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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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Committee Report: Favorable

House action: Adopted

Read second time: March 26, 1996

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CHAPTER \_\_\_\_

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)

2

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

3 **Article - State Personnel and Pensions**

4 21-305.

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

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

10 (i) the aggregate annual earnable compensation of those members;  
11 and

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

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

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

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

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

24 (IV) ANY ANNUAL DEFICIT PAYMENT REQUIRED UNDER §  
25 21-305.4(C) OF THIS SUBTITLE.

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

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

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

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

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

3

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

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

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

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

12 (2) Except as provided in paragraph (3) of this subsection, for each of the  
13 employees' systems, the normal contribution rate for participating governmental units  
14 equals the fraction that has:

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

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

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

21 (i) experience gains and losses;

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

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

24 (d) For each of the employees' systems, the accrued liability contribution rate for  
25 the participating governmental units shall be computed as the percent of the aggregate  
26 earnable compensation of the members of that State system who are employees of  
27 participating governmental units that is sufficient to liquidate over 40 years beginning July  
28 1, 1980, the amount, as of June 30, 1980, by which the total liabilities of that State system  
29 on account of participating governmental units exceeded the sum of:

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

32 (2) the present value of future normal contributions, future special accrued  
33 liability contributions, future withdrawal liability contributions, and future member  
34 contributions on behalf of or by members who are employees of participating  
35 governmental units.

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

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

4

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

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

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

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

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

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

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

22 (i) over less than 40 years; or

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

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

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

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

33 (ii) retirees of the employees' systems who retired from the service of  
34 the participating governmental unit and the designated beneficiaries of those retirees;  
35 and

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

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

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

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

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

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

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

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

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

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

25 21-305.1.

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

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

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

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

37 (2) AS ITS DENOMINATOR, THE AGGREGATE ANNUAL EARNABLE  
38 COMPENSATION OF THE MEMBERS OF THE EMPLOYEES' SYSTEMS WHO ARE  
39 EMPLOYEES OF PARTICIPATING GOVERNMENTAL UNITS.

6

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

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

6 21-305.2.

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

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

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

21 (1) THE ASSETS TO THE CREDIT OF THE PARTICIPATING  
22 GOVERNMENTAL UNITS IN THE ACCUMULATION FUND AND THE ANNUITY SAVINGS  
23 FUND OF THE EMPLOYEES' SYSTEMS; AND

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

28 (D) ON THE RECOMMENDATION OF THE ACTUARY, THE BOARD OF TRUSTEES  
29 SHALL ADJUST:

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

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

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

38 (2) THE AMOUNT DETERMINED UNDER SUBSECTION (C)(2) OF THIS  
39 SECTION TO ACCOUNT FOR THE PRESENT VALUE OF FUTURE CONTRIBUTIONS FOR

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1 MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM REQUIRED UNDER §  
2 21-305(B)(2)(III) OF THIS SUBTITLE.

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

5 (1) EXPERIENCE GAINS AND LOSSES;

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

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

8 21-305.3.

9 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
10 INDICATED.

11 (2) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
12 AND THE EMPLOYEES' RETIREMENT SYSTEM.

13 (3) "SPECIAL ACCRUED LIABILITY" MEANS, AS TO ANY PARTICIPATING  
14 GOVERNMENTAL UNIT, THE LIABILITY OF THE EMPLOYEES' SYSTEMS ON ACCOUNT  
15 OF:

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

18 (II) THE RETIREES OF THE PARTICIPATING GOVERNMENTAL UNIT  
19 WHO WERE BEING PAID PENSIONS UNDER A LOCAL PENSION SYSTEM ON THE DATE  
20 OF APPROVAL OF PARTICIPATION BY THE LEGISLATIVE BODY OF THE  
21 PARTICIPATING GOVERNMENTAL UNIT.

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

25 (C) THE SPECIAL ACCRUED LIABILITY CONTRIBUTION SHALL BE  
26 DETERMINED BY AN ACTUARIAL VALUATION OF THE SPECIAL ACCRUED LIABILITY  
27 AS OF THE DATE OF APPROVAL OF PARTICIPATION BY THE LEGISLATIVE BODY OF  
28 THE PARTICIPATING GOVERNMENTAL UNIT.

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

36 (1) THE PRESENT VALUE, AS OF THE DATE OF APPROVAL, OF FUTURE  
37 NORMAL CONTRIBUTIONS, FUTURE ACCRUED LIABILITY CONTRIBUTIONS, FUTURE  
38 CONTRIBUTIONS FOR MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM  
39 REQUIRED UNDER § 21-305(B)(2)(III) OF THIS SUBTITLE, FUTURE MEMBER

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1 CONTRIBUTIONS ON BEHALF OF OR BY MEMBERS WHO ARE EMPLOYEES OF THE  
2 PARTICIPATING GOVERNMENTAL UNIT; AND

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

5 (E) SUBJECT TO THE APPROVAL OF THE BOARD OF TRUSTEES, A  
6 PARTICIPATING GOVERNMENTAL UNIT MAY LIQUIDATE ITS UNFUNDED SPECIAL  
7 ACCRUED LIABILITY:

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

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

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

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

18 21-305.4.

