending
Fiscal 2021 Allowance



MPAS-3: Maryland Pension Administration System
SRA: State Retirement Agency

Source: Governor's Fiscal 2021 Budget Books

Proposed Budget Change

As shown in **Exhibit 4**, SRA's budget increases by $1.7 million, or 3.8%, to $46.6 million.

Exhibit 4
Proposed Budget
State Retirement Agency
($ in Thousands)

How Much It Grows:	Special Fund	Nonbudgeted Fund	Reimb. Fund	Total
Fiscal 2019 Actual	$20,353	$8,005	$10,611	$38,969
Fiscal 2020 Working Appropriation	21,008	13,456	10,457	44,920
Fiscal 2021 Allowance	19,440	17,727	9,477	46,644
Fiscal 2020-2021 Amount Change	-$1,567	$4,272	-$980	$1,724
Fiscal 2020-2021 Percent Change	-7.5%	31.7%	-9.4%	3.8%

Where It Goes:	Change
Personnel Expenses	
Reclassification and other compensation	$1,544
6 new positions in the nonbudgeted Investment Division	848
Employee and retiree health insurance	588
Performance-based compensation in Investment Division	494
Increments and other compensation	189
Retirement system contributions	174
Fiscal 2021 2% general salary increase	115
Net annualization of fiscal 2020 1% general salary increase	45
Overtime	15
1 long-term vacant position abolished	-47
One-time temporary assistance with MPAS-3 implementation in fiscal 2020	-52
Turnover adjustments	-147
Other fringe benefit adjustments	-5
Other Changes	
Other contractual services in Investment Division	1,136
Operating costs of MPAS-3	848
Investment and information technology (IT) audit services	271
Senior level programming services	186
Postage costs for Board of Trustee elections	130

Where It Goes:	**Change**
Contractual costs related to Board of Trustee elections	71
Rent	-135
Statewide cost allocation	-222
MPAS-3 major IT project nearing completion	-4,370
Other changes	48
Total	**$1,724**

MPAS-3: Maryland Pension Administration System

Note: Numbers may not sum due to rounding. The fiscal 2020 appropriation includes deficiencies, planned reversions, and general salary increases. The fiscal 2021 allowance includes contingent reductions and general salary increases.

Personnel

SRA personnel costs increase by approximately $3.8 million, most of which is driven by a net 5 new positions and performance-based compensation increases in the Investment Division, discussed later in this analysis. As noted below, personnel cost increases are overstated by $857,316 in the Investment Division. Costs for general salary increases in fiscal 2020 and 2021, budgeted in the Department of Budget and Management (DBM), will be allocated to SRA via budget amendment and increase costs by $159,149 in fiscal 2021.

Turnover adjustments result in a decrease in spending in fiscal 2021 of $146,951 compared to fiscal 2020. Excluding the new positions in the Investment Division, turnover has increased to 7.74%, up from 5.28%. One long-term vacant position at SRA is being abolished, reducing personnel costs by $47,386 in fiscal 2021.

MPAS-3 Project Nearing Completion

Costs for the MPAS-3 project decline by $4.4 million in the fiscal 2021 allowance, as the project's completion nears. The major IT project reengineered a wide swath of SRA's business processes, including the implementation of a customer relationship management package for use by the agency's call center. Improved document storage and scanning that recognizes handwriting and barcodes led to the redesign of forms to improve the speed and accuracy of document management. The document storage system is also integrated with customer support, allowing better support from staff for individual member cases. The project also included the design and development of a secure member Internet portal known as mySRPS. The MPAS-3 project is targeted for completion in December 2021.

Personnel Data

	FY 19 Actual	FY 20 Working	FY 21 Allowance	FY 20-21 Change
Regular Positions	197.00	202.00	207.00	5.00
Contractual FTEs	6.96	8.00	8.00	0.00
Total Personnel	**203.96**	**210.00**	**215.00**	**5.00**

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	15.56	7.74%
Positions and Percentage Vacant as of 12/31/19	27.00	13.37%
Vacancies Above Turnover	11.44	

- Data provided by DBM does not reflect 8 positions approved by the SRA Board of Trustees for fiscal 2020 in the Investment Division. Actual personnel totals are 210 in fiscal 2020 and 215 in fiscal 2021.

- SRA's Investment Division will add 6 new positions in fiscal 2021, bringing the division's personnel complement to 40 positions.

