

# G20J01 State Retirement Agency

## *Executive Summary*

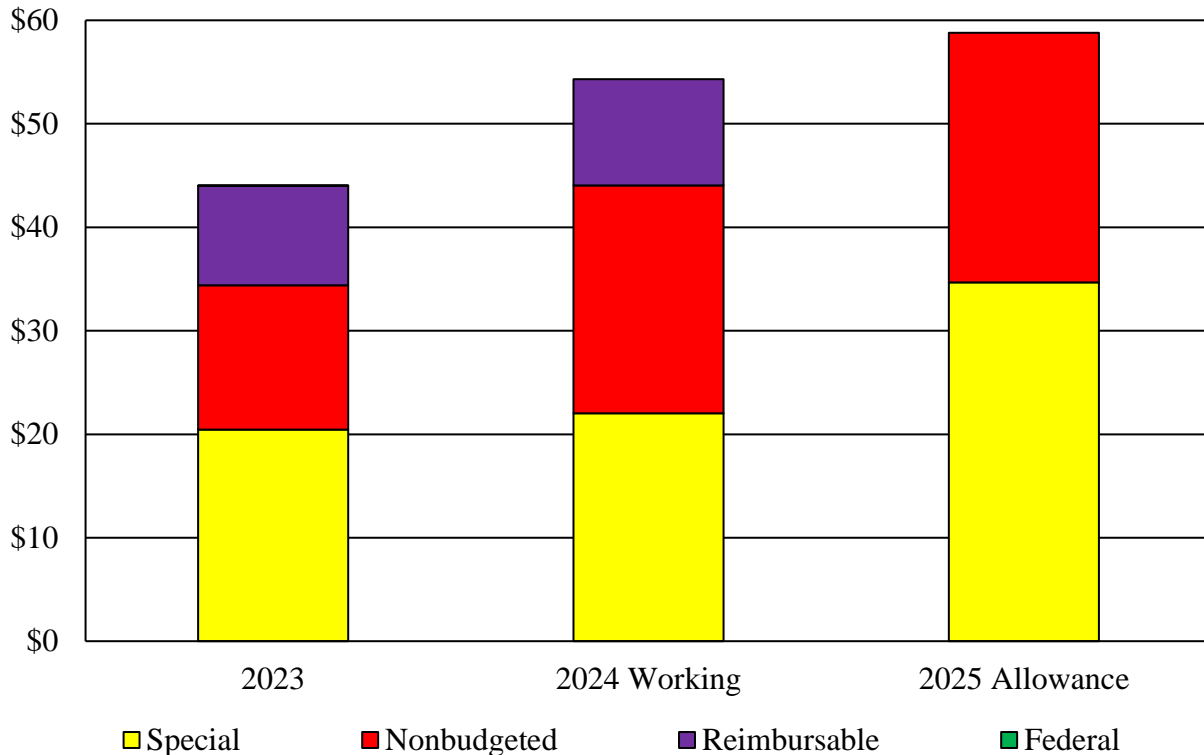
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The State Retirement Agency (SRA), under the direction of the Board of Trustees (BOT), is responsible for administering the State Retirement and Pension System (SRPS). SRA is responsible for policy development, legislation, and legal affairs related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

## *Operating Budget Summary*

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### **Fiscal 2025 Budget Increases \$4.5 Million, or 8.3%, to \$58.8 Million (\$ in Millions)**



Note: The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency's budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency's budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency's budget.

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- Special funds increase by \$12.7 million in the fiscal 2025 allowance compared to the fiscal 2024 working appropriation, while reimbursable funds decrease by \$10.3 million. The change in fund split is due to a misinterpretation of Chapter 194 of 2023.
- Nonbudgeted funds for the SRA’s Investment Division increase by \$2.1 million.

## ***Key Observations***

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- ***Call Center Delays Remain:*** Call center wait times improved in calendar 2023 but remain longer than agency goals primarily due to high levels of vacancies in the agency.
- ***System Nears Funding Goals:*** The pension system recorded a 74.7% actuarial funding level at the close of fiscal 2023, the first year-over-year decline since pension system reforms.
- ***Budgeting Error:*** The agency’s fiscal 2025 allowance is incorrectly budgeted entirely as special funds, rather than as both special and reimbursable funds.
- ***Supplemental Contribution Reduced Due to Outdated Statute:*** An outdated provision of State law requires the pension contribution to be reduced by the amount of fees paid by local boards of education and community colleges; this reduction has been covered by the supplemental contribution to the pension systems.

## **Operating Budget Recommended Actions**

1. Reduce special funds to account for funding provided in other agency budgets and allow those funds to be used for operations in this agency.

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***Operating Budget Analysis***

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**Program Description**

SRA, under the direction of the 15-member SRPS BOT, 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 (typically represented as reimbursable funds), and revenue from local school boards and participating governmental units pay for the remaining two-thirds (typically represented as special funds). Based on the Governor’s allowance and certified membership of 198,647, participating employers will pay approximately \$174.63 per member in fiscal 2025; 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 2025 is \$46.7 million.

