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**By: Delegate Proctor (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 21, 1996

Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

**2 Retirement and Pensions - Funding - Participating Governmental Units**

3 FOR the purpose of altering certain provisions of law relating to the obligations of a  
4 participating governmental unit to contribute to the State Retirement and Pension  
5 System on behalf of its employees who are members of the Employees' Retirement  
6 System and Employees' Pension System or are members of the Local Fire and  
7 Police System; altering certain provisions of law relating to the obligations of a  
8 participating governmental unit that elects to withdraw from participation in the  
9 Employees' Retirement System and Employees' Pension System all employees who  
10 consent to the withdrawal or certain groups of employees or elects to withdraw from  
11 participation in the Local Fire and Police System; defining certain terms; and  
12 generally relating to the obligations of a governmental unit that participates in the  
13 Employees' Retirement System and the Employees' Pension System or the Local  
14 Fire and Police System.

15 BY repealing and reenacting, with amendments,  
16 Article - State Personnel and Pensions  
17 Section 21-305, 21-306, and 31-305  
18 Annotated Code of Maryland  
19 (1994 Volume and 1995 Supplement)

20 BY adding to  
21 Article - State Personnel and Pensions  
22 Section 21-305.1 through 21-305.6  
23 Annotated Code of Maryland  
24 (1994 Volume and 1995 Supplement)

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

27 **Article - State Personnel and Pensions**

28 21-305.

29 (a) In this section, "employees' systems" means the Employees' Pension System  
30 and the Employees' Retirement System.

1 (b) (1) Each fiscal year, on behalf of its employees who are members of one of  
2 the employees' systems, a participating governmental unit shall pay an amount equal to or  
3 greater than the product of multiplying:

4 (i) the aggregate annual earnable compensation of those members;  
5 and

6 (ii) the sum of the normal contribution rate and the accrued liability  
7 contribution rate, as determined under [this section] §§ 21-305.1 AND 21-305.2 OF THIS  
8 SUBTITLE.

9 (2) Each fiscal year, in addition to the amounts required to be paid under  
10 paragraph (1) of this subsection, a participating governmental unit shall pay:

11 (i) the special accrued liability contribution required by [ subsection  
12 (e) of this section] § 21-305.3 OF THIS SUBTITLE; [and]

13 (ii) any withdrawal liability contribution required by [ subsection (f) of  
14 this section] § 21-305.5 OF THIS SUBTITLE;

15 (III) AN AMOUNT EQUAL TO 5% OF THE AGGREGATE EARNABLE  
16 COMPENSATION OF ITS EMPLOYEES WHO ARE MEMBERS OF THE EMPLOYEES'  
17 RETIREMENT SYSTEM; AND

18 (IV) ANY ANNUAL DEFICIT PAYMENT REQUIRED UNDER §  
19 21-305.4(C) OF THIS SUBTITLE.

20 (3) EACH FISCAL YEAR, A PARTICIPATING GOVERNMENTAL UNIT  
21 SHALL REDUCE THE AMOUNTS REQUIRED TO BE PAID UNDER PARAGRAPHS (1) AND  
22 (2) OF THIS SUBSECTION BY ANY ANNUAL CREDIT ALLOWED TO THE PARTICIPATING  
23 GOVERNMENTAL UNIT UNDER § 21.305.4(B) OF THIS SUBTITLE.

24 [(3)] (C) (1) The amount determined under [paragraphs (1) and (2) of  
25 this subsection for each State system] SUBSECTION (B) OF THIS SECTION FOR THE  
26 EMPLOYEES' SYSTEMS shall be based on an actuarial determination of the amounts that  
27 are required to preserve the integrity of the accumulation fund of [each State system]  
28 THE EMPLOYEES' SYSTEMS, using:

29 (i) the entry-age actuarial cost method; [and]

30 (ii) actuarial assumptions adopted by the Board of Trustees; AND

31 (III) THE ASSET VALUATION METHOD RECOMMENDED BY THE  
32 ACTUARY AND ADOPTED BY THE BOARD OF TRUSTEES.

33 (2) EXCEPT AS PROVIDED IN SUBSECTION (B)(2)(III) OF THIS SECTION,  
34 FOR THE PURPOSE OF MAKING THE DETERMINATIONS REQUIRED UNDER THIS  
35 SECTION, THE EMPLOYEES' RETIREMENT SYSTEM AND THE EMPLOYEES' PENSION  
36 SYSTEM SHALL BE CONSIDERED TOGETHER AS ONE STATE SYSTEM.

37 [(4)] (D) The actuary shall compute the contributions payable under this  
38 section.

1 [(5)] (E) The amounts computed under this section are a charge against the  
2 participating governmental unit to be paid in accordance with § 21-309 of this subtitle.

3 [(c) (1) As part of each actuarial valuation, the actuary shall determine the  
4 normal contributions, net of member contributions, on account of members of the  
5 employees' systems who are employees of participating governmental units.

6 (2) Except as provided in paragraph (3) of this subsection, foreach of the  
7 employees' systems, the normal contribution rate for participating governmental units  
8 equals the fraction that has:

9 (i) as its numerator, the sum of the normal contributions determined  
10 under this subsection; and

11 (ii) as its denominator, the aggregate annual earnable compensation of  
12 the members of the State system who are employees of participating governmental units.

13 (3) On the recommendation of the actuary, the Board of Trustees may  
14 adjust the normal contribution rates to reflect:

15 (i) experience gains and losses;

16 (ii) the effect of changes in actuarial assumptions; and

17 (iii) the effect of legislation enacted after July 1, 1980.

18 (d) For each of the employees' systems, the accrued liability contribution rate for  
19 the participating governmental units shall be computed as the percent of the aggregate  
20 earnable compensation of the members of that State system who are employees of  
21 participating governmental units that is sufficient to liquidate over 40 years beginning July  
22 1, 1980, the amount, as of June 30, 1980, by which the total liabilities of that State system  
23 on account of participating governmental units exceeded the sum of:

24 (1) the assets to the credit of the participating governmental units in the  
25 accumulation fund and the annuity savings fund of that State system; and

26 (2) the present value of future normal contributions, future special accrued  
27 liability contributions, future withdrawal liability contributions, and future member  
28 contributions on behalf of or by members who are employees of participating  
29 governmental units.

30 (e) (1) In this subsection, "special accrued liability" means, as to any  
31 participating governmental unit, the liability of the employees' systems on account of:

32 (i) the employees of the participating governmental unit who elect to  
33 become members under § 23-204(b) of this article; and

34 (ii) the retirees of the participating governmental unit who were being  
35 paid pensions under a local pension system on the date of approval of participation by the  
36 legislative body of the participating governmental unit.

37 (2) Each participating governmental unit shall make a special accrued  
38 liability contribution on account of its participation in the Employees' Pension System.

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1 (3) The special accrued liability contribution shall be determined by an  
2 actuarial valuation of the special accrued liability as of the date of approval of  
3 participation by the legislative body of the participating governmental unit.

4 (4) Except as provided in paragraph (5) of this subsection, the annual  
5 special accrued liability contribution of each participating governmental unit shall be the  
6 level annual payment that is sufficient to liquidate, over 40 years beginning on the date of  
7 approval by the legislative body of the participating governmental unit, the amount by  
8 which the special accrued liability of the participating governmental unit exceeds the sum  
9 of:

10 (i) the present value, as of the date of approval, of future normal  
11 contributions, future accrued liability contributions, and future member contributions on  
12 behalf of or by members who are employees of the participating governmental unit; and

13 (ii) any cash and securities transferred to the Employees' Pension  
14 System in accordance with § 31-113(d) of this article.

15 (5) Subject to the approval of the Board of Trustees, a participating  
16 governmental unit may liquidate its unfunded special accrued liability:

17 (i) over less than 40 years; or

18 (ii) subject to the actuary's concurrence, by means of annual payments  
19 other than level annual payments.

20 (6) The expense of making the initial special accrued liability actuarial  
21 valuation shall be assessed against and paid by the participating governmental unit on  
22 whose account it is necessary.