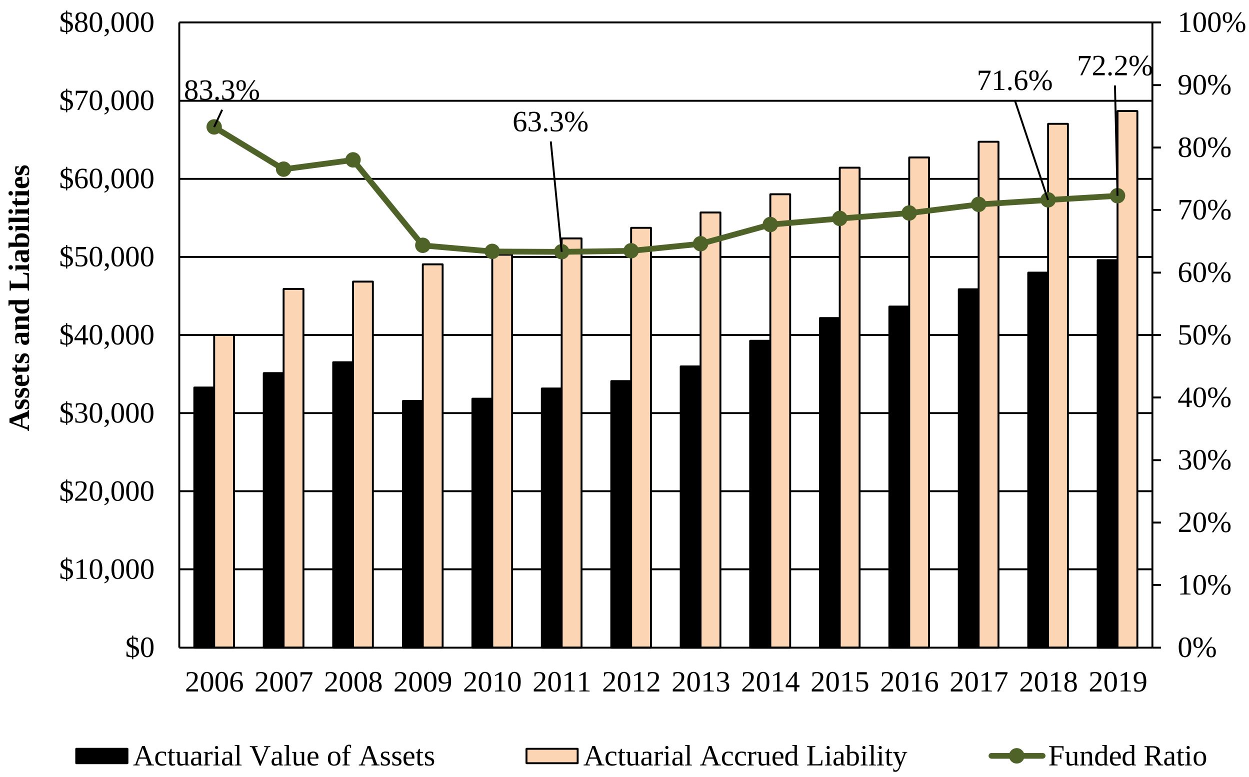
- As of December 31, 2019, SRA had 27 vacant positions. The agency notes that 8 positions have since been filled with 14 others in various stages of recruitment. One long-term vacant position in the administrative division is being abolished.

Issues

1. SRPS Exceeds Funded Ratio Expectations

In 2011, the General Assembly passed comprehensive pension reform (Chapter 397) aimed at addressing the long-term sustainability of the State's defined benefit pension plans and the affordability of the State's contributions to those plans. At that time, SRPS had only 64% of assets necessary to cover its liability. Based on the reforms and supplemental funding, SRPS is projected to achieve 80% actuarial funding by fiscal 2026 and 100% by fiscal 2039. As shown in **Exhibit 5**, the actual funded ratio in fiscal 2019 was 72.2% for all State plans, exceeding the projected ratio of 71.1% when pension reform was enacted.