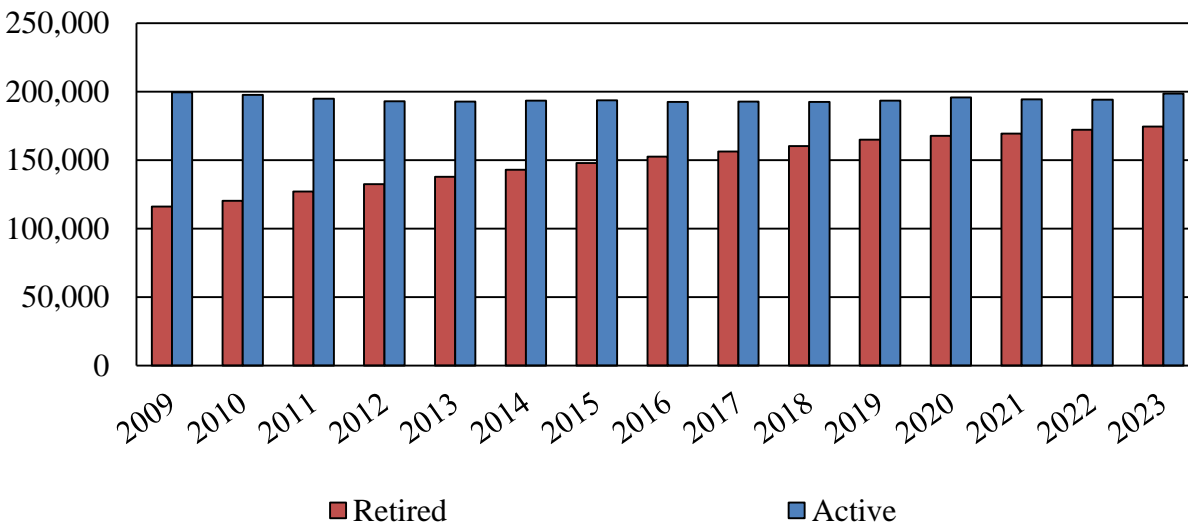
Chapters 727 and 728 of 2018 specified that compensation and other operational expenses for the Investment Division would be paid out of the accumulation of funds of the State’s retirement systems (the pension trust fund) instead of from special or reimbursable funds representing administrative fees 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 do not count against SRA’s expense cap.

## Performance Analysis: Managing for Results

### 1. Active Membership Growth Outpaces Retiree Growth

For the first time since at least fiscal 2010, the number of active members in the State’s retirement system increased by more than the number of retirees in fiscal 2024. As shown in **Exhibit 1**, active membership in the State’s retirement system grew to 198,647 in fiscal 2023, up by 2.3% over the prior year. The number of retired members also grew in fiscal 2023 to 174,609 members, a 1.4% increase. In fiscal 2023, retirees represented 46.8% of the State’s pension plan participation.

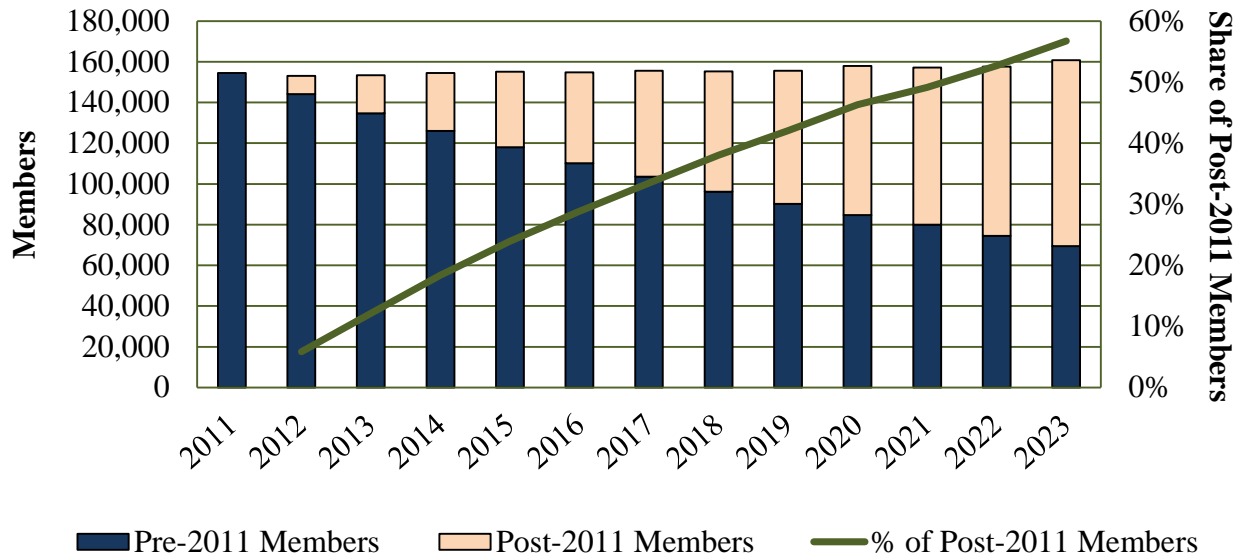
**Exhibit 1**  
**State Pension System Membership**  
**Fiscal 2009-2023**



Source: State Retirement Agency

Due to employee turnover, 56.8% of members in the Teachers’ Pension System/Employees’ Pension system are in the reformed pension system as of fiscal 2023, as shown in **Exhibit 2**. Per Chapter 397 of 2011, 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 2**  
**Pre- and Post-2011 Pension Reform Members State Employees’ and**  
**Teachers’ Retirement Systems**  
**Fiscal 2011-2023**



