



## Senate Bill 475

*State Retirement and Pension System - Administrative and Operational Expenses - Payments*

MACo Position: **SUPPORT**

To: Budget and Taxation Committee

**w/AMENDMENTS**

From: Robin Clark or Michael Sanderson

Date: February 21, 2013

The Maryland Association of Counties (MACo) **SUPPORTS** SB 475 **WITH AMENDMENTS**. This bill would alter an administrative charge applied to participating government units of the State's pension system. By eliminating the deductibility of these charges, the counties and other participating entities will bear additional actual costs. MACo believes that the entire charge-back mechanism, originally driven by difficult budget times, should be a priority for elimination as the fiscal situation improves.

The administrative charge began in FY12 for schools, and in FY13 for the participating government units, which includes employees of 12 county governments. The charge was designed at its inception to become a deduction against the contribution by the affected units. However, this deduction effectively underfunds the pension system by the same amount, roughly \$18 million; \$3.6 million of which is attributable to participating governmental units. By eliminating the deductibility, SB 475 makes whole the system contributions, but results in new actual costs to the affected governments.

During the depths of the great recession, the State made difficult decisions, many driven by budgetary need more than ideal policy. MACo suggests that the charge-back mechanism should be revisited, and general fund budgeting restored, once the fiscal climate improves. MACo recommends placing an end date of June 30, 2015 for both the effect of SB 475 itself and the segment of the 2011 BRFA bill that initially created the charge-back. Beginning in the FY 2016 budget, the affected governmental units would no longer bear this cost shift.

For these reasons, MACo urges the Committee to give SB 475 a **FAVORABLE** report, **WITH AMENDMENTS** to end the full charge-back in two years.