23 (f) (1) In this subsection, "withdrawal liability" means, as to any participating  
24 governmental unit withdrawing from the employees' systems, the liability of the  
25 employees' systems on account of:

26 (i) employees of the participating governmental unit who do not elect  
27 to withdraw;

28 (ii) retirees of the employees' systems who retired from the service of  
29 the participating governmental unit and the designated beneficiaries of those retirees;  
30 and

31 (iii) former members of the employees' systems eligible for a vested  
32 allowance who separated from employment with the participating governmental unit.

33 (2) On and after the date of a participating governmental unit's withdrawal  
34 from the employees' systems under § 31-302(a) of this article:

35 (i) the participating governmental unit and its employees are not  
36 required to make any further contributions to the employees' systems for those employees  
37 who elect to withdraw from the employees' systems;

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1 (ii) the participating governmental unit shall continue to make the  
2 normal contribution on behalf of each employee who does not elect to withdraw from the  
3 employees' systems; and

4 (iii) the participating governmental unit shall make a withdrawal  
5 liability contribution as determined under this subsection.

6 (3) The withdrawal liability contribution shall be determined by an actuarial  
7 valuation of the withdrawal liability as of the date of withdrawal.

8 (4) Except as provided in paragraph (5) of this subsection, the annual  
9 withdrawal liability contribution of each participating governmental unit shall be the level  
10 annual payment that is sufficient to liquidate, over not more than 10 years beginning on  
11 the date of withdrawal, the amount by which the withdrawal liability of the participating  
12 governmental unit exceeds the sum of:

13 (i) the present value, as of the date of withdrawal, of future normal  
14 contributions and future member contributions on behalf of or by those employees of the  
15 participating governmental unit who do not elect to withdraw; and

16 (ii) the allocable portion of the reserve as of the date of withdrawal  
17 attributable to those employees of the participating governmental unit who do not elect to  
18 withdraw.

19 (5) Subject to the approval of the Board of Trustees and the actuary's  
20 concurrence, a participating governmental unit may liquidate its unfunded withdrawal  
21 liability by means of annual payments other than level annual payments.]

22 21-305.1.

23 (A) IN THIS SECTION, "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES'  
24 PENSION SYSTEM AND THE EMPLOYEES' RETIREMENT SYSTEM.

25 (B) AS PART OF EACH ACTUARIAL VALUATION, THE ACTUARY SHALL  
26 DETERMINE THE NORMAL CONTRIBUTIONS, NET OF MEMBER CONTRIBUTIONS, ON  
27 ACCOUNT OF MEMBERS OF THE EMPLOYEES' SYSTEMS WHO ARE EMPLOYEES OF  
28 PARTICIPATING GOVERNMENTAL UNITS.

29 (C) EXCEPT AS PROVIDED IN SUBSECTION (D) OF THIS SECTION, THE NORMAL  
30 CONTRIBUTION RATE FOR PARTICIPATING GOVERNMENTAL UNITS EQUALS THE  
31 FRACTION THAT HAS:

32 (1) AS ITS NUMERATOR, THE SUM OF THE NORMAL CONTRIBUTIONS  
33 DETERMINED UNDER THIS SECTION; AND

34 (2) AS ITS DENOMINATOR, THE AGGREGATE ANNUAL EARNABLE  
35 COMPENSATION OF THE MEMBERS OF THE EMPLOYEES' SYSTEMS WHO ARE  
36 EMPLOYEES OF PARTICIPATING GOVERNMENTAL UNITS.

37 (D) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF TRUSTEES  
38 MAY ADJUST THE NORMAL CONTRIBUTION RATE TO REFLECT:

39 (1) EXPERIENCE GAINS AND LOSSES;

6

1 (2) THE EFFECT OF CHANGES IN ACTUARIAL ASSUMPTIONS; AND

2 (3) THE EFFECT OF LEGISLATION ENACTED AFTER JULY 1, 1980.

3 21-305.2.

4 (A) IN THIS SECTION, "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES'  
5 PENSION SYSTEM AND THE EMPLOYEES' RETIREMENT SYSTEM.

6 (B) AS PART OF EACH ACTUARIAL VALUATION, THE ACTUARY SHALL  
7 DETERMINE THE ACCRUED LIABILITY CONTRIBUTIONS ON ACCOUNT OF MEMBERS  
8 OF THE EMPLOYEES' SYSTEMS WHO ARE EMPLOYEES OF PARTICIPATING  
9 GOVERNMENTAL UNITS.

10 (C) EXCEPT AS PROVIDED IN SUBSECTIONS (D) AND (E) OF THIS SECTION, THE  
11 ACCRUED LIABILITY CONTRIBUTION RATE FOR THE PARTICIPATING  
12 GOVERNMENTAL UNITS SHALL BE COMPUTED AS THE PERCENT OF THE  
13 AGGREGATE EARNABLE COMPENSATION OF THE MEMBERS OF THE EMPLOYEES'  
14 SYSTEMS WHO ARE EMPLOYEES OF PARTICIPATING GOVERNMENTAL UNITS THAT IS  
15 SUFFICIENT TO LIQUIDATE OVER 40 YEARS BEGINNING JULY 1, 1980, THE AMOUNT,  
16 AS OF JUNE 30, 1980, BY WHICH THE TOTAL LIABILITY OF THE EMPLOYEES' SYSTEMS  
17 ON ACCOUNT OF PARTICIPATING GOVERNMENTAL UNITS EXCEEDED THE SUM OF:

18 (1) THE ASSETS TO THE CREDIT OF THE PARTICIPATING  
19 GOVERNMENTAL UNITS IN THE ACCUMULATION FUND AND THE ANNUITY SAVINGS  
20 FUND OF THE EMPLOYEES' SYSTEMS; AND

21 (2) THE PRESENT VALUE OF FUTURE NORMAL CONTRIBUTIONS,  
22 FUTURE SPECIAL ACCRUED LIABILITY CONTRIBUTIONS, FUTURE WITHDRAWAL  
23 LIABILITY CONTRIBUTIONS, AND FUTURE MEMBER CONTRIBUTIONS ON BEHALF OF  
24 OR BY MEMBERS WHO ARE EMPLOYEES OF PARTICIPATING GOVERNMENTAL UNITS.

25 (D) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF TRUSTEES  
26 SHALL ADJUST:

27 (1) THE AMOUNT DETERMINED UNDER SUBSECTION (C)(1) OF THIS  
28 SECTION TO ACCOUNT FOR:

29 (I) THE SUM OF THE OUTSTANDING BALANCE OF THE SURPLUS  
30 ALLOCATED TO EACH PARTICIPATING GOVERNMENTAL UNIT UNDER § 21-305.4(B)  
31 OF THIS SUBTITLE AS OF THE VALUATION DATE; AND

32 (II) THE SUM OF THE OUTSTANDING BALANCE OF THE DEFICIT  
33 ALLOCATED TO EACH PARTICIPATING GOVERNMENTAL UNIT UNDER § 21-305.4(C)  
34 OF THIS SUBTITLE AS OF THE VALUATION DATE; AND

35 (2) THE AMOUNT DETERMINED UNDER SUBSECTION (C)(2) OF THIS  
36 SECTION TO ACCOUNT FOR THE PRESENT VALUE OF FUTURE CONTRIBUTIONS FOR  
37 MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM REQUIRED UNDER §  
38 21-305(B)(2)(III) OF THIS SUBTITLE.

39 (E) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF TRUSTEES  
40 MAY ADJUST THE ACCRUED LIABILITY CONTRIBUTION RATE TO REFLECT:

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- 1 (1) EXPERIENCE GAINS AND LOSSES;
- 2 (2) THE EFFECT OF CHANGES IN ACTUARIAL ASSUMPTIONS; AND
- 3 (3) THE EFFECT OF LEGISLATION ENACTED AFTER JULY 1, 1980.

4 21-305.3.

5 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
6 INDICATED.

7 (2) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
8 AND THE EMPLOYEES' RETIREMENT SYSTEM.