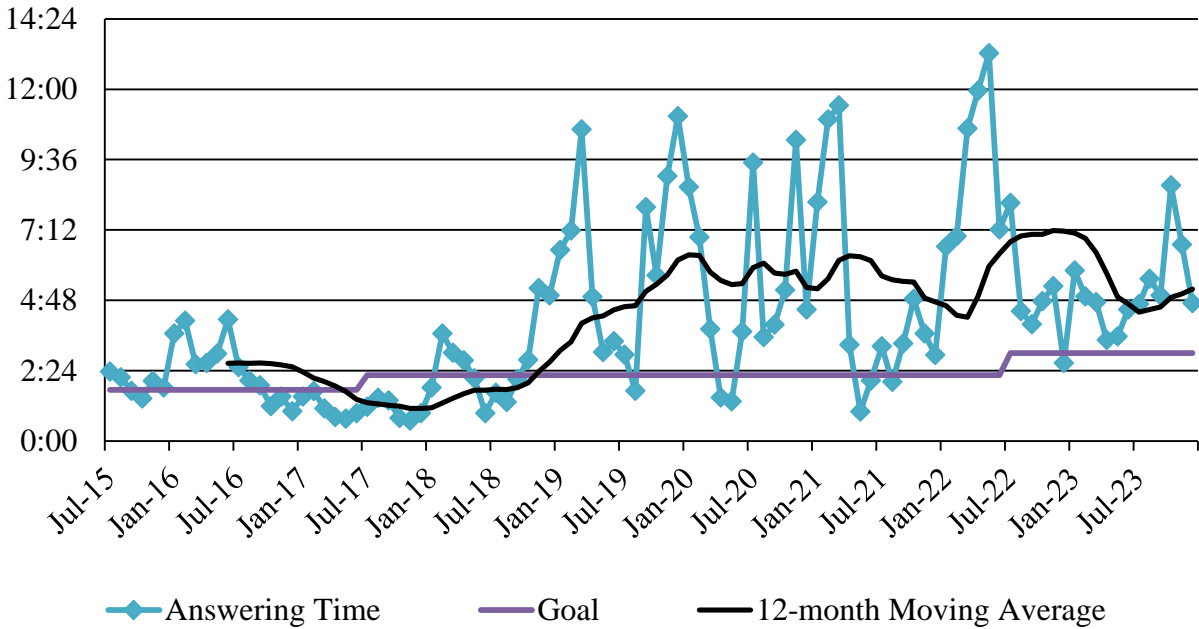
Source: State Retirement Agency

**2. SRA Call Center Wait Times Continue to Miss Goals**

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 goal of callers waiting no more than 1 minute and 45 seconds for a counselor to pick up their call, the agency raised its call center goal to callers waiting no more than 2 minutes and 15 seconds starting in fiscal 2018; the agency goal is now 3 minutes.

As shown in **Exhibit 3**, wait times improved in calendar 2023 to a monthly average of just over 5 minutes, compared to more than 7 minutes on average in calendar 2022. However, the wait times remain longer than the agency’s goal. SRA attributes the call center delays primarily to the agency’s difficulty in filling vacant positions. In addition to typical employee turnover, the member services department at SRA lost two senior-level employees and two long-tenured employees. The high level of vacancies outside of the call center can also have an impact on the call center, as difficulty completing member and retiree requests can lead to an increase in the number of calls. The fiscal 2025 allowance adds a member services administrator position in an effort to bolster that division’s efforts to improve customer service, including call wait times.

**Exhibit 3**  
**Member Services Call Answering Time**  
**July 2015 to December 2023**  
**(in Minutes)**

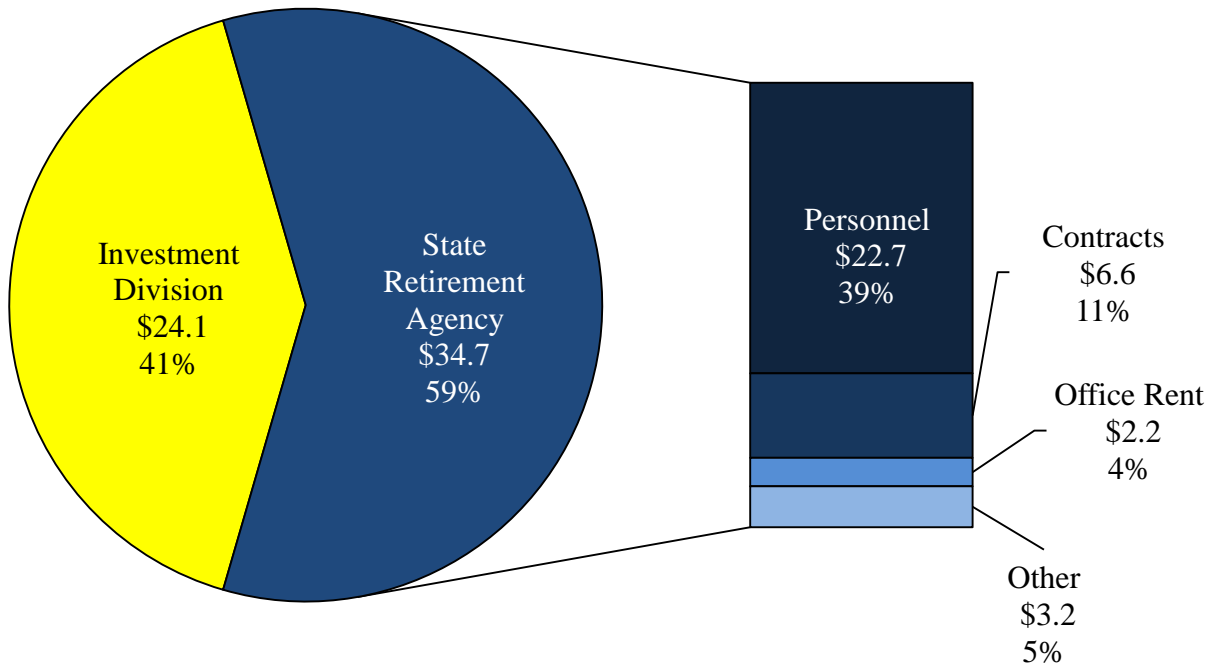


Source: State Retirement Agency

**Fiscal 2025 Overview of Agency Spending**

The fiscal 2025 allowance totals \$58.8 million and is comprised of two components – SRA operations (59%) and the Investment Division (41%), as shown in **Exhibit 4** below. Personnel makes up the largest portion of the SRA operations budget.