Exhibit 5
State Plans' Pension Assets, Liabilities, and Funded Ratio
Fiscal 2006-2019
($ in Millions)

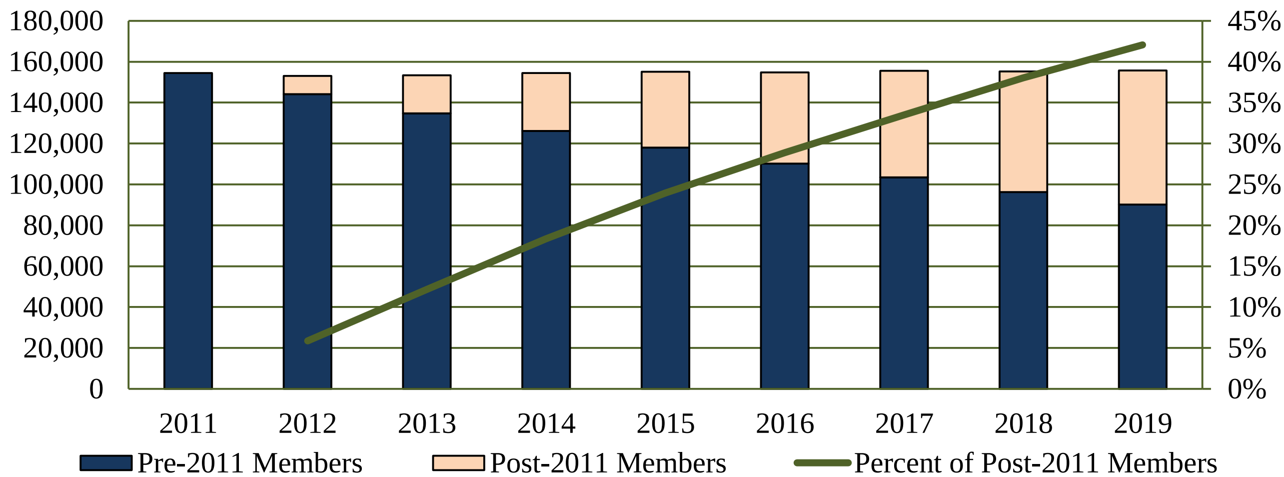


Source: State Retirement Agency

Other legislative actions have also resulted in a positive impact on the funded status of the State's retirement system. Chapter 489 of 2015 accelerated the repeal of the corridor funding method (enacted during the 2002 legislative session) to fiscal 2017 that effectively restored full actuarial funding. Chapter 489 also required that, from fiscal 2017 to 2020, 50% of any budget surplus would be provided as additional contributions to the pension system (known as the pension sweeper) up to $50 million, but fiscal 2017 is the only year that payment was made. Chapter 557 of 2017 further modified the pension sweeper so that, beginning in fiscal 2021 and continuing until the State's retirement systems are 85% actuarially funded (currently projected to be fiscal 2030), 25% of any budget surplus in excess of $10 million, up to a maximum of $25 million, is to be transferred into SRPS as a supplemental payment. The Budget Reconciliation and Financing Act of 2020 includes language to eliminate the $25 million pension sweeper for fiscal 2021. **Appendix 3** provides the funding history of SRPS from fiscal 2014 to 2021, including supplemental and pension sweeper payments.

Due to employee turnover, 42.1% of members in the Teachers' Pension System/Employees' Pension system are in the reformed pension system as of fiscal 2019, as shown in **Exhibit 6**. Per Chapter 397, all members hired on or after July 1, 2011, are part of the reformed pension system that requires a longer vesting period (10 years instead of 5 years) and provides a less generous benefit calculation. Increasing membership in the reformed pension system results in a positive impact on the State's pension liabilities due to fewer employees vesting and reduced future benefits for employees who do vest. Employees who leave the State's service without vesting receive their contributions and a guaranteed return on their contributions (5%), but the State's contributions for the employee stay in the system.

Exhibit 6
Pre- and Post-2011 Pension Reform Members State Employees' and Teachers' Retirement Systems
Fiscal 2011-2019



Source: State Retirement Agency

Investment Performance

After two years of exceeding its actuarial target, the system's return of 6.46% was less than its actuarial target of 7.45% and its policy benchmark of 7.09%, as shown in **Exhibit 7**. The policy benchmark is the expected return if all the system's investments meet its respective benchmarks; missing the benchmark indicates that the system's active management of its portfolio generates negative results, net of fees. Combined with lower returns in fiscal 2015 and 2016, the five-year annualized returns of 5.62% (net of fees) also did not meet the actuarial target.