9 (3) "SPECIAL ACCRUED LIABILITY" MEANS, AS TO ANY PARTICIPATING  
10 GOVERNMENTAL UNIT, THE LIABILITY OF THE EMPLOYEES' SYSTEMS ON ACCOUNT  
11 OF:

12 (I) THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL  
13 UNIT WHO ELECT TO BECOME MEMBERS UNDER § 23-204(B) OF THIS ARTICLE; AND

14 (II) THE RETIREES OF THE PARTICIPATING GOVERNMENTAL UNIT  
15 WHO WERE BEING PAID PENSIONS UNDER A LOCAL PENSION SYSTEM ON THE DATE  
16 OF APPROVAL OF PARTICIPATION BY THE LEGISLATIVE BODY OF THE  
17 PARTICIPATING GOVERNMENTAL UNIT.

18 (B) EACH PARTICIPATING GOVERNMENTAL UNIT SHALL MAKE A SPECIAL  
19 ACCRUED LIABILITY CONTRIBUTION ON ACCOUNT OF ITS PARTICIPATION IN THE  
20 EMPLOYEES' SYSTEMS.

21 (C) THE SPECIAL ACCRUED LIABILITY CONTRIBUTION SHALL BE  
22 DETERMINED BY AN ACTUARIAL VALUATION OF THE SPECIAL ACCRUED LIABILITY  
23 AS OF THE DATE OF APPROVAL OF PARTICIPATION BY THE LEGISLATIVE BODY OF  
24 THE PARTICIPATING GOVERNMENTAL UNIT.

25 (D) EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, THE ANNUAL  
26 SPECIAL ACCRUED LIABILITY CONTRIBUTION OF EACH PARTICIPATING  
27 GOVERNMENTAL UNIT SHALL BE THE LEVEL ANNUAL PAYMENT THAT IS  
28 SUFFICIENT TO LIQUIDATE, OVER 25 YEARS BEGINNING ON THE DATE OF  
29 APPROVAL BY THE LEGISLATIVE BODY OF THE PARTICIPATING GOVERNMENTAL  
30 UNIT, THE AMOUNT BY WHICH THE SPECIAL ACCRUED LIABILITY OF THE  
31 PARTICIPATING GOVERNMENTAL UNIT EXCEEDS THE SUM OF:

32 (1) THE PRESENT VALUE, AS OF THE DATE OF APPROVAL, OF FUTURE  
33 NORMAL CONTRIBUTIONS, FUTURE ACCRUED LIABILITY CONTRIBUTIONS, FUTURE  
34 CONTRIBUTIONS FOR MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM  
35 REQUIRED UNDER § 21-305(B)(2)(III) OF THIS SUBTITLE, FUTURE MEMBER  
36 CONTRIBUTIONS ON BEHALF OF OR BY MEMBERS WHO ARE EMPLOYEES OF THE  
37 PARTICIPATING GOVERNMENTAL UNIT; AND

38 (2) ANY CASH AND SECURITIES TRANSFERRED TO THE EMPLOYEES'  
39 SYSTEM IN ACCORDANCE WITH § 31-113(D) OF THIS ARTICLE.

1 (E) SUBJECT TO THE APPROVAL OF THE BOARD OF TRUSTEES, A  
2 PARTICIPATING GOVERNMENTAL UNIT MAY LIQUIDATE ITS UNFUNDED SPECIAL  
3 ACCRUED LIABILITY:

4 (1) OVER A PERIOD NOT TO EXCEED 40 YEARS; OR

5 (2) SUBJECT TO THE ACTUARY'S CONCURRENCE, BY MEANS OF  
6 ANNUAL PAYMENTS OTHER THAN LEVEL ANNUAL PAYMENTS.

7 (F) A PARTICIPATING GOVERNMENTAL UNIT MAY PREPAY THE SPECIAL  
8 ACCRUED LIABILITY IN WHOLE OR IN PART AT ANY TIME WITH INTEREST AT THE  
9 ANNUAL RATE ESTABLISHED BY THE BOARD OF TRUSTEES AS OF THE DATE OF  
10 PAYMENT.

11 (G) THE EXPENSE OF MAKING THE INITIAL SPECIAL ACCRUED LIABILITY  
12 ACTUARIAL VALUATION SHALL BE ASSESSED AGAINST AND PAID BY THE  
13 PARTICIPATING GOVERNMENTAL UNIT ON WHOSE ACCOUNT IT IS NECESSARY.

14 21-305.4.

15 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
16 INDICATED.

17 (2) "DEFICIT" MEANS, AS TO ANY PARTICIPATING GOVERNMENTAL  
18 UNIT, THE AMOUNT, AS OF JUNE 30, 1995, BY WHICH THE PRESENT VALUE OF THE  
19 ACCRUED BENEFIT OF THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL  
20 UNIT WHO ARE MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM EXCEEDS THE  
21 ACTUARIAL VALUE OF THE ASSETS TO THE CREDIT OF THE PARTICIPATING  
22 GOVERNMENTAL UNIT IN THE EMPLOYEES' RETIREMENT SYSTEM.

23 (3) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
24 AND THE EMPLOYEES' RETIREMENT SYSTEM.

25 (4) "REQUIRED EMPLOYER CONTRIBUTION" MEANS THE AMOUNT  
26 PAYABLE EACH FISCAL YEAR UNDER § 21-305(B)(1), (2)(I) AND (III) OF THIS SUBTITLE  
27 BY A PARTICIPATING GOVERNMENTAL UNIT.

28 (5) "SURPLUS" MEANS, AS TO ANY PARTICIPATING GOVERNMENTAL  
29 UNIT, THE AMOUNT, AS OF JUNE 30, 1995, BY WHICH THE ACTUARIAL VALUE OF THE  
30 ASSETS TO THE CREDIT OF THE PARTICIPATING GOVERNMENTAL UNIT IN THE  
31 EMPLOYEES' SYSTEMS EXCEEDS THE PRESENT VALUE OF THE FUTURE BENEFITS OF  
32 THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL UNIT WHO ARE  
33 MEMBERS OF THE EMPLOYEES' SYSTEMS.

34 (B) (1) THE ACTUARY SHALL DETERMINE THE SURPLUS ALLOCABLE TO A  
35 PARTICIPATING GOVERNMENTAL UNIT AS OF JUNE 30, 1995, BASED ON AN  
36 ACTUARIAL VALUATION.

37 (2) THE SURPLUS OF A PARTICIPATING GOVERNMENTAL UNIT MAY  
38 NOT BE LESS THAN ZERO.

39 (3) THE ANNUAL CREDIT OF A PARTICIPATING GOVERNMENTAL UNIT  
40 SHALL BE THE AMOUNT THAT IS SUFFICIENT TO AMORTIZE OVER A 25 YEAR TERM

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1 COMMENCING ON JULY 1, 1995, THE SURPLUS ALLOCATED TO A PARTICIPATING  
2 GOVERNMENTAL UNIT AS OF JUNE 30, 1995, BY MEANS OF AN ANNUAL CREDIT THAT  
3 INCREASES EACH YEAR BASED ON THE ACTUARIAL ASSUMPTIONS ADOPTED BY THE  
4 BOARD OF TRUSTEES ON THE RECOMMENDATION OF THE ACTUARY.

5 (4) EACH FISCAL YEAR, A PARTICIPATING GOVERNMENTAL UNIT'S  
6 REQUIRED EMPLOYER CONTRIBUTION SHALL BE REDUCED BY THE ANNUAL  
7 CREDIT OF THE PARTICIPATING GOVERNMENTAL UNIT, BUT NOT BELOW ZERO.

8 (C) (1) THE ACTUARY SHALL DETERMINE THE DEFICIT ALLOCABLE TO A  
9 PARTICIPATING GOVERNMENTAL UNIT AS OF JUNE 30, 1995, BASED ON AN  
10 ACTUARIAL VALUATION.

11 (2) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS  
12 PARAGRAPH, THE ANNUAL DEFICIT PAYMENT OF A PARTICIPATING  
13 GOVERNMENTAL UNIT SHALL BE THE PAYMENT THAT IS SUFFICIENT TO LIQUIDATE  
14 OVER A 25 YEAR TERM BEGINNING AS OF JULY 1, 1995, THE DEFICIT ALLOCATED TO  
15 THE PARTICIPATING GOVERNMENTAL UNIT BY MEANS OF ANNUAL PAYMENTS  
16 THAT INCREASE EACH YEAR BASED ON THE ACTUARIAL ASSUMPTIONS ADOPTED  
17 BY THE BOARD OF TRUSTEES ON THE RECOMMENDATION OF THE ACTUARY.