**Exhibit 4**  
**Overview of Agency Spending**  
**Fiscal 2025 Allowance**  
**(\$ in Millions)**



Note: The fiscal 2025 statewide salary adjustments are centrally budgeted in the Department of Budget and Management and are not included in this agency’s budget.

Source: Governor’s Fiscal 2025 Budget Books

**Proposed Budget Change**

As shown in **Exhibit 5**, the fiscal 2025 allowance increases by \$4.5 million, or 8.3%, compared to the fiscal 2024 working appropriation. Excluding the nonbudgeted Investment Division, the agency’s operating budget increases by \$2.4 million, or 7%.

**Exhibit 5**  
**Proposed Budget**  
**State Retirement Agency**  
**(\$ in Thousands)**

<b>How Much It Grows:</b>	<b><u>Special</u> <u>Fund</u></b>	<b><u>Federal</u> <u>Fund</u></b>	<b><u>Nonbudgeted</u> <u>Fund</u></b>	<b><u>Reimb.</u> <u>Fund</u></b>	<b><u>Total</u></b>
Fiscal 2023 Actual	\$20,444	\$28	\$13,959	\$9,621	\$44,052
Fiscal 2024 Working Appropriation	22,028	0	22,011	10,279	54,319
Fiscal 2025 Allowance	<u>34,689</u>	<u>0</u>	<u>24,113</u>	<u>0</u>	<u>58,803</u>
Fiscal 2024-2025 Amount Change	\$12,661	\$0	\$2,102	-\$10,279	\$4,484
Fiscal 2024-2025 Percent Change	57.5%		9.5%	-100.0%	8.3%

**Where It Goes:**

**Personnel Expenses (Excluding the Investment Division)**

	<b><u>Change</u></b>
Salary increases and associated fringe benefits including fiscal 2024 COLA and increments.....	\$1,230
6 new positions.....	543
1 contractual conversion.....	79
Overtime costs to align with actual experience.....	53
Internship costs, primarily for assistance with year-end closeout.....	32
Turnover rate adjusted from 5.25% to 5.63%.....	-116
Other salary actions.....	69

**SRA Administration and Major IT Changes**

Programming services related to ongoing operating costs of MPAS III major IT project.....	311
Replacement of agency database servers.....	263
Postage.....	70
Office rent.....	51
Contract for data entry of sensitive information.....	47
Agency share of Statewide services.....	44
Savings from contractual conversion.....	-57
Completion of MPAS III major IT project.....	-181
Other SRA changes.....	-57



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<b>Where It Goes:</b>	<b><u>Change</u></b>
<b>Investment Division (Nonbudgeted)</b>	
Salary increases and associated fringe benefits .....	1,166
Contractual financial data services .....	822
Incentive pay .....	121
Turnover expectation.....	-65
Other Investment Division changes.....	59
<b>Total</b>	<b>\$4,484</b>

COLA: cost-of-living adjustment

IT: information technology

MPAS III: The Maryland Pension Administration System

SRA: State Retirement Agency

Note: Numbers may not sum to total due to rounding. The Investment Division budget approved by the Board of Trustees includes approximately \$103,000 in nonbudgeted funds for fringe benefit costs that are not reflected in the fiscal 2025 allowance. The fiscal 2024 impacts of statewide salary adjustments appear in the Statewide Account in the Department of Budget and Management (DBM), and adjustments are not reflected in this agency’s budget. The fiscal 2025 impacts of the fiscal 2024 statewide salary adjustments appear in this agency’s budget. The fiscal 2025 statewide salary adjustments are centrally budgeted in DBM and are not included in this agency’s budget.

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### **SRA Funding Incorrectly Budgeted**

SRA’s special fund allowance increases by \$12.7 million compared to the fiscal 2024 working appropriation, while there are no reimbursable funds in the allowance. SRA operations are funded with administrative charges to employers. Revenue from local school boards and other participating governmental units should be budgeted as special funds. Revenue from State agencies should be budgeted as reimbursable funds since the charges are budgeted in each State agency budget.

SRA has incorrectly budgeted its entire operations budget as special funds, when nearly \$9 million in funds budgeted in other State agencies for the SRA administrative fee are available as reimbursable funds in place of special funds. This is due to a misinterpretation of Chapter 194, which was legislation enacted in the 2023 session to alter the timing of calculating administrative fees paid by participating employers. **The Department of Legislative Services (DLS) recommends reducing the SRA special fund allowance by \$8,973,908 and adding language allowing for funds appropriated in other agency budgets to be used for operating expenses in SRA.**

### **Investment Division Salaries Increase**

The nonbudgeted Investment Division has independent salary-setting authority in order to better compete for highly skilled investment employees. The Investment Division budget includes salary increases of 5% in April 2024 and 4% in April 2025. Salaries and associated fringe benefit costs increase by approximately \$311,000 in fiscal 2025 due to these increases. Incentive pay, which is tied to employee salaries, also increases in fiscal 2025, by \$121,000.