Exhibit 7
State Pension Fund Investment Performance
Fiscal 2015-2019

	2015	2016	2017	2018	2019
One-year Actual Returns	2.63%	1.16%	10.02%	8.11%	6.46%
Five-year Annualized Returns	9.36%	5.68%	7.64%	7.15%	5.62%
Actuarial Target	7.55%	7.55%	7.55%	7.50%	7.45%
Policy Benchmark	0.88%	1.69%	9.88%	7.60%	7.09%

Note: Returns are net of fees.

Source: State Street Bank; State Retirement Agency; Department of Legislative Services

In addition to missing targets in fiscal 2019, the system's investment program also continues to underperform its public pension peers, based on rankings of the Wilshire Trust Universe Comparison Service (TUCS). The TUCS analysis compares investment performance of similar large pension plans, where one-hundredth percentile represents the lowest investment return, and the first percentile represents the highest. According to the TUCS rankings for fiscal 2019, the system's investment performance was rated in the sixtieth percentile among public pension funds with at least $25 billion in assets, as shown in **Exhibit 8**. While this ranking is an improvement from the fiscal 2018 ranking (seventy-fifth percentile), this still places the State below the median large public fund.

Exhibit 8
TUCS Percentile Rankings for Periods Ending June 30
Fiscal 2014-2019

	2014	2015	2016	2017	2018	2019
1 Year	94	81	57	95	75	60
3 Years	94	88	95	91	94	92
5 Years	84	88	95	87	84	88
10 Years	99	91	95	100	94	87

TUCS: Wilshire Trust Universe Comparison Services

Note: Rankings are for systems greater than $25 billion.

Source: Wilshire Trust Universe Comparison Service

The system's low TUCS ranking is largely due to the lower allocation to public equities, especially U.S. equities, in comparison to its peers. Low TUCS rankings should be expected during times when public equity markets experience strong growth as was the case in fiscal 2017 and 2018. The Board of Trustees for SRPS is responsible for setting the allocation of assets to each investment class and monitoring the appropriateness of the allocation in light of investment objectives. The asset allocation is structured into the following categories:

- ***Growth Equity:*** public equity (domestic, international developed, and international emerging markets) and private equity investments;
- ***Rate Sensitive:*** long-term governmental bonds, securitized bonds, corporate bonds, and inflation-linked bonds;
- ***Credit:*** high yield bonds and bank loans and emerging market debt;
- ***Real Assets:*** real estate and natural resources and infrastructure investments; and
- ***Absolute Return:*** consists of investments that are expected to exceed U.S. treasuries with low correlation to public stocks.

The board desires to balance the goal of higher long-term returns with the goal of minimizing contribution volatility, recognizing that these are often competing goals. As of June 30, 2019, the public equity allocation approved by the board was 37%, with private equity at 13%. As of December 31, 2019, the actual allocation was 37.3%:13.3%. As shown in **Exhibit 9**, public equity investments fell short of the policy benchmark in fiscal 2019, while private equity exceeded the policy benchmark by nearly three percentage points.

Exhibit 9
State Retirement and Pension System
Benchmark Performance as of June 30, 2019

	Return	Benchmark	Difference
Growth/Equity			
Public Equity	3.89%	4.65%	-0.76%
Private Equity	13.65%	10.87%	2.78%
Rate Sensitive			
Nominal Fixed Income	10.84%	11.10%	-0.26%
Inflation Sensitive	4.84%	4.88%	-0.04%
Credit	**6.50%**	**7.34%**	**-0.84%**
Real Assets			
Real Estate	5.98%	7.68%	-1.70%
Natural Resources and Infrastructure	3.52%	2.10%	1.42%
Absolute Return	**2.97%**	**3.09%**	**-0.12%**
Cash and Cash Equitization	**10.11%**	**2.30%**	**7.81%**
Total Fund	**6.46%**	**7.09%**	**-0.63%**

Source: State Street Bank; State Retirement Agency

While the board's more diversified asset allocation does not take full advantage of surges in public equity markets, the system's reduced volatility reduces the likelihood of large swings in employer contributions. A system's asset allocation is impacted by a system's risk tolerance that factors in the ratio of retirees to active members, funded status, assumed rate of return, benefit structure, regularity of full contributions, and other considerations. According to TUCS, the State's level of risk is below the median in comparison to other public funds with assets greater than $25 billion, which is consistent with the system's low allocation to public equity. The system's asset allocation strategy is intended to protect against more extreme losses in down markets. Due to the nature of the benefits that the system's investments ultimately fund, there is prudence in setting an asset allocation that achieves the necessary investment returns with the lowest level of risk capable of achieving those returns.

