
By: **Senator Kasemeyer (Chairman, Joint Committee on Pensions)**

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Assigned to: Budget and Taxation

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CHAPTER 586

1 AN ACT concerning

2 **Retirement and Pensions - Withdrawing Participating Governmental**
3 **Units - Return of Assets and Liabilities**

4 FOR the purpose of altering the calculation of the participating fund ratio of a
5 participating governmental unit that provided certain benefits to its employees;
6 establishing a "noncontributory system funding ratio" for a participating
7 governmental unit that did not provide certain benefits to its employees;
8 altering the calculation of certain reimbursements of certain participating
9 governmental units; establishing a method of calculating certain
10 reimbursements of certain participating governmental units that did not
11 provide certain benefits to their employees; amending certain definitions;
12 adding certain definitions; making technical changes; and generally relating to
13 the return of assets and liabilities to participating governmental units
14 withdrawing from employees' systems.

15 BY repealing and reenacting, with amendments,
16 Article - State Personnel and Pensions
17 Section 21-305.5
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 2000 Supplement)

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

1 **Article - State Personnel and Pensions**

2 21-305.5.

3 (a) (1) In this section the following words have the meaning indicated.

4 (2) ["Active participant funding ratio" means the ratio determined by
5 the actuary as provided under subsection (d) of this section.

6 (3) "Complement of the [active] participant funding ratio" is a ratio
7 equal to $\pm 100\%$ minus the [active] participant funding ratio, AND MAY NOT BE LESS
8 THAN ZERO.

9 [(4)] (3) "Employees' systems" means the Employees' Pension System
10 and the Employees' Retirement System.

11 (4) "NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT"
12 MEANS A PARTICIPATING GOVERNMENTAL UNIT THAT DID NOT ELECT TO PROVIDE
13 ITS EMPLOYEES WITH THE CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23 OF
14 THIS ARTICLE AS PROVIDED IN § 31-116 OF THIS ARTICLE.

15 (5) "NONCONTRIBUTORY SYSTEM FUNDING RATIO" MEANS THE RATIO
16 DETERMINED BY THE ACTUARY AS PROVIDED UNDER SUBSECTION (E) OF THIS
17 SECTION.

18 (6) "PARTICIPANT FUNDING RATIO" MEANS THE RATIO DETERMINED
19 UNDER SUBSECTION (D) OF THIS SECTION.

20 [(5)] (7) "Transition amount" means the amount determined by the
21 actuary as provided under subsection [(g)] (I) of this section.

22 (b) This section applies only to a participating governmental unit that ON OR
23 AFTER JULY 1, 2001, elects to withdraw from participation in the employees' systems
24 and transfer to a local pension system all employees of the participating
25 governmental unit who consent to the withdrawal.

26 (c) (1) On and after the date of a participating governmental unit's
27 withdrawal from the employees' systems under § 31-302(a)(1) of this article, the
28 participating governmental unit and its employees are not required to make any
29 further contributions to the employees' systems for those employees who elect to
30 withdraw from the employees' systems.

31 (2) As of the effective date of withdrawal, the participating governmental
32 unit shall continue to make any contributions required under § 21-305(b)(1) and (2) of
33 this subtitle on behalf of those employees who do not elect to withdraw from the
34 employees' systems.

35 (3) As of the effective date of withdrawal of a participating governmental
36 unit, the Board of Trustees shall transfer to the administrative board of the local
37 pension system the assets that are allocable to the employees of the participating

1 governmental unit who elect to withdraw from the employees' systems as determined
2 under EITHER subsection [(e)] (F) OR (G) of this section.

3 (d) (1) THIS SUBSECTION APPLIES TO A PARTICIPATING GOVERNMENTAL
4 UNIT THAT ELECTED TO PROVIDE ITS EMPLOYEES WITH THE CONTRIBUTORY
5 PENSION BENEFIT UNDER TITLE 23 OF THIS ARTICLE AS PROVIDED IN § 31-116 OF
6 THIS ARTICLE.

7 [(1)] (2) As of June 30 of each fiscal year, the actuary shall determine
8 the [active] participant funding ratio for the participating governmental units as
9 provided in this [section] SUBSECTION.

10 [(2)] (3) The [active] participant funding ratio shall be a fraction[, not
11 to exceed 1,] that has:

12 (i) as its numerator, the assets to the credit of the participating
13 governmental units in the accumulation fund and the annuity savings fund of the
14 employees' systems as adjusted under paragraph [(3)](4) of this subsection[,
15 decreased by the sum of the actuarial liabilities allocable to:

16 1. retirees of the employees' systems who retired from the
17 service of the participating governmental units and the designated beneficiaries of
18 those retirees;

19 2. former members of the employees' systems eligible for a
20 vested allowance who separated from employment with the participating
21 governmental units; and

22 3. members of the employees' systems who separated from
23 employment with the participating governmental units but who may become eligible
24 to receive prior eligibility service credit under § 23-303 of this article]; and

25 (ii) as its denominator, the actuarial liabilities [that are allocable to
26 the employees] of the participating governmental units [who are members of the
27 employees' systems].