***Personnel Data***

	<b><u>FY 23</u></b> <b><u>Actual</u></b>	<b><u>FY 24</u></b> <b><u>Working</u></b>	<b><u>FY 25</u></b> <b><u>Allowance</u></b>	<b><u>FY 24-25</u></b> <b><u>Change</u></b>
Regular Positions	214.00	225.00	232.00	7.00
Contractual FTEs	<u>5.26</u>	<u>7.00</u>	<u>6.00</u>	<u>-1.00</u>
<b>Total Personnel</b>	<b>219.26</b>	<b>232.00</b>	<b>238.00</b>	<b>6.00</b>

***Vacancy Data: Regular Positions***

Turnover and Necessary Vacancies, Excluding New Positions	12.67	5.63%
Positions and Percentage Vacant as of 12/31/23	25.00	11.11%
Vacancies Above Turnover	12.33	

- The fiscal 2025 allowance includes 7 new positions, 1 of which is a contractual conversion. One position would be a new member services administrator, as mentioned in Key Observation 2. Three positions (1 contractual conversion) would be in the finance division to address delays and backlogs in the processing of financial transactions, reports, and incoming correspondence. The remaining 3 positions would be in the business operations education and training unit. The agency contracts with the Community College of Baltimore County to provide retirement seminars to members. The new positions would allow SRA to expand training to retirees, participating employers, and SRA staff.
- Of the 232 positions in the fiscal 2025 allowance, 47 are in the nonbudgeted Investment Division, unchanged from fiscal 2024.
- SRA has 25 vacant positions, approximately double the number required to meet the agency’s turnover rate of 5.63%. Of these vacant positions, there are 3 information technology positions that have been vacant for more than two years.

## Issues

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### 1. Fiscal 2023 Returns Miss Assumed Rate, Beat Benchmarks

The system's investment return for fiscal 2023 was 3.14% net of management fees, which while positive, is below the assumed rate of return of 6.80%. While the system exceeded its policy benchmarks, returns below the assumed rate of return are an investment loss. As shown in **Exhibit 6**, the system's assets' market value totaled \$65.2 billion as of June 30, 2023, which is an increase from the \$64.6 billion in assets at the end of fiscal 2022.

**Exhibit 6**  
**State Retirement and Pension System of Maryland**  
**Fund Investment Performance for Periods Ending June 30, 2023**  
(\$ in Millions)

	<u>Assets</u>	<u>% Total</u>	<u>Time Weighted Total Returns</u>		
			<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Growth Equity</b>					
Public Equity	\$19,688	30.2%	13.77%	7.04%	8.41%
Private Equity	14,247	21.8%	0.26%	17.16%	16.42%
<b>Subtotal<sup>1</sup></b>	<b>\$33,952</b>	<b>52.1%</b>	<b>7.83%</b>	<b>10.34%</b>	<b>10.65%</b>
<b>Rate Sensitive</b>					
Nominal Fixed Income	\$8,935	13.7%	-4.65%	-0.21%	1.34%
Inflation Sensitive	2,217	3.4%	-0.97%	2.62%	2.49%
<b>Subtotal</b>	<b>\$11,152</b>	<b>17.1%</b>	<b>-3.70%</b>	<b>0.54%</b>	<b>1.67%</b>
<b>Credit/Debt</b>					
High Yield Bonds and Bank Loans	\$2,467	3.8%	9.77%	4.15%	n/a
Private Credit	2,527	3.9%	1.02%	6.57%	8.32%
Credit Hedge Fund	33	0.1%	-12.49%	-3.74%	0.01%
Non-U.S. Credit	665	1.0%	7.79%	0.63%	-0.79%
<b>Subtotal</b>	<b>\$5,692</b>	<b>8.7%</b>	<b>5.99%</b>	<b>4.18%</b>	<b>4.56%</b>
<b>Real Assets</b>					
Real Estate	\$6,817	10.5%	-8.37%	6.94%	8.80%
Natural Resources and Infrastructure	3,115	4.8%	8.70%	n/a	n/a
Commodities	129	0.2%	n/a	n/a	n/a
<b>Subtotal</b>	<b>\$10,060</b>	<b>15.4%</b>	<b>-3.43%</b>	<b>6.77%</b>	<b>4.59%</b>
<b>Absolute Return</b>	<b>\$3,822</b>	<b>5.9%</b>	<b>-1.37%</b>	<b>3.02%</b>	<b>2.66%</b>

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	<u>Assets</u>	<u>% Total</u>	<u>Time Weighted Total Returns</u>		
			<u>1 Year</u>	<u>5 Years</u>	<u>10 Years</u>
<b>Multi Asset</b>	<b>\$236</b>	<b>0.4%</b>	<b>-1.55%</b>	<b>1.23%</b>	<b>n/a</b>
<b>Cash</b>	<b>\$292</b>	<b>0.4%</b>	<b>5.26%</b>	<b>3.54%</b>	<b>3.67%</b>
<b>Total Fund</b>	<b>\$65,207</b>	<b>100.0%</b>	<b>3.14%</b>	<b>6.93%</b>	<b>7.04%</b>

Note: Returns beyond one year are annualized. Returns are net of fees. Columns may not add to total due to rounding.