18 (II) IF, AS OF JULY 1, 1995, THE ANNUAL DEFICIT PAYMENT OF A  
19 PARTICIPATING GOVERNMENTAL UNIT INCREASES THE PARTICIPATING  
20 GOVERNMENTAL UNIT'S REQUIRED CONTRIBUTION BY MORE THAN 2% OF THE  
21 AGGREGATE ANNUAL EARNABLE COMPENSATION OF THE PARTICIPATING  
22 GOVERNMENTAL UNIT AS OF JULY 1, 1995, THE PARTICIPATING GOVERNMENTAL  
23 UNIT MAY LIQUIDATE THE DEFICIT OVER A 40-YEAR TERM BEGINNING AS OF JULY  
24 1, 1995.

25 (3) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, WITH  
26 THE CONCURRENCE OF THE BOARD OF TRUSTEES, A PARTICIPATING  
27 GOVERNMENTAL UNIT MAY PREPAY ALL OR A PORTION OF THE DEFICIT.

28 (II) A PARTICIPATING GOVERNMENTAL UNIT THAT ELECTS TO  
29 PREPAY A PORTION OF THE DEFICIT:

30 1. MAY NOT PREPAY LESS THAN THE GREATER OF \$100,000  
31 OR 10% OF THE OUTSTANDING BALANCE OF THE DEFICIT AS OF THE PAYMENT  
32 DATE;

33 2. MAY NOT MAKE MORE THAN 2 ADDITIONAL PAYMENTS  
34 DURING ANY FISCAL YEAR; AND

35 3. SHALL BE LIABLE FOR PAYMENT OF THE EXPENSES  
36 INCURRED BY THE AGENCY FOR THE ACTUARY TO RECALCULATE THE ANNUAL  
37 DEFICIT PAYMENTS REQUIRED UNDER § 21-305(B)(2)(IV) OF THIS SUBTITLE.

38 (D) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF TRUSTEES  
39 SHALL ADOPT REGULATIONS THAT ARE NECESSARY TO CARRY OUT THIS SECTION,  
40 AND THAT SET FORTH THE AMOUNT OF ANY SURPLUS OR DEFICIT ALLOCABLE TO A  
41 PARTICIPATING GOVERNMENTAL UNIT AS OF JUNE 30, 1995.

10

1 21-305.5.

2 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANING  
3 INDICATED.

4 (2) "ACTIVE PARTICIPANT FUNDING RATIO" MEANS THE RATIO  
5 DETERMINED BY THE ACTUARY AS PROVIDED UNDER SUBSECTION (D) OF THIS  
6 SECTION.

7 (3) "COMPLEMENT OF THE ACTIVE PARTICIPANT FUNDING RATIO" IS A  
8 RATIO EQUAL TO 1 MINUS THE ACTIVE PARTICIPANT FUNDING RATIO.

9 (4) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
10 AND THE EMPLOYEES' RETIREMENT SYSTEM.

11 (5) "TRANSITION AMOUNT" MEANS THE AMOUNT DETERMINED BY THE  
12 ACTUARY AS PROVIDED UNDER SUBSECTION (G) OF THIS SECTION.

13 (B) THIS SECTION APPLIES ONLY TO A PARTICIPATING GOVERNMENTAL UNIT  
14 THAT ELECTS TO WITHDRAW FROM PARTICIPATION IN THE EMPLOYEES' SYSTEMS  
15 AND TRANSFER TO A LOCAL PENSION SYSTEM ALL EMPLOYEES OF THE  
16 PARTICIPATING GOVERNMENTAL UNIT WHO CONSENT TO THE WITHDRAWAL.

17 (C) (1) ON AND AFTER THE DATE OF A PARTICIPATING GOVERNMENTAL  
18 UNIT'S WITHDRAWAL FROM THE EMPLOYEES' SYSTEMS UNDER § 31-302(A)(1) OF  
19 THIS ARTICLE, THE PARTICIPATING GOVERNMENTAL UNIT AND ITS EMPLOYEES  
20 ARE NOT REQUIRED TO MAKE ANY FURTHER CONTRIBUTIONS TO THE EMPLOYEES'  
21 SYSTEMS FOR THOSE EMPLOYEES WHO ELECT TO WITHDRAW FROM THE  
22 EMPLOYEES' SYSTEMS.

23 (2) AS OF THE EFFECTIVE DATE OF WITHDRAWAL, THE PARTICIPATING  
24 GOVERNMENTAL UNIT SHALL CONTINUE TO MAKE ANY CONTRIBUTIONS REQUIRED  
25 UNDER § 21-305(B)(1) AND (2) OF THIS SUBTITLE ON BEHALF OF THOSE EMPLOYEES  
26 WHO DO NOT ELECT TO WITHDRAW FROM THE EMPLOYEES' SYSTEMS.

27 (3) AS OF THE EFFECTIVE DATE OF WITHDRAWAL OF A PARTICIPATING  
28 GOVERNMENTAL UNIT, THE BOARD OF TRUSTEES SHALL TRANSFER TO THE  
29 ADMINISTRATIVE BOARD OF THE LOCAL PENSION SYSTEM THE ASSETS THAT ARE  
30 ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL UNIT  
31 WHO ELECT TO WITHDRAW FROM THE EMPLOYEES' SYSTEMS AS DETERMINED  
32 UNDER SUBSECTION (E) OF THIS SECTION.

33 (D) (1) AS OF JUNE 30 OF EACH FISCAL YEAR, THE ACTUARY SHALL  
34 DETERMINE THE ACTIVE PARTICIPANT FUNDING RATIO FOR THE PARTICIPATING  
35 GOVERNMENTAL UNITS AS PROVIDED IN THIS SECTION.

36 (2) THE ACTIVE PARTICIPANT FUNDING RATIO SHALL BE A FRACTION,  
37 NOT TO EXCEED 1, THAT HAS:

38 (I) AS ITS NUMERATOR, THE ASSETS TO THE CREDIT OF THE  
39 PARTICIPATING GOVERNMENTAL UNITS IN THE ACCUMULATION FUND AND THE  
40 ANNUITY SAVINGS FUND OF THE EMPLOYEES' SYSTEMS AS ADJUSTED UNDER

11

1 PARAGRAPH (3) OF THIS SUBSECTION, DECREASED BY THE SUM OF THE ACTUARIAL  
2 LIABILITIES ALLOCABLE TO:

3 1. RETIREES OF THE EMPLOYEES' SYSTEMS WHO RETIRED  
4 FROM THE SERVICE OF THE PARTICIPATING GOVERNMENTAL UNITS AND THE  
5 DESIGNATED BENEFICIARIES OF THOSE RETIREES;

6 2. FORMER MEMBERS OF THE EMPLOYEES' SYSTEMS  
7 ELIGIBLE FOR A VESTED ALLOWANCE WHO SEPARATED FROM EMPLOYMENT WITH  
8 THE PARTICIPATING GOVERNMENTAL UNITS; AND

9 3. MEMBERS OF THE EMPLOYEES' SYSTEMS WHO  
10 SEPARATED FROM EMPLOYMENT WITH THE PARTICIPATING GOVERNMENTAL  
11 UNITS BUT WHO MAY BECOME ELIGIBLE TO RECEIVE PRIOR ELIGIBILITY SERVICE  
12 CREDIT UNDER § 23-303 OF THIS ARTICLE; AND

13 (II) AS ITS DENOMINATOR, THE ACTUARIAL LIABILITIES THAT ARE  
14 ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL UNITS  
15 WHO ARE MEMBERS OF THE EMPLOYEES' SYSTEMS.