28 [(3)] (4) The assets to the credit of the participating governmental
29 [unit] UNITS as of the valuation date shall be:

30 (i) increased by the sum of the outstanding balances of:

31 1. the special accrued liability attributable to each
32 participating governmental unit under § 21-305.3 of this subtitle;

33 2. the deficit allocated to each participating governmental
34 unit under § 21-305.4(c) of this subtitle; and

35 3. the withdrawal liability contribution attributable to each
36 participating governmental unit under [§ 21-305.5(f) of this subtitle] SUBSECTION
37 (H) OF THIS SECTION; and

1 (ii) decreased by the sum of the outstanding balances of the surplus
2 allocated to each participating governmental unit under § 21-305.4(b) of this subtitle.

3 (E) (1) THIS SUBSECTION APPLIES TO A NONCONTRIBUTORY
4 PARTICIPATING GOVERNMENTAL UNIT.

5 (2) AS OF JUNE 30 OF EACH FISCAL YEAR, THE ACTUARY SHALL
6 DETERMINE THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
7 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNITS AS PROVIDED IN THIS
8 SUBSECTION.

9 (3) THE NONCONTRIBUTORY SYSTEM FUNDING RATIO SHALL BE A
10 FRACTION THAT HAS:

11 (I) AS ITS NUMERATOR, THE ASSETS TO THE CREDIT OF THE
12 PARTICIPATING GOVERNMENTAL UNITS IN THE ACCUMULATION FUND AND THE
13 ANNUITY SAVINGS FUND OF THE EMPLOYEES' SYSTEMS AS ADJUSTED UNDER
14 PARAGRAPH (4) OF THIS SUBSECTION; AND

15 (II) AS ITS DENOMINATOR, THE ACTUARIAL LIABILITIES ~~THAT ARE~~
16 ~~ALLOCABLE TO THE EMPLOYEES~~ OF THE PARTICIPATING GOVERNMENTAL UNITS
17 CALCULATED AS IF ALL OF THE PARTICIPATING GOVERNMENTAL UNITS ARE
18 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNITS.

19 (4) 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 SUBSECTION (H) OF THIS SECTION; AND

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

32 [(e)] (F) (1) THIS SUBSECTION APPLIES TO A PARTICIPATING
33 GOVERNMENTAL UNIT THAT ELECTED TO PROVIDE ITS EMPLOYEES WITH THE
34 CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23 OF THIS ARTICLE AS PROVIDED
35 IN § 31-116 OF THIS ARTICLE.

1 [(1)] (2) The assets that are allocable to the employees of a participating
2 governmental unit who elect to withdraw from the employees' systems shall be
3 computed by the actuary as provided in this subsection.

4 [(2)] (3) [The] IF THE PARTICIPANT FUNDING RATIO FOR THE FISCAL
5 YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE PARTICIPATING
6 GOVERNMENTAL UNIT IS LESS THAN 100%, THE actuary SHALL[:

7 (i)] multiply the [active] participant funding ratio for the fiscal
8 year preceding the effective date of withdrawal of the participating governmental unit
9 by the actuarial liability allocable to the employees of the participating governmental
10 unit who elect to withdraw[; and

11 (ii) reduce the amount determined under subparagraph (i) of this
12 paragraph by the sum of:

13 1. the outstanding balance of the deficit allocable to the
14 participating governmental unit as of the effective date of withdrawal;

15 2. the outstanding balance of the special accrued liability
16 contribution allocable to the participating governmental unit as of the effective date
17 of withdrawal; and

18 3. any transition amount as determined under subsection (g)
19 of this section].

20 (4) IF THE PARTICIPANT FUNDING RATIO FOR THE FISCAL YEAR
21 PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE PARTICIPATING
22 GOVERNMENTAL UNIT IS 100% OR GREATER AND LESS THAN 110%, THE ACTUARY
23 SHALL MULTIPLY THE ACTUARIAL LIABILITY ALLOCABLE TO THE EMPLOYEES OF
24 THE PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW BY 100%.

25 (5) IF THE PARTICIPANT FUNDING RATIO FOR THE FISCAL YEAR
26 PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE PARTICIPATING
27 GOVERNMENTAL UNIT IS 110% OR GREATER, THE ACTUARY SHALL MULTIPLY THE
28 ACTUARIAL LIABILITY ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING
29 GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW BY THE DIFFERENCE BETWEEN
30 THE PARTICIPANT FUNDING RATIO AND 10%.

31 (6) ANY ASSETS COMPUTED UNDER PARAGRAPHS (3), (4), OR (5) OF THIS
32 SUBSECTION SHALL BE REDUCED BY THE SUM OF:

33 (I) THE OUTSTANDING BALANCE OF THE DEFICIT ALLOCABLE TO
34 THE PARTICIPATING GOVERNMENTAL UNIT AS OF THE EFFECTIVE DATE OF
35 WITHDRAWAL;

36 (II) THE OUTSTANDING BALANCE OF THE SPECIAL ACCRUED
37 LIABILITY CONTRIBUTION ALLOCABLE TO THE PARTICIPATING GOVERNMENTAL
38 UNIT AS OF THE EFFECTIVE DATE OF WITHDRAWAL; AND

1 (III) ANY TRANSITION AMOUNT AS DETERMINED UNDER
2 SUBSECTION (I) OF THIS SECTION.