Source: State Street – State Retirement Agency of Maryland – Rates of Return – Net Mgr – Periods Ending June 30, 2023

The SRPS BOT sets the allocation of assets to each investment class and continuously monitors the appropriateness of the allocation in light of its investment objectives. The assets allocation is structured into five categories:

- **Growth Equity:** public equity (domestic, international developed, and international emerging markets) and private equity investments;
- **Rate Sensitive:** investments in bonds, loans, or associated derivatives with an average portfolio credit quality of investment grade;
- **Credit:** investments in bonds, loans, or associated derivatives with an average portfolio credit quality of below investment grade;
- **Real Assets:** investments whose performance is expected to exceed the rate of inflation over an economic cycle; and
- **Absolute Return:** consists of investments that are expected to exceed the three-month U.S. Treasury bill by 4% to 5% over a full market cycle and exhibit low correlation to public stocks.

Included within these asset classes are sub-asset classes. The board approves adjustments to the asset allocations and sets transitional targets. The board also approves target ranges for sub-asset classes as well as constraints on hedge fund exposure, with total hedge fund investments capped across all asset classes. **Exhibit 7** shows system asset allocations in relation to the strategic targets in effect on June 30, 2023. The actual allocation of plan funds is very close to the board’s targets.

**Exhibit 7  
Allocation of Plan Funds**

<u>Asset Class</u>	<u>Actual June 30, 2023</u>	<u>Target July 1, 2023</u>
<b>Growth Equity</b>		
U.S. Equity	12.2%	15.5%
International Equity	7.3%	9.5%
Emerging Markets Equity	7.1%	9%
Global Equity	3.5%	n/a
Private Equity	21.8%	16%
<b>Subtotal</b>	<b>51.9%</b>	<b>50%</b>
<b>Rate Sensitive</b>		
Nominal Fixed Income	13.7%	16%
Inflation-linked Bonds	3.4%	4%
<b>Subtotal</b>	<b>17.1%</b>	<b>20%</b>
<b>Credit/Debt</b>		
High Yield Bonds and Bank Loans	7.7%	8%
Emerging Market Debt	1.0%	1%
<b>Subtotal</b>	<b>8.7%</b>	<b>9%</b>
<b>Real Assets</b>		
Real Estate	10.5%	10%
Natural Resources and Infrastructure	4.8%	5%
<b>Subtotal</b>	<b>15.4%</b>	<b>15%</b>
<b>Absolute Return</b>	<b>5.9%</b>	<b>6%</b>
<b>Total Fund</b>	<b>100%</b>	<b>100%</b>

Note: Numbers may not add to total due to rounding.

Source: State Retirement and Pension System; State Street – State Retirement Agency of Maryland – Rates of Return – Net Mgr – Periods Ending June 30, 2023

**Exhibit 8** shows how the system performed against class-specific and overall benchmarks. Despite falling short of the assumed rate of return, the system performed 0.94% (94 basis points) above the total system return benchmark.

**Exhibit 8**  
**Benchmark Performance**  
**Fiscal 2023**

	<u>Return</u>	<u>Return Benchmark</u>	<u>Excess</u>
<b>Growth Equity</b>	<b>7.83%</b>	<b>6.46%</b>	<b>1.38%</b>
Public Equity	13.77%	13.80%	-0.03%
Private Equity	0.26%	-2.86%	3.13%
<b>Rate Sensitive</b>	<b>-3.70%</b>	<b>-3.48%</b>	<b>-0.22%</b>
Nominal Fixed Income	-4.65%	-4.23%	-0.42%
Inflation Sensitive	-0.97%	-1.33%	0.36%
<b>Credit</b>	<b>5.99%</b>	<b>9.01%</b>	<b>-3.02%</b>
High Yield Bonds and Bank Loans	9.77%	9.43%	0.34%
Private Credit	1.02%	n/a	n/a
Credit Hedge Fund	-12.49%	1.61%	-14.09%
Non-U.S. Credit	7.79%	5.94%	1.84%
<b>Real Assets</b>	<b>-3.43%</b>	<b>-6.72%</b>	<b>3.29%</b>
Real Estate	-8.37%	-10.33%	1.96%
Natural Resources and Infrastructure	8.70%	2.22%	6.47%
<b>Absolute Return</b>	<b>-1.37%</b>	<b>1.41%</b>	<b>-2.78%</b>
<b>Multi Asset</b>	<b>-1.55%</b>	<b>2.20%</b>	<b>-3.75%</b>
<b>Cash and Cash Equitization</b>	<b>5.26%</b>	<b>3.75%</b>	<b>1.51%</b>
<b>Total Fund</b>	<b>3.14%</b>	<b>2.20%</b>	<b>0.94%</b>

Source: State Street – State Retirement Agency of Maryland – Rates of Return – Net Mgr – Periods Ending June 30, 2023

One method of evaluating the system’s investment performance is to compare the system’s investment performance with the performance of other systems. The Wilshire Trust Universe Comparison Service (TUCS) rankings are useful for providing a big picture, snapshot assessment of the system’s performance relative to other large public pension plans. In the TUCS analysis, systems are ranked on a scale of 1 to 100, with a rank of 1 being the system with the highest investment returns for the time period. As shown in **Exhibit 9**, according to TUCS, the system’s fiscal 2023 total fund investment performance was rated in the ninety-sixth percentile among the

public pension funds with at least \$25 billion in assets. As the system has historically had a low allocation to equity investments compared to its peers – and domestic equity in particular – the system’s investment policy will have a low TUCS ranking when equity markets are experiencing strong performance, as has been the case for a number of recent years. The long-term relative performance rankings have placed SRPS’ relative total fund performance in the bottom quartile, with improvement in recent years. The TUCS rankings are based on returns gross of fees.