Consistent with narrowly missing the policy benchmark returns in fiscal 2019, most asset classes narrowly underperformed or overperformed the benchmarks.

Actuarial Assumed Rate of Return Lowered

As shown previously in Exhibit 7, the actuarial investment return target for SRPS has been adjusted downward from 7.55% in fiscal 2017 to 7.50% in fiscal 2018 to 7.45% in fiscal 2019. The board has approved a further downward adjustment to 7.40% for fiscal 2020. According to the National Association of State Retirement Administrators, the median assumption for state and local government retirement systems in December 2019 was 7.25%. Lowering the assumed rate of return requires increased State contributions into the retirement system. A 100-basis-point reduction in the assumed rate of return results in a $9.2 billion increase in the pension fund's liabilities, a 10-basis-point reduction adds approximately $900 million to the fund's liabilities. State contributions are already expected to increase through fiscal 2022 due to deferred asset losses smoothed over a five-year period.

2. Nonbudgeted Investment Division Continues to Grow

Chapters 727 and 728 granted the board of trustees authority to set compensation and establish positions within the Investment Division subject to certain limitations in order to reduce compensation-related turnover, improve recruitment, and to allow externally managed assets to be moved to internal management in order to reduce fees paid for asset management. The legislation specified that compensation and other operational expenses for the Investment Division would be paid out of the accumulation of funds of the several systems (pension trust fund) instead of from special or reimbursable funds representing administrative fees collected from participating employers for agency expenses. This effectively took the division off-budget starting in fiscal 2019, and costs associated with the Investment Division no longer count against SRA's expense cap.

In the fiscal 2021 allowance, the Investment Division adds 6 new positions, bringing the total personnel count to 40. As shown in **Exhibit 10**, personnel costs in the allowance increase to $7.9 million in fiscal 2021, a $3.1 million increase. However, both the fiscal 2021 costs and the increase are overstated in the budget, as fiscal 2020 new positions are not reflected in the working appropriation, and the fiscal 2021 allowance overbudgets for new positions by $857,316. The fiscal 2021 increase, when accounting for the fiscal 2020 additional positions and the overbudgeted funds, is actually $1.9 million.

Exhibit 10
Investment Division Salaries
Fiscal 2021

Administration/Operations	
Managing Director *	$114,945
Director – Administration	94,298
Director – Accounting	85,809
Accounting – Lead Specialized	78,483
Assistant Director – Administration	75,536
Assistant Director – Administration	75,536
Accounting – Lead Specialized	75,536
Executive Assistant	67,582
Investments	
Chief Information Officer	336,600
Deputy Chief Information Officer	195,775
Managing Director	168,885
Managing Director	168,885
Senior Portfolio Manager II	165,000
Senior Program Manager II **	160,480
Senior Program Manager II **	160,480
Senior Portfolio Manager II	160,000
Senior Portfolio Manager II	160,000
Senior Portfolio Manager II	160,000
Managing Director	157,494
Managing Director	152,495
Managing Director	145,405
Senior Portfolio Manager III	132,107
Senior Risk Manager II	132,107
Senior Portfolio Manager II	129,603
Senior Portfolio Manager I	120,066
Senior Portfolio Manager II	120,066
Senior Portfolio Manager II	120,066
Senior Compliance Manager	115,573
Senior Investment Analyst III	114,117
Senior Portfolio Manager I	114,117
Senior Analyst Real Assets *	103,743
Senior Compliance Analyst *	103,743
Senior Analyst II **	97,261
Senior Analyst II **	97,261
Senior Analyst II **	97,261

Investment Associate	$81,352
Investment Associate *	76,886
Investment Associate *	73,946
Investment Associate *	73,946
Administrative Assistant **	54,451
Subtotal	***$4,916,896***
Turnover	-$452,683
Other Fringe Benefits	900,837
Other Compensation Costs***	2,031,614
Performance-based Compensation	494,000
Total	**$7,890,664**
Less Incorrectly Budgeted Funds	$857,316
Revised Total	**$7,033,348**

*Vacant position.
**New fiscal 2021 position.
***Includes funds incorrectly double-budgeted.