19 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
20 INDICATED.

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

27 (3) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
28 AND THE EMPLOYEES' RETIREMENT SYSTEM.

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

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

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

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

3 (3) THE ANNUAL CREDIT OF A PARTICIPATING GOVERNMENTAL UNIT  
4 SHALL BE THE AMOUNT THAT IS SUFFICIENT TO AMORTIZE OVER A 25 YEAR TERM  
5 COMMENCING ON JULY 1, 1995, THE SURPLUS ALLOCATED TO A PARTICIPATING  
6 GOVERNMENTAL UNIT AS OF JUNE 30, 1995, BY MEANS OF AN ANNUAL CREDIT THAT  
7 INCREASES EACH YEAR BASED ON THE ACTUARIAL ASSUMPTIONS ADOPTED BY THE  
8 BOARD OF TRUSTEES ON THE RECOMMENDATION OF THE ACTUARY.

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

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

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

22 (II) IF, AS OF JULY 1, 1995, THE ANNUAL DEFICIT PAYMENT OF A  
23 PARTICIPATING GOVERNMENTAL UNIT INCREASES THE PARTICIPATING  
24 GOVERNMENTAL UNIT'S REQUIRED CONTRIBUTION BY MORE THAN 2% OF THE  
25 AGGREGATE ANNUAL EARNABLE COMPENSATION OF THE PARTICIPATING  
26 GOVERNMENTAL UNIT AS OF JULY 1, 1995, THE PARTICIPATING GOVERNMENTAL  
27 UNIT MAY LIQUIDATE THE DEFICIT OVER A 40-YEAR TERM BEGINNING AS OF JULY  
28 1, 1995.

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

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

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

37 2. MAY NOT MAKE MORE THAN 2 ADDITIONAL PAYMENTS  
38 DURING ANY FISCAL YEAR; AND

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

10

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

5 21-305.5.

6 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANING  
7 INDICATED.

8 (2) "ACTIVE PARTICIPANT FUNDING RATIO" MEANS THE RATIO  
9 DETERMINED BY THE ACTUARY AS PROVIDED UNDER SUBSECTION (D) OF THIS  
10 SECTION.

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

13 (4) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
14 AND THE EMPLOYEES' RETIREMENT SYSTEM.

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

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

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

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

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

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

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

11

1 (I) AS ITS NUMERATOR, THE ASSETS TO THE CREDIT OF THE  
2 PARTICIPATING GOVERNMENTAL UNITS IN THE ACCUMULATION FUND AND THE  
3 ANNUITY SAVINGS FUND OF THE EMPLOYEES' SYSTEMS AS ADJUSTED UNDER  
4 PARAGRAPH (3) OF THIS SUBSECTION, DECREASED BY THE SUM OF THE ACTUARIAL  
5 LIABILITIES ALLOCABLE TO:

6 1. RETIREES OF THE EMPLOYEES' SYSTEMS WHO RETIRED  
7 FROM THE SERVICE OF THE PARTICIPATING GOVERNMENTAL UNITS AND THE  
8 DESIGNATED BENEFICIARIES OF THOSE RETIREES;

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

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

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

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

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

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

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

26 3. THE WITHDRAWAL LIABILITY CONTRIBUTION  
27 ATTRIBUTABLE TO EACH PARTICIPATING GOVERNMENTAL UNIT UNDER §  
28 21-305.5(F) OF THIS SUBTITLE; AND

29 (II) DECREASED BY THE SUM OF THE OUTSTANDING BALANCES OF  
30 THE SURPLUS ALLOCATED TO EACH PARTICIPATING GOVERNMENTAL UNIT UNDER  
31 § 21-305.4(B) OF THIS SUBTITLE.

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

36 (2) THE ACTUARY SHALL:

37 (I) MULTIPLY THE ACTIVE PARTICIPANT FUNDING RATIO FOR  
38 THE FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE  
39 PARTICIPATING GOVERNMENTAL UNIT BY THE ACTUARIAL LIABILITY ALLOCABLE

12

1 TO THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO  
2 WITHDRAW; AND

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

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

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

11 3. ANY TRANSITION AMOUNT AS DETERMINED UNDER  
12 SUBSECTION (G) OF THIS SECTION.