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**Exhibit 9**  
**TUCS Percentile Rankings for Periods Ending June 30**  
**Fiscal 2020-2023**

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
1 Year	53	64	37	96
3 Years	60	57	37	71
5 Years	71	75	43	59
10 Years	87	88	75	78

TUCS: Wilshire Trust Universe Comparison Services

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

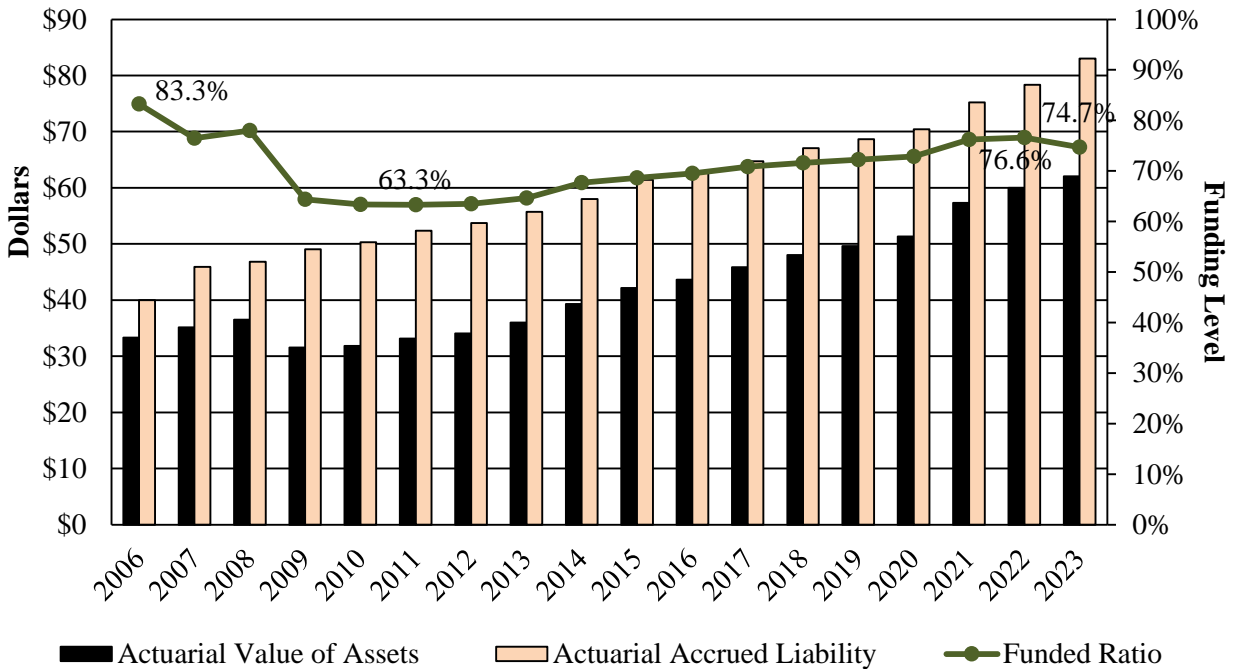
Source: Wilshire Trust Universe Comparison Service

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### **Funded Ratio Declines for First Time Since Reforms**

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 63% of assets necessary to cover its liability. As shown in **Exhibit 10**, the actual funded ratio in fiscal 2023 was 74.7% for all State plans, down from 76.6% in fiscal 2022. SRPS is projected to achieve 80% actuarial funding by fiscal 2030, three years later than was projected a year ago.

**Exhibit 10**  
**State Plans’ Pension Assets, Liabilities, and Funded Ratio**  
**Fiscal 2006-2023**  
**(\$ in Billions)**



Source: State Retirement Agency

## 2. Supplemental Funding Partially Used to Offset Statutorily Required Pension Funding Reduction

An obsolete provision of State law has unnecessarily reduced the State’s budgeted contribution to the pension plan since fiscal 2016. Section 21-308 (a) (3) of the State Personnel and Pensions Article requires a reduction in the employer contribution by the amount of administrative fees paid by the local boards of education and local community colleges. This provision is a remnant of the pension plan’s prior structure of including fees in employer contribution rates and was instituted in order to avoid double charging the local boards of education and community colleges. Since fiscal 2016, fees have been charged separately from employer contributions. However, the statute continues to require that the annual required employer contribution to the system be reduced by the amount of administrative fees paid by the local boards of education and local community colleges. In fiscal 2024, the amount of the reduction was estimated to be approximately \$21 million.



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SRA has used a portion of the State’s \$75 million supplemental contribution every year to cover this reduction, meaning that the system has continued to be funded at the actuarially required level. While not required, at the time of pension reforms, the savings to the system generated by the reforms were intended to be “reinvested” into the pension fund in the form of contributions above the actuarially determined amount. However, were the State to discontinue the supplemental contribution at any point, the result would be an underfunding of the pension plan on an actuarial basis. **DLS recommends the enactment of legislation that would remove the requirement that SRA reduce the contribution to the system by the amount of administrative fees paid by the local boards of education and local community colleges.**

## Operating Budget Recommended Actions

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1. Add the following language to the special fund appropriation:

, provided that \$8,973,908 in special funds made for the purpose of operating expenses is reduced.

Further provided that funds are appropriated in other agency budgets to pay for services provided by this program. Authorization is hereby granted to use these receipts as special funds for operating expenses in this program.

**Explanation:** The State Retirement Agency incorrectly budgeted its entire operations budget as special funds despite funding being available in the form of reimbursable funds from other State agencies.