Source: State Retirement Agency; Governor's Fiscal 2021 Budget Books

SRA's long-term plan is to expand the internal management program by hiring 12 more positions to bring the total personnel complement in the Investment Division to 52. Five of the new fiscal 2021 positions will provide internal management of public equity and fixed income portfolios, the sixth position will provide administrative support. Total fiscal 2021 expenses of $16.8 million for the Investment Division equal approximately 0.31% of the total plan assets. This compares with the median investment cost of .038% of plan assets as reported by CEM Benchmarking. One rationale for moving the Investment Division off-budget was that it would enable flexibility that would result in cost savings to the plans. A 2017 study of internal management of funds anticipated $215 million in annual savings to the system once internal management was fully built out. While current expenses in the Investment Division compare favorably to other plans, adding 12 further positions would significantly increase expenses. **The Department of Legislative Services recommends committee narrative asking SRA for a report detailing the expenses of the Investment Division compared to the estimated cost savings resulting from not procuring comparable contractual services from outside the agency.**

Operating Budget Recommended Actions

1. Adopt the following narrative:

Cost Savings of Moving the Investment Division Off-budget: In fiscal 2019, the Investment Division of the State Retirement Agency (SRA) moved off budget. The division added 6 positions in fiscal 2021 and has future plans to add 20 more. With the planned growth of the Investment Division, the budget committees want to ensure that cost savings to the pension trust fund are being realized. SRA should produce a report detailing the expenses of the Investment Division compared to the estimated cost savings resulting from not procuring comparable contractual services from outside the agency.

Information Request	**Author**	**Due Date**
Investment Division cost savings	SRA	November 1, 2020

Appendix 1
2019 *Joint Chairmen's Report* Responses from Agency

The 2019 *Joint Chairmen's Report* (JCR) requested that the Department of Legislative Services (DLS) prepare one report. An electronic copy of the full JCR response can be found on the DLS Library website.

- ***Review of State Retirement Agency Board of Trustees:*** In evaluating the structure of the State Retirement Agency's Board of Trustees, DLS made several observations. For the most part, the structure was in line with national best practices. Some exceptions included the board and the investment committee are larger than other systems; the board and investment committee meet for less time than peers; and there is no expertise requirement for gubernatorial appointees, the chairman of the board, or the chairman of the investment committee.

Appendix 2
Major Information Technology Project
State Retirement Agency

Business Process Reengineering and Support Technology (MPAS-3)

New/Ongoing: Ongoing								
Start Date: July 1, 2018				**Est. Completion Date:** December 2021				
Implementation Strategy: Agile								
($ in Millions)	**Prior Years**	**2020**	**2021**	**2022**	**2023**	**2024**	**Remainder**	**Total**
SF	$6.929	$4.186	$1.251	$0.457	$0.000	$0.000	$0.000	**$12.823**
RF	3.644	2.081	0.645	0.236	0.000	0.000	0.000	**$6.606**
Total	**$10.573**	**$6.267**	**$1.896**	**$0.693**	**$0.000**	**$.000**	**$0.000**	**$19.429**

- ***Project Summary***: This project is the third of three phases; the first began in 2006. The Maryland Pension Administration System (MPAS-3) will automate the business practices of the agency and provide real-time member account services. Functions will include automated workflow, secure Internet transactions for members, new customer relationship and document management systems, and integration of existing systems.

- ***Need:*** Prior to MPAS-3, business operations were paper intensive, and members were unable to review records or make transactions online. An independent pension plan assessment organization found improvements made with MPAS-3 would bring the State Retirement Agency in line with benchmarks against peer organizations.

- ***Observations and Milestones:*** The customer relationship management portion of the project went live in August 2019, and the secure member Internet portal (mySRPS) went live in October 2019. An in-house document management and storage application went live in summer 2019. The estimated completion date of the project is scheduled for December 2021.

Appendix 3
State Pension Contributions
Fiscal 2014-2021
($ in Millions)

	2014	2015	2016	2017	2018	2019	2020	2021
State Employer Base	$1,319.4	$1,388.6	$1,440.1	$1,533.8	$1,547.5	$1,569.8	$1,627.7	$1,669.6
Supplemental	100.0	100.0	75.0	75.0	75.0	75.0	75.0	75.0
Sweeper	0.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0
Governor	0.0	0.0	0.0	25.0	0.0	0.0	0.0	0.0
Total State	**$1,419.4**	**$1,488.6**	**$1,515.1**	**$1,683.8**	**$1,622.5**	**$1,644.8**	**$1,702.7**	**$1,744.6**
Local School Boards	$173.2	$221.6	$254.8	$279.8	$280.5	$283.8	$288.6	$293.8
Total Employer	**$1,592.6**	**$1,710.2**	**$1,769.9**	**$1,963.6**	**$1,903.0**	**$1,928.6**	**$1,991.3**	**$2,038.4**

Note: A mandate for a $25 million sweeper payment in fiscal 2021 is eliminated in the Budget Reconciliation and Financing Act of 2020.