16 (3) THE ASSETS TO THE CREDIT OF THE PARTICIPATING  
17 GOVERNMENTAL UNIT AS OF THE VALUATION DATE SHALL BE:

18 (I) INCREASED BY THE SUM OF THE OUTSTANDING BALANCES OF:

19 1. THE SPECIAL ACCRUED LIABILITY ATTRIBUTABLE TO  
20 EACH PARTICIPATING GOVERNMENTAL UNIT UNDER § 21-305.3 OF THIS SUBTITLE;

21 2. THE DEFICIT ALLOCATED TO EACH PARTICIPATING  
22 GOVERNMENTAL UNIT UNDER § 21-305.4(C) OF THIS SUBTITLE; AND

23 3. THE WITHDRAWAL LIABILITY CONTRIBUTION  
24 ATTRIBUTABLE TO EACH PARTICIPATING GOVERNMENTAL UNIT UNDER §  
25 21-305.5(F) OF THIS SUBTITLE; AND

26 (II) DECREASED BY THE SUM OF THE OUTSTANDING BALANCES OF  
27 THE SURPLUS ALLOCATED TO EACH PARTICIPATING GOVERNMENTAL UNIT UNDER  
28 § 21-305.4(B) OF THIS SUBTITLE.

29 (E) (1) THE ASSETS THAT ARE ALLOCABLE TO THE EMPLOYEES OF A  
30 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW FROM THE  
31 EMPLOYEES' SYSTEMS SHALL BE COMPUTED BY THE ACTUARY AS PROVIDED IN  
32 THIS SUBSECTION.

33 (2) THE ACTUARY SHALL:

34 (I) MULTIPLY THE ACTIVE PARTICIPANT FUNDING RATIO FOR  
35 THE FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE  
36 PARTICIPATING GOVERNMENTAL UNIT BY THE ACTUARIAL LIABILITY ALLOCABLE  
37 TO THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO  
38 WITHDRAW; AND

12

1 (II) REDUCE THE AMOUNT DETERMINED UNDER SUBPARAGRAPH  
2 (I) OF THIS PARAGRAPH BY THE SUM OF:

3 1. THE OUTSTANDING BALANCE OF THE DEFICIT  
4 ALLOCABLE TO THE PARTICIPATING GOVERNMENTAL UNIT AS OF THE EFFECTIVE  
5 DATE OF WITHDRAWAL;

6 2. THE OUTSTANDING BALANCE OF THE SPECIAL ACCRUED  
7 LIABILITY CONTRIBUTION ALLOCABLE TO THE PARTICIPATING GOVERNMENTAL  
8 UNIT AS OF THE EFFECTIVE DATE OF WITHDRAWAL; AND

9 3. ANY TRANSITION AMOUNT AS DETERMINED UNDER  
10 SUBSECTION (G) OF THIS SECTION.

11 (F) (1) THE WITHDRAWAL LIABILITY CONTRIBUTION OF A PARTICIPATING  
12 GOVERNMENTAL UNIT SHALL BE COMPUTED BY THE ACTUARY AS PROVIDED IN  
13 THIS SUBSECTION.

14 (2) THE ACTUARY SHALL:

15 (I) MULTIPLY THE COMPLEMENT OF THE ACTIVE PARTICIPANT  
16 FUNDING RATIO FOR THE FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF  
17 WITHDRAWAL OF THE PARTICIPATING GOVERNMENTAL UNIT BY THE ACTUARIAL  
18 LIABILITY ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING  
19 GOVERNMENTAL UNIT WHO ELECT TO REMAIN MEMBERS OF THE EMPLOYEES'  
20 SYSTEMS; AND

21 (II) REDUCE THE AMOUNT DETERMINED UNDER SUBPARAGRAPH  
22 (I) OF THIS PARAGRAPH BY THE OUTSTANDING BALANCE OF THE SURPLUS  
23 ALLOCABLE TO THE PARTICIPATING GOVERNMENTAL UNIT AS OF THE EFFECTIVE  
24 DATE OF WITHDRAWAL.

25 (3) THE AMOUNT DETERMINED UNDER PARAGRAPH (2) MAY NOT BE  
26 LESS THAN ZERO.

27 (4) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS  
28 PARAGRAPH, THE ANNUAL WITHDRAWAL LIABILITY CONTRIBUTION OF A  
29 PARTICIPATING GOVERNMENTAL UNIT SHALL BE THE ANNUAL PAYMENT THAT IS  
30 SUFFICIENT TO LIQUIDATE, OVER NOT MORE THAN 25 YEARS, THE WITHDRAWAL  
31 LIABILITY CONTRIBUTION BY MEANS OF ANNUAL PAYMENTS THAT INCREASE EACH  
32 YEAR BASED ON THE ACTUARIAL ASSUMPTIONS ADOPTED BY THE BOARD OF  
33 TRUSTEES ON THE RECOMMENDATION OF THE ACTUARY.

34 (II) SUBJECT TO THE APPROVAL OF THE BOARD OF TRUSTEES AND  
35 THE ACTUARY'S CONCURRENCE, A PARTICIPATING GOVERNMENTAL UNIT:

36 1. MAY LIQUIDATE THE WITHDRAWAL LIABILITY  
37 CONTRIBUTION BY MEANS OF LEVEL ANNUAL PAYMENTS OR OVER A TERM OF LESS  
38 THAN 25 YEARS; OR

39 2. PREPAY ALL OR A PORTION OF THE WITHDRAWAL  
40 LIABILITY CONTRIBUTION.

13

1 (G) (1) THIS SECTION APPLIES ONLY TO A PARTICIPATING GOVERNMENTAL  
2 UNIT WITH A DEFICIT AS DETERMINED UNDER § 21-305.4(C) OF THIS SUBTITLE.

3 (2) THE TRANSITION AMOUNT OF A PARTICIPATING GOVERNMENTAL  
4 UNIT SHALL BE COMPUTED BY THE ACTUARY AS PROVIDED IN THIS SUBSECTION.

5 (3) THE ACTUARY SHALL DETERMINE THE PRE-JUNE 30, 1995 STATUS  
6 AND THE POST-JUNE 30, 1995 STATUS OF A PARTICIPATING GOVERNMENTAL UNIT  
7 USING THE ASSUMPTIONS THAT:

8 (I) THE PARTICIPATING GOVERNMENTAL UNIT ELECTS TO  
9 WITHDRAW FROM THE EMPLOYEES' SYSTEMS AS OF JUNE 30, 1995;

10 (II) THE EMPLOYEES OF THE WITHDRAWING PARTICIPATING  
11 GOVERNMENTAL UNIT WHO ARE MEMBERS OF THE EMPLOYEES' RETIREMENT  
12 SYSTEM ELECT TO REMAIN IN THE EMPLOYEES' SYSTEMS; AND

13 (III) THE EMPLOYEES OF THE WITHDRAWING PARTICIPATING  
14 GOVERNMENTAL UNIT WHO ARE MEMBERS OF THE EMPLOYEES' PENSION SYSTEM  
15 ELECT TO WITHDRAW FROM THE EMPLOYEES' SYSTEMS.

16 (4) THE PRE-JUNE 30, 1995 STATUS OF A PARTICIPATING  
17 GOVERNMENTAL UNIT IS AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN:

18 (I) THE ASSETS TRANSFERABLE TO A PARTICIPATING  
19 GOVERNMENTAL UNIT THAT ARE ALLOCABLE TO THE EMPLOYEES OF THE  
20 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW FROM THE  
21 EMPLOYEES' SYSTEMS AS DETERMINED BY THE ACTUARY APPLYING THE  
22 PROVISIONS OF FORMER § 21-305(F) OF THE STATE PERSONNEL AND PENSIONS  
23 ARTICLE AS OF JUNE 30, 1995; AND

24 (II) THE WITHDRAWAL LIABILITY OF A PARTICIPATING  
25 GOVERNMENTAL UNIT THAT IS ATTRIBUTABLE TO THE EMPLOYEES OF THE  
26 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO REMAIN MEMBERS OF THE  
27 EMPLOYEES' SYSTEMS AS DETERMINED BY THE ACTUARY APPLYING THE  
28 PROVISIONS OF FORMER STATE PERSONNEL AND PENSIONS ARTICLE § 21-305(F) OF  
29 THE CODE AS OF JUNE 30, 1995.