**Appendix 1**  
**Projected Retirement Appropriations**  
**Fiscal 2016-2025**  
**(\$ in Millions)**

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
State Employer Base	\$1,440.1	\$1,533.8	\$1,547.5	\$1,569.8	\$1,627.7	\$1,669.6	\$1,736.6	\$1,698.3	\$1,426.4	\$1,758.0
Supplemental	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	54.0	75.0
Sweeper	0.0	50.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	0
Governor	0.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0
<b>Total State</b>	<b>\$1,515.1</b>	<b>\$1,683.8</b>	<b>\$1,622.5</b>	<b>\$1,644.8</b>	<b>\$1,702.7</b>	<b>\$1,744.6</b>	<b>\$1,811.6</b>	<b>\$1,798.3</b>	<b>\$1,480.4</b>	<b>\$1,833.0</b>
Local School Boards	\$254.8	\$279.8	\$280.5	\$283.8	\$288.6	\$293.8	\$296.5	\$373.0	\$380.2	\$397.1
<b>Total Employer</b>	<b>\$1,769.9</b>	<b>\$1,963.6</b>	<b>\$1,903.0</b>	<b>\$1,928.6</b>	<b>\$1,991.3</b>	<b>\$2,038.4</b>	<b>\$2,108.1</b>	<b>\$2,171.3</b>	<b>\$1,860.6</b>	<b>\$2,230.1</b>

Source: State Retirement Agency

**Appendix 2  
Object/Fund Difference Report  
State Retirement Agency**

<u>Object/Fund</u>	<u>FY 23 Actual</u>	<u>FY 24 Working Appropriation</u>	<u>FY 25 Allowance</u>	<u>FY 24 - FY 25 Amount Change</u>	<u>Percent Change</u>
<b>Positions</b>					
01 Regular	173.00	178.00	185.00	7.00	3.9%
02 Contractual	5.01	7.00	6.00	-1.00	-14.3%
<b>Total Positions</b>	<b>178.01</b>	<b>185.00</b>	<b>191.00</b>	<b>6.00</b>	<b>3.2%</b>
<b>Objects</b>					
01 Salaries and Wages	\$ 19,361,234	\$ 20,786,790	\$ 22,676,632	\$ 1,889,842	9.1%
02 Technical and Special Fees	589,005	740,616	683,429	-57,187	-7.7%
03 Communication	805,431	750,700	820,700	70,000	9.3%
04 Travel	76,836	106,342	106,342	0	0%
07 Motor Vehicles	133,919	132,990	132,990	0	0%
08 Contractual Services	6,274,059	6,475,769	6,590,189	114,420	1.8%
09 Supplies and Materials	130,623	117,308	111,495	-5,813	-5.0%
10 Equipment – Replacement	114,951	295,756	755,355	459,599	155.4%
11 Equipment – Additional	38,920	224,114	70,500	-153,614	-68.5%
12 Grants, Subsidies, and Contributions	160,606	160,606	160,606	0	0%
13 Fixed Charges	2,407,443	2,516,631	2,581,152	64,521	2.6%
<b>Total Objects</b>	<b>\$ 30,093,027</b>	<b>\$ 32,307,622</b>	<b>\$ 34,689,390</b>	<b>\$ 2,381,768</b>	<b>7.4%</b>
<b>Funds</b>					
03 Special Fund	\$ 20,444,207	\$ 22,028,390	\$ 34,689,390	\$ 12,661,000	57.5%
05 Federal Fund	27,557	0	0	0	0.0%
09 Reimbursable Fund	9,621,263	10,279,232	0	-10,279,232	-100.0%
<b>Total Funds</b>	<b>\$ 30,093,027</b>	<b>\$ 32,307,622</b>	<b>\$ 34,689,390</b>	<b>\$ 2,381,768</b>	<b>7.4%</b>

Note: The fiscal 2025 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.

**Appendix 3  
Fiscal Summary  
State Retirement Agency**

<u>Program/Unit</u>	<u>FY 23 Actual</u>	<u>FY 24 Wrk Approp</u>	<u>FY 25 Allowance</u>	<u>Change</u>	<u>FY 24 - FY 25 % Change</u>
01 State Retirement Agency	\$ 30,092,567	\$ 32,126,755	\$ 34,689,390	\$ 2,562,635	8.0%
02 Major Information Technology Development	460	180,867	0	-180,867	-100.0%
<b>Total Expenditures</b>	<b>\$ 30,093,027</b>	<b>\$ 32,307,622</b>	<b>\$ 34,689,390</b>	<b>\$ 2,381,768</b>	<b>7.4%</b>
Special Fund	\$ 20,444,207	\$ 22,028,390	\$ 34,689,390	\$ 12,661,000	57.5%
Federal Fund	27,557	0	0	0	0.0%
<b>Total Appropriations</b>	<b>\$ 20,471,764</b>	<b>\$ 22,028,390</b>	<b>\$ 34,689,390</b>	<b>\$ 12,661,000</b>	<b>57.5%</b>
Reimbursable Fund	\$ 9,621,263	\$ 10,279,232	\$ 0	-\$ 10,279,232	-100.0%
<b>Total Funds</b>	<b>\$ 30,093,027</b>	<b>\$ 32,307,622</b>	<b>\$ 34,689,390</b>	<b>\$ 2,381,768</b>	<b>7.4%</b>

Note: The fiscal 2025 allowance does not include statewide salary adjustments budgeted within the Department of Budget and Management.