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The Maryland House of Delegates
ANNAPOLIS, MARYLAND 21401

Testimony in Support of HB 1072

State Retirement and Pension System – Administrative Fees – Repeal

Testimony of Delegate Cathi Forbes

Appropriations

March 11, 2025

What this bill does

The current method of funding the State Retirement Agency's administrative fees that was instituted July 1, 2011 is overly cumbersome. It requires the involvement of the State Retirement Agency, the Department of Budget and Management, and the Department of Legislative Services. The system's actuary noted that it is unaware of any other public plans that fund their operating expenses through administrative fees that is current practice in Maryland.

HB1072 will replace the current process of funding the operating system with the current formula and will return to the past practice of funding the Agency's operating system through funds drawn from the Trust. These funds would be collected through an additional operating expense percentage added to the employer contribution rate determined by the System's actuary each fiscal year.

Why you should vote for this bill

Returning to the past procedure of assessing an operating expense percentage in each employer contribution rate will significantly reduce the complexity of this process for the State Retirement Agency, the Department of Budget and Management, and the Department of Legislative Services. This proposal will also simplify the payment process for the System's participating employers.

This proposal would have no fiscal impact on the System because the operating expense percentage determined by the System's actuary should be comparable to the amount the Agency would otherwise collect in administrative fees.

I ask for a favorable report. Thank you.