30 (5) THE POST-JUNE 30, 1995 STATUS OF A PARTICIPATING  
31 GOVERNMENTAL UNIT IS AN AMOUNT EQUAL TO THE DIFFERENCE BETWEEN:

32 (I) THE ASSETS TRANSFERABLE TO A PARTICIPATING  
33 GOVERNMENTAL UNIT THAT ARE ALLOCABLE TO THE EMPLOYEES WHO ELECT TO  
34 WITHDRAW FROM THE EMPLOYEES' SYSTEMS AS DETERMINED UNDER SUBSECTION  
35 (D) OF THIS SECTION; AND

36 (II) THE WITHDRAWAL LIABILITY OF A PARTICIPATING  
37 GOVERNMENTAL UNIT THAT IS ATTRIBUTABLE TO THE EMPLOYEES OF THE  
38 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO REMAIN IN THE EMPLOYEES'  
39 SYSTEMS AS DETERMINED UNDER SUBSECTION (E) OF THIS SECTION.

40 (6) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE  
41 TRANSITION AMOUNT OF A PARTICIPATING GOVERNMENTAL UNIT IS THE AMOUNT

14

1 DETERMINED BY THE ACTUARY AS OF JUNE 30, 1995, EQUAL TO THE DIFFERENCE  
2 BETWEEN:

3 1. THE POST-JUNE 30, 1995 STATUS OF THE PARTICIPATING  
4 GOVERNMENTAL UNIT AS DETERMINED UNDER PARAGRAPH (4) OF THIS  
5 SUBSECTION; AND

6 2. THE PRE-JUNE 30, 1995 STATUS OF THE PARTICIPATING  
7 GOVERNMENTAL UNIT AS DETERMINED UNDER PARAGRAPH (3) OF THIS  
8 SUBSECTION.

9 (II) THE TRANSITION AMOUNT OF A PARTICIPATING  
10 GOVERNMENTAL UNIT MAY NOT BE LESS THAN ZERO.

11 (7) AS OF JUNE 30 OF EACH FISCAL YEAR, THE TRANSITION AMOUNT OF  
12 A PARTICIPATING GOVERNMENTAL UNIT SHALL DECREASE BY WRITING DOWN THE  
13 TRANSITION AMOUNT IN EQUAL ANNUAL INSTALLMENTS OVER THE 25-YEAR TERM  
14 BEGINNING ON JULY 1, 1995.

15 (8) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF  
16 TRUSTEES SHALL ADOPT REGULATIONS THAT ARE NECESSARY TO CARRY OUT THIS  
17 SECTION, AND THAT SET FORTH A SCHEDULE REFLECTING:

18 (I) ANY TRANSITION AMOUNT ALLOCABLE TO A PARTICIPATING  
19 GOVERNMENTAL UNIT; AND

20 (II) THE OUTSTANDING BALANCE OF THE TRANSITION AMOUNT  
21 EACH YEAR.

22 21-305.6.

23 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
24 INDICATED.

25 (2) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
26 AND THE EMPLOYEES' RETIREMENT SYSTEM.

27 (3) "PARTIAL WITHDRAWAL" MEANS THAT A PARTICIPATING  
28 GOVERNMENTAL UNIT ELECTS TO WITHDRAW FROM PARTICIPATION IN THE  
29 EMPLOYEES' SYSTEMS AND TRANSFER TO A LOCAL PENSION SYSTEM ANY OF THE  
30 FOLLOWING GROUPS OF EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL  
31 UNIT WHO CONSENT TO THE WITHDRAWAL:

32 (I) FIREFIGHTERS;

33 (II) LAW ENFORCEMENT PERSONNEL; OR

34 (III) SUBJECT TO THE APPROVAL OF THE BOARD OF TRUSTEES, A  
35 HOMOGENEOUS UNIT OF AT LEAST 10 EMPLOYEES.

36 (B) THIS SECTION APPLIES ONLY TO A PARTICIPATING GOVERNMENTAL UNIT  
37 THAT ELECTS A PARTIAL WITHDRAWAL FROM PARTICIPATION IN THE EMPLOYEES'  
38 SYSTEMS.

15

1 (C) (1) ON AND AFTER THE DATE OF A PARTICIPATING GOVERNMENTAL  
2 UNIT'S PARTIAL WITHDRAWAL FROM THE EMPLOYEES' SYSTEMS, THE  
3 PARTICIPATING GOVERNMENTAL UNIT AND ITS EMPLOYEES ARE NOT REQUIRED  
4 TO MAKE ANY FURTHER CONTRIBUTIONS TO THE EMPLOYEES' SYSTEMS FOR THOSE  
5 EMPLOYEES WHO ELECT TO WITHDRAW FROM THE EMPLOYEES' SYSTEMS.

6 (2) AS OF THE EFFECTIVE DATE OF THE PARTIAL WITHDRAWAL, THE  
7 PARTICIPATING GOVERNMENTAL UNIT SHALL CONTINUE:

8 (I) TO MAKE ANY CONTRIBUTIONS REQUIRED UNDER §  
9 21-305(B)(1) AND (2) OF THIS SUBTITLE ON BEHALF OF THOSE EMPLOYEES WHO DO  
10 NOT ELECT TO WITHDRAW FROM THE EMPLOYEES' SYSTEMS; AND

11 (II) TO REDUCE THE AMOUNTS REQUIRED TO BE PAID UNDER §  
12 21-305(B)(1) AND (2) OF THIS SUBTITLE BY ANY ANNUAL CREDIT ALLOWED TO THE  
13 PARTICIPATING GOVERNMENTAL UNIT UNDER § 21-305.4(B) OF THIS SUBTITLE.

14 (3) AS OF THE EFFECTIVE DATE OF THE PARTIAL WITHDRAWAL, THE  
15 BOARD OF TRUSTEES SHALL TRANSFER TO THE ADMINISTRATIVE BOARD OF THE  
16 LOCAL PENSION SYSTEM THE ASSETS THAT ARE ALLOCABLE TO THE EMPLOYEES OF  
17 THE PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW FROM THE  
18 EMPLOYEES' SYSTEMS AS DETERMINED UNDER SUBSECTION (D) OF THIS SECTION.

19 (D) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF TRUSTEES  
20 SHALL ADOPT REGULATIONS THAT SET FORTH THE METHOD FOR:

21 (1) COMPUTING THE ASSETS ALLOCABLE TO THE EMPLOYEES OF A  
22 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW FROM THE  
23 EMPLOYEES' SYSTEMS;

24 (2) COMPUTING THE WITHDRAWAL LIABILITY CONTRIBUTION OF THE  
25 PARTICIPATING GOVERNMENTAL UNIT; AND

26 (3) DETERMINING THE PORTION OF ANY SURPLUS AS DETERMINED  
27 UNDER § 21-305.4(B) OF THIS SUBTITLE, DEFICIT AS DETERMINED UNDER § 21-305.4(C)  
28 OF THIS SUBTITLE, OR TRANSITION AMOUNT AS DETERMINED UNDER § 21-305.5(G)  
29 OF THIS SUBTITLE THAT IS AVAILABLE TO THE PARTICIPATING GOVERNMENTAL  
30 UNIT AS OF THE EFFECTIVE DATE OF THE PARTIAL WITHDRAWAL TO COMPUTE THE  
31 ASSETS ALLOCABLE TO THE WITHDRAWING EMPLOYEES AND THE WITHDRAWAL  
32 LIABILITY CONTRIBUTION.

33 21-306.

34 (a) (1) Each fiscal year, on behalf of its employees who are members of the  
35 Local Fire and Police System, a participating governmental unit shall pay an amount  
36 equal to or greater than the product of multiplying:

37 (i) the aggregate annual earnable compensation of those members;  
38 and

39 (ii) the sum of the normal contribution rate and the accrued liability  
40 contribution rate, as determined under this section.

16

1 (2) Each fiscal year, in addition to the amounts required to be paid under  
2 paragraph (1) of this subsection, a participating governmental unit shall pay:

3 (i) the special accrued liability contribution required by subsection (d)  
4 of this section; and

5 (ii) any withdrawal liability contribution required by subsection (e) of  
6 this section.

7 (3) The amounts determined under paragraphs (1) and (2) of this  
8 subsection shall be based on an actuarial determination of the amounts that are required  
9 to preserve the integrity of the accumulation fund of the Local Fire and Police System,  
10 using:

11 (i) the entry-age actuarial cost method; [and]

12 (ii) actuarial assumptions adopted by the Board of Trustees; AND

13 (III) THE ASSET VALUATION METHOD RECOMMENDED BY THE  
14 ACTUARY AND ADOPTED BY THE BOARD OF TRUSTEES.