Source: State Retirement Agency; Department of Budget and Management; Department of Legislative Services

Appendix 4
Object/Fund Difference Report
State Retirement Agency

Object/Fund	FY 19 Actual	FY 20 Working Appropriation	FY 21 Allowance	FY 20 - FY 21 Amount Change	Percent Change
Positions					
01 Regular	197.00	202.00	207.00	5.00	2.5%
02 Contractual	6.96	8.00	8.00	0.00	0%
Total Positions	**203.96**	**210.00**	**215.00**	**5.00**	**2.4%**
Objects					
01 Salaries and Wages	$ 20,196,506	$ 21,352,604	$ 24,954,365	$ 3,601,761	16.9%
02 Technical and Spec. Fees	686,581	733,424	726,276	-7,148	-1.0%
03 Communication	871,853	796,430	883,800	87,370	11.0%
04 Travel	175,208	245,694	255,297	9,603	3.9%
06 Fuel and Utilities	13,468	0	0	0	0.0%
07 Motor Vehicles	124,804	135,640	128,560	-7,080	-5.2%
08 Contractual Services	13,540,447	18,221,056	16,978,190	-1,242,866	-6.8%
09 Supplies and Materials	139,165	134,127	111,810	-22,317	-16.6%
10 Equipment – Replacement	129,945	65,520	75,100	9,580	14.6%
11 Equipment – Additional	881,375	572,589	37,604	-534,985	-93.4%
12 Grants, Subsidies, and Contributions	382,426	382,426	160,606	-221,820	-58.0%
13 Fixed Charges	1,827,667	2,211,999	2,104,652	-107,347	-4.9%
Total Objects	**$ 38,969,445**	**$ 44,851,509**	**$ 46,416,260**	**$ 1,564,751**	**3.5%**
Funds					
03 Special Fund	$ 20,353,368	$ 20,962,940	$ 19,260,655	-$ 1,702,285	-8.1%
07 Nonbudgeted Fund	8,005,335	13,455,709	17,727,368	4,271,659	31.7%
09 Reimbursable Fund	10,610,742	10,432,860	9,428,237	-1,004,623	-9.6%
Total Funds	**$ 38,969,445**	**$ 44,851,509**	**$ 46,416,260**	**$ 1,564,751**	**3.5%**

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.

Appendix 5
Fiscal Summary
State Retirement Agency

Program/Unit	FY 19 Actual	FY 20 Wrk Approp	FY 21 Allowance	Change	FY 20 - FY 21 % Change
01 State Retirement Agency	$ 23,581,719	$ 25,129,390	$ 26,792,892	$ 1,663,502	6.6%
02 Major Information Technology Development	7,382,391	6,266,410	1,896,000	-4,370,410	-69.7%
43 Investment Division	8,005,335	13,455,709	17,727,368	4,271,659	31.7%
Total Expenditures	**$ 38,969,445**	**$ 44,851,509**	**$ 46,416,260**	**$ 1,564,751**	**3.5%**
Special Fund	$ 20,353,368	$ 20,962,940	$ 19,260,655	-$ 1,702,285	-8.1%
Nonbudgeted Fund	8,005,335	13,455,709	17,727,368	4,271,659	31.7%
Total Appropriations	**$ 28,358,703**	**$ 34,418,649**	**$ 36,988,023**	**$ 2,569,374**	**7.5%**
Reimbursable Fund	$ 10,610,742	$ 10,432,860	$ 9,428,237	-$ 1,004,623	-9.6%
Total Funds	**$ 38,969,445**	**$ 44,851,509**	**$ 46,416,260**	**$ 1,564,751**	**3.5%**

Note: The fiscal 2020 appropriation does not include deficiencies, planned reversions, or general salary increases. The fiscal 2021 allowance does not include contingent reductions or general salary increases.