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

16 (2) THE ACTUARY SHALL:

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

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

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

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

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

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

13

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

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

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

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

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

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

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

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

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

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

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

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

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

14

1 (6) (I) SUBJECT TO SUBPARAGRAPH (II) OF THIS PARAGRAPH, THE  
2 TRANSITION AMOUNT OF A PARTICIPATING GOVERNMENTAL UNIT IS THE AMOUNT  
3 DETERMINED BY THE ACTUARY AS OF JUNE 30, 1995, EQUAL TO THE DIFFERENCE  
4 BETWEEN:

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

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

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

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

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

20 (I) ANY TRANSITION AMOUNT ALLOCABLE TO A PARTICIPATING  
21 GOVERNMENTAL UNIT; AND

22 (II) THE OUTSTANDING BALANCE OF THE TRANSITION AMOUNT  
23 EACH YEAR.

24 21-305.6.

25 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
26 INDICATED.

27 (2) "EMPLOYEES' SYSTEMS" MEANS THE EMPLOYEES' PENSION SYSTEM  
28 AND THE EMPLOYEES' RETIREMENT SYSTEM.

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

34 (I) FIREFIGHTERS;

35 (II) LAW ENFORCEMENT PERSONNEL; OR

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

15

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

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

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

11 (I) TO MAKE ANY CONTRIBUTIONS REQUIRED UNDER §  
12 21-305(B)(1) AND (2) OF THIS SUBTITLE ON BEHALF OF THOSE EMPLOYEES WHO DO  
13 NOT ELECT TO WITHDRAW FROM THE EMPLOYEES' SYSTEMS; AND

14 (II) TO REDUCE THE AMOUNTS REQUIRED TO BE PAID UNDER §  
15 21-305(B)(1) AND (2) OF THIS SUBTITLE BY ANY ANNUAL CREDIT ALLOWED TO THE  
16 PARTICIPATING GOVERNMENTAL UNIT UNDER § 21-305.4(B) OF THIS SUBTITLE.

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

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

24 (1) COMPUTING THE ASSETS ALLOCABLE TO THE EMPLOYEES OF A  
25 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW FROM THE  
26 EMPLOYEES' SYSTEMS;

27 (2) COMPUTING THE WITHDRAWAL LIABILITY CONTRIBUTION OF THE  
28 PARTICIPATING GOVERNMENTAL UNIT; AND

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

36 21-306.

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

40 (i) the aggregate annual earnable compensation of those members;

41 and

16

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

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

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

7 (ii) any withdrawal liability contribution required by subsection (e) of  
8 this section.

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

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

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

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

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

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

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

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

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

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

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

31 (i) experience gains and losses;

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

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

34 (c) (1) The accrued liability contribution rate for the Local Fire and Police  
35 System shall be computed as the percent of the aggregate earnable compensation of the  
36 members of the Local Fire and Police System that is sufficient to liquidate over 40 years

17

1 beginning July 1, 1989, the amount, as of June 30, 1989, by which the total liabilities of the  
2 Local Fire and Police System exceeded the sum of:

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

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

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

11 (I) EXPERIENCE GAINS AND LOSSES;

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

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

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

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

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

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

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

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

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

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

18

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19

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

4 (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE  
5 MEANINGS INDICATED.

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

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

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

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

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

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

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

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



1 (IV) EXCEPT AS PROVIDED IN SUBPARAGRAPH (V) OF THIS  
2 PARAGRAPH, THE ANNUAL WITHDRAWAL LIABILITY CONTRIBUTION OF A  
3 PARTICIPATING GOVERNMENTAL UNIT SHALL BE THE ANNUAL PAYMENT THAT IS  
4 SUFFICIENT TO LIQUIDATE, OVER NOT MORE THAN 25 YEARS, THE WITHDRAWAL  
5 LIABILITY CONTRIBUTION BY MEANS OF ANNUAL PAYMENTS THAT INCREASE EACH  
6 YEAR BASED ON THE ACTUARIAL ASSUMPTIONS ADOPTED BY THE BOARD OF  
7 TRUSTEES ON THE RECOMMENDATION OF THE ACTUARY.

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

10 1. MAY LIQUIDATE THE WITHDRAWAL LIABILITY  
11 CONTRIBUTION BY MEANS OF LEVEL ANNUAL PAYMENTS OR OVER A TERM OF LESS  
12 THAN 25 YEARS; OR

13 2. PREPAY ALL OR A PORTION OF THE WITHDRAWAL  
14 LIABILITY CONTRIBUTION.

15 31-305.

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

20 (b)] (A) [The] AS OF THE EFFECTIVE DATE OF WITHDRAWAL OF A  
21 PARTICIPATING GOVERNMENTAL UNIT, THE Board of Trustees shall transfer to the  
22 administrative board of the local pension system the portion of the [reserves] ASSETS  
23 that are allocable to the withdrawn employees AS DETERMINED UNDER § 21-305.5, §  
24 21-305.6, OR § 21-306 OF THIS ARTICLE.

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

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