15 (4) The actuary shall compute the contributions payable under this section.

16 (5) The amounts computed under this section are a charge against the  
17 participating governmental unit to be paid in accordance with § 21-309 of this subtitle.

18 (b) (1) As part of each actuarial valuation, the actuary shall determine the  
19 normal contributions, net of member contributions, on account of members of the Local  
20 Fire and Police System.

21 (2) Except as provided in paragraph (3) of this subsection, the normal  
22 contribution rate for the Local Fire and Police System equals the fraction that has:

23 (i) as its numerator, the sum of the normal contributions determined  
24 under this subsection; and

25 (ii) as its denominator, the aggregate annual earnable compensation of  
26 the members of the Local Fire and Police System.

27 (3) On the recommendation of the actuary, the Board of Trustees may  
28 adjust the normal contribution rate determined under this section to provide for:

29 (i) experience gains and losses;

30 (ii) the effect of changes in actuarial assumptions; and

31 (iii) the effect of legislation enacted after July 1, 1989.

32 (c) (1) The accrued liability contribution rate for the Local Fire and Police  
33 System shall be computed as the percent of the aggregate earnable compensation of the  
34 members of the Local Fire and Police System that is sufficient to liquidate over 40 years  
35 beginning July 1, 1989, the amount, as of June 30, 1989, by which the total liabilities of the  
36 Local Fire and Police System exceeded the sum of:

17

1 [(1)] (I) the assets in the accumulation fund and the annuity savings fund of  
2 the Local Fire and Police System; and

3 [(2)] (II) the present value of future normal contributions, future special  
4 accrued liability contributions, future withdrawal liability contributions, and future  
5 member contributions.

6 (2) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF  
7 TRUSTEES MAY ADJUST THE ACCRUED LIABILITY CONTRIBUTION RATE TO  
8 REFLECT:

9 (I) EXPERIENCE GAINS AND LOSSES;

10 (II) THE EFFECT OF CHANGES IN ACTUARIAL ASSUMPTIONS; AND

11 (III) THE EFFECT OF LEGISLATION ENACTED AFTER JULY 1, 1989.

12 (d) (1) In this subsection, "special accrued liability" means, as to any  
13 participating governmental unit, the liability of the Local Fire and Police System on  
14 account of the employees of the participating governmental unit who elect to become  
15 members under § 28-202(b) of this article.

16 (2) Each participating governmental unit shall make a special accrued  
17 liability contribution on account of the participation of its employees in the Local Fire  
18 and Police System.

19 (3) The special accrued liability contribution shall be determined by an  
20 actuarial valuation of the special accrued liability as of the date of approval of  
21 participation by the legislative body of the participating governmental unit.

22 (4) Except as provided in paragraph (5) of this subsection, the annual  
23 special accrued liability contribution of each participating governmental unit shall be the  
24 level annual payment that is sufficient to liquidate, over [30] 25 years beginning on the  
25 date of approval by the legislative body of the participating governmental unit, the  
26 amount by which the special accrued liability of the participating governmental unit  
27 exceeds the sum of:

28 (i) the present value, as of the date of approval, of future normal  
29 contributions, future accrued liability contributions, and future member contributions on  
30 behalf of or by members who are employees of the participating governmental unit; and

31 (ii) any cash and securities transferred to the Local Fire and Police  
32 System in accordance with § 31-205(b) of this article.

33 (5) Subject to the approval of the Board of Trustees, a participating  
34 governmental unit may liquidate its unfunded special accrued liability:

35 (i) over [less than 30 years] A PERIOD NOT TO EXCEED 40 YEARS ;  
36 or

37 (ii) subject to the actuary's concurrence, by means of annual payments  
38 other than level annual payments.

18

1 (6) The expense of making the initial special accrued liability actuarial  
2 valuation shall be assessed against and paid by the participating governmental unit on  
3 whose account it is necessary.

4 (e) (1) [In this subsection, "withdrawal liability" means, as to any participating  
5 governmental unit withdrawing from the Local Fire and Police System, the liability of the  
6 Local Fire and Police System on account of:

7 (i) employees of the participating governmental unit who do not elect  
8 to withdraw;

9 (ii) retirees of the Local Fire and Police System who retired from the  
10 service of the participating governmental unit and the designated beneficiaries of those  
11 retirees; and

12 (iii) former members of the Local Fire and Police System eligible for a  
13 vested allowance who separated from employment with the participating governmental  
14 unit.

15 (2) On and after the date of a participating governmental unit's withdrawal  
16 from the Local Fire and Police System under § 31-302(b) of this article:

17 (i) the participating governmental unit and its employees are not  
18 required to make any further contributions to the Local Fire and Police System for those  
19 employees who elect to withdraw from the Local Fire and Police System;

20 (ii) the participating governmental unit shall continue to make the  
21 normal contribution on behalf of each employee who does not elect to withdraw from the  
22 Local Fire and Police System; and

23 (iii) the participating governmental unit shall make a withdrawal  
24 liability contribution as determined under this subsection.

25 (3) The withdrawal liability contribution shall be determined by an actuarial  
26 valuation of the withdrawal liability as of the date of withdrawal.

27 (4) Except as provided in paragraph (5) of this subsection, the annual  
28 withdrawal liability contribution of each participating governmental unit shall be the level  
29 annual payment that is sufficient to liquidate, over not more than 10 years beginning on  
30 the date of withdrawal, the amount by which the withdrawal liability of the participating  
31 governmental unit exceeds the sum of:

32 (i) the present value, as of the date of withdrawal, of future normal  
33 contributions and future member contributions on behalf of or by those employees of the  
34 participating governmental unit who do not elect to withdraw; and

35 (ii) the allocable portion of the reserve as of the date of withdrawal  
36 attributable to those employees of the participating governmental unit who do not elect to  
37 withdraw.

38 (5) Subject to the approval of the Board of Trustees and the actuary's  
39 concurrence, a participating governmental unit may liquidate its unfunded withdrawal  
40 liability by means of annual payments other than level annual payments.]

19

1 (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE  
2 MEANINGS INDICATED.

3 (II) "ACTIVE PARTICIPANT FUNDING RATIO" MEANS THE RATIO  
4 DETERMINED BY THE ACTUARY AS PROVIDED UNDER PARAGRAPH (3) OF THIS  
5 SUBSECTION.

6 (III) "COMPLEMENT OF THE ACTIVE PARTICIPANT FUNDING RATIO"  
7 IS A RATIO EQUAL TO 1 MINUS THE ACTIVE PARTICIPANT FUNDING RATIO.

8 (2) (I) ON AND AFTER THE DATE OF A PARTICIPATING  
9 GOVERNMENTAL UNIT'S WITHDRAWAL FROM THE LOCAL FIRE AND POLICE SYSTEM  
10 UNDER § 31-302(B) OF THIS ARTICLE, THE PARTICIPATING GOVERNMENTAL UNIT  
11 AND ITS EMPLOYEES ARE NOT REQUIRED TO MAKE ANY FURTHER CONTRIBUTIONS  
12 TO THE LOCAL FIRE AND POLICE SYSTEM FOR THOSE EMPLOYEES WHO ELECT TO  
13 WITHDRAW FROM THE LOCAL FIRE AND POLICE SYSTEM.

14 (II) AS OF THE EFFECTIVE DATE OF WITHDRAWAL, THE  
15 PARTICIPATING GOVERNMENTAL UNIT SHALL CONTINUE TO MAKE ANY  
16 CONTRIBUTIONS REQUIRED UNDER SUBSECTION (A) OF THIS SECTION ON BEHALF  
17 OF THOSE EMPLOYEES WHO DO NOT ELECT TO WITHDRAW FROM THE LOCAL FIRE  
18 AND POLICE SYSTEM.

19 (III) AS OF THE EFFECTIVE DATE OF WITHDRAWAL OF A  
20 PARTICIPATING GOVERNMENTAL UNIT FROM THE LOCAL FIRE AND POLICE  
21 SYSTEM, THE BOARD OF TRUSTEES SHALL TRANSFER TO THE ADMINISTRATIVE  
22 BOARD OF THE LOCAL PENSION SYSTEM THE ASSETS THAT ARE ALLOCABLE TO THE  
23 EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO  
24 WITHDRAW FROM THE LOCAL FIRE AND POLICE SYSTEM AS DETERMINED UNDER  
25 PARAGRAPH (4) OF THIS SUBSECTION.

26 (3) (I) AS OF JUNE 30 OF EACH FISCAL YEAR, THE ACTUARY SHALL  
27 DETERMINE THE ACTIVE PARTICIPANT FUNDING RATIO FOR THE PARTICIPATING  
28 GOVERNMENTAL UNITS AS PROVIDED IN THIS SECTION.

29 (II) THE ACTIVE PARTICIPANT FUNDING RATIO SHALL BE A  
30 FRACTION, NOT TO EXCEED 1, THAT HAS:

31 1. AS ITS NUMERATOR, THE ASSETS TO THE CREDIT OF THE  
32 PARTICIPATING GOVERNMENTAL UNITS IN THE ACCUMULATION FUND AND THE  
33 ANNUITY SAVINGS FUND OF THE LOCAL FIRE AND POLICE SYSTEM AS ADJUSTED  
34 UNDER SUBPARAGRAPH (III) OF THIS PARAGRAPH, DECREASED BY THE SUM OF THE  
35 ACTUARIAL LIABILITIES ALLOCABLE TO RETIREES OF THE LOCAL FIRE AND POLICE  
36 SYSTEM WHO RETIRED FROM THE SERVICE OF THE PARTICIPATING  
37 GOVERNMENTAL UNIT AND THE DESIGNATED BENEFICIARIES OF THOSE RETIREES,  
38 FORMER MEMBERS OF THE LOCAL FIRE AND POLICE SYSTEM WHO ARE ELIGIBLE  
39 FOR A VESTED ALLOWANCE WHO SEPARATED FROM EMPLOYMENT WITH THE  
40 PARTICIPATING GOVERNMENTAL UNIT, AND MEMBERS OF THE LOCAL FIRE AND  
41 POLICE SYSTEM WHO SEPARATED FROM EMPLOYMENT WITH THE PARTICIPATING  
42 GOVERNMENTAL UNIT BUT WHO MAY BECOME ELIGIBLE TO RECEIVE PRIOR  
43 ELIGIBILITY SERVICE CREDIT UNDER § 28-303 OF THIS ARTICLE; AND

20

1                                   2. AS ITS DENOMINATOR, THE ACTUARIAL LIABILITIES  
2 THAT ARE ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING  
3 GOVERNMENTAL UNITS WHO ARE MEMBERS OF THE LOCAL FIRE AND POLICE  
4 SYSTEM.

5                                   (III) THE ASSETS TO THE CREDIT OF THE PARTICIPATING  
6 GOVERNMENTAL UNITS AS OF THE VALUATION DATE SHALL BE INCREASED BY THE  
7 SUM OF THE OUTSTANDING BALANCES OF:

8                                   1. THE SPECIAL ACCRUED LIABILITY ATTRIBUTABLE TO  
9 THE PARTICIPATING GOVERNMENTAL UNITS UNDER SUBSECTION (D) OF THIS  
10 SECTION; AND

11                                  2. THE WITHDRAWAL LIABILITY ATTRIBUTABLE TO THE  
12 PARTICIPATING GOVERNMENTAL UNITS UNDER PARAGRAPH (5) OF THIS  
13 SUBSECTION.

14                                  (4) (I) THE ASSETS THAT ARE ALLOCABLE TO THE EMPLOYEES OF A  
15 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW FROM THE  
16 LOCAL FIRE AND POLICE SYSTEM SHALL BE COMPUTED BY THE ACTUARY AS  
17 PROVIDED IN THIS PARAGRAPH.

18                                  (II) THE ACTUARY SHALL FIRST MULTIPLY THE ACTIVE  
19 PARTICIPANT FUNDING RATIO FOR THE FISCAL YEAR PRECEDING THE EFFECTIVE  
20 DATE OF WITHDRAWAL OF THE PARTICIPATING GOVERNMENTAL UNIT BY THE  
21 ACTUARIAL LIABILITY ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING  
22 GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW.

23                                  (III) THE ACTUARY SHALL REDUCE THE AMOUNT DETERMINED  
24 UNDER SUBPARAGRAPH (II) OF THIS PARAGRAPH BY THE OUTSTANDING BALANCE  
25 OF THE SPECIAL ACCRUED LIABILITY CONTRIBUTION ATTRIBUTABLE TO THE  
26 PARTICIPATING GOVERNMENTAL UNIT AS OF THE EFFECTIVE DATE OF  
27 WITHDRAWAL.

28                                  (5) (I) THE WITHDRAWAL LIABILITY CONTRIBUTION OF A  
29 PARTICIPATING GOVERNMENTAL UNIT SHALL BE COMPUTED BY THE ACTUARY AS  
30 PROVIDED IN THIS PARAGRAPH.

31                                  (II) THE ACTUARY SHALL MULTIPLY THE COMPLEMENT OF THE  
32 ACTIVE PARTICIPANT FUNDING RATIO FOR THE FISCAL YEAR PRECEDING THE  
33 EFFECTIVE DATE OF WITHDRAWAL OF THE PARTICIPATING GOVERNMENTAL UNIT  
34 BY THE ACTUARIAL LIABILITY ALLOCABLE TO THE EMPLOYEES OF THE  
35 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO REMAIN MEMBERS OF THE  
36 LOCAL FIRE AND POLICE SYSTEM.

37                                  (III) THE AMOUNT DETERMINED UNDER SUBPARAGRAPH (II) OF  
38 THIS PARAGRAPH MAY NOT BE LESS THAN ZERO.

39                                  (IV) EXCEPT AS PROVIDED IN SUBPARAGRAPH (V) OF THIS  
40 PARAGRAPH, THE ANNUAL WITHDRAWAL LIABILITY CONTRIBUTION OF A  
41 PARTICIPATING GOVERNMENTAL UNIT SHALL BE THE ANNUAL PAYMENT THAT IS  
42 SUFFICIENT TO LIQUIDATE, OVER NOT MORE THAN 25 YEARS, THE WITHDRAWAL

21

1 LIABILITY CONTRIBUTION BY MEANS OF ANNUAL PAYMENTS THAT INCREASE EACH  
2 YEAR BASED ON THE ACTUARIAL ASSUMPTIONS ADOPTED BY THE BOARD OF  
3 TRUSTEES ON THE RECOMMENDATION OF THE ACTUARY.

4 (V) SUBJECT TO THE APPROVAL OF THE BOARD OF TRUSTEES AND  
5 THE ACTUARY'S CONCURRENCE, A PARTICIPATING GOVERNMENTAL UNIT:

6 1. MAY LIQUIDATE THE WITHDRAWAL LIABILITY  
7 CONTRIBUTION BY MEANS OF LEVEL ANNUAL PAYMENTS OR OVER A TERM OF LESS  
8 THAN 25 YEARS; OR

9 2. PREPAY ALL OR A PORTION OF THE WITHDRAWAL  
10 LIABILITY CONTRIBUTION.

11 31-305.

12 [(a) As of the withdrawal date, the actuary shall determine the amount of the  
13 annuity reserves and pension reserves in the employees' systems or the Local Fire and  
14 Police System as a result of the previous contributions of the participating governmental  
15 unit.

16 (b)] (A) [The] AS OF THE EFFECTIVE DATE OF WITHDRAWAL OF A  
17 PARTICIPATING GOVERNMENTAL UNIT, THE Board of Trustees shall transfer to the  
18 administrative board of the local pension system the portion of the [reserves] ASSETS  
19 that are allocable to the withdrawn employees AS DETERMINED UNDER § 21-305.5, §  
20 21-305.6, OR § 21-306 OF THIS ARTICLE.

21 [(c)] (B) The administrative board of the local pension system shall hold the  
22 transferred [reserves] ASSETS in trust to provide retirement benefits for the withdrawn  
23 employees.

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
25 July 1, 1996.