3 (G) (1) THIS SUBSECTION APPLIES TO A NONCONTRIBUTORY
4 PARTICIPATING GOVERNMENTAL UNIT.

5 (2) THE ASSETS THAT ARE ALLOCABLE TO THE EMPLOYEES OF A
6 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO
7 WITHDRAW FROM THE EMPLOYEES' SYSTEMS SHALL BE COMPUTED BY THE
8 ACTUARY AS PROVIDED IN THIS SUBSECTION.

9 (3) IF THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
10 FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE
11 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT IS ~~NOT~~ LESS THAN 100%,
12 THE ACTUARY SHALL MULTIPLY THE NONCONTRIBUTORY SYSTEM FUNDING RATIO
13 FOR THE FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE
14 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT BY THE ACTUARIAL
15 LIABILITY ALLOCABLE TO THE EMPLOYEES OF THE NONCONTRIBUTORY
16 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW.

17 (4) IF THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
18 FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE
19 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT IS 100% OR GREATER
20 AND LESS THAN 110%, THE ACTUARY SHALL MULTIPLY THE ACTUARIAL LIABILITY
21 ALLOCABLE TO THE EMPLOYEES OF THE NONCONTRIBUTORY PARTICIPATING
22 GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW BY 100%.

23 (5) IF THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
24 FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE
25 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT IS 110% OR GREATER,
26 THE ACTUARY SHALL MULTIPLY THE ACTUARIAL LIABILITY ALLOCABLE TO THE
27 EMPLOYEES OF THE NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT
28 WHO ELECT TO WITHDRAW BY THE DIFFERENCE BETWEEN THE NONCONTRIBUTORY
29 SYSTEM FUNDING RATIO AND 10%.

30 (6) ANY ASSETS COMPUTED UNDER PARAGRAPHS (3), (4), OR (5) OF THIS
31 SUBSECTION SHALL BE REDUCED BY THE SUM OF:

32 (I) THE OUTSTANDING BALANCE OF THE DEFICIT ALLOCABLE TO
33 THE NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT AS OF THE
34 EFFECTIVE DATE OF WITHDRAWAL;

35 (II) THE OUTSTANDING BALANCE OF THE SPECIAL ACCRUED
36 LIABILITY CONTRIBUTION ALLOCABLE TO THE NONCONTRIBUTORY PARTICIPATING
37 GOVERNMENTAL UNIT AS OF THE EFFECTIVE DATE OF WITHDRAWAL; AND

38 (III) ANY TRANSITION AMOUNT AS DETERMINED UNDER
39 SUBSECTION (I) OF THIS SECTION.

1 [(f)] (H) (1) The withdrawal liability contribution of a participating
2 governmental unit shall be computed by the actuary as provided in this subsection.

3 (2) The actuary shall:

4 (i) multiply the complement of the [active] participant funding
5 ratio for the fiscal year preceding the effective date of withdrawal of the participating
6 governmental unit by the actuarial liability allocable to the employees of the
7 participating governmental unit who elect to remain members of the employees'
8 systems; and

9 (ii) reduce the amount determined under subparagraph (i) of this
10 paragraph by the outstanding balance of the surplus allocable to the participating
11 governmental unit as of the effective date of withdrawal.

12 (3) The amount determined under paragraph (2) may not be less than
13 zero.

14 (4) (i) Except as provided in subparagraph (ii) of this paragraph, the
15 annual withdrawal liability contribution of a participating governmental unit shall be
16 the annual payment that is sufficient to liquidate, over not more than 25 years, the
17 withdrawal liability contribution by means of annual payments that increase each
18 year based on the actuarial assumptions adopted by the Board of Trustees on the
19 recommendation of the actuary.

20 (ii) Subject to the approval of the Board of Trustees and the
21 actuary's concurrence, a participating governmental unit:

22 1. may liquidate the withdrawal liability contribution by
23 means of level annual payments or over a term of less than 25 years; or

24 2. prepay all or a portion of the withdrawal liability
25 contribution.

26 [(g)] (I) (1) This section applies only to a participating governmental unit
27 with a deficit as determined under § 21-305.4(c) of this subtitle.

28 (2) The transition amount of a participating governmental unit shall be
29 computed by the actuary as provided in this subsection.

30 (3) The actuary shall determine the pre-June 30, 1995 status and the
31 post-June 30, 1995 status of a participating governmental unit using the
32 assumptions that:

33 (i) the participating governmental unit elects to withdraw from the
34 employees' systems as of June 30, 1995;

35 (ii) the employees of the withdrawing participating governmental
36 unit who are members of the Employees' Retirement System elect to remain in the
37 employees' systems; and

1 (iii) the employees of the withdrawing participating governmental
2 unit who are members of the Employees' Pension System elect to withdraw from the
3 employees' systems.

4 (4) The pre-June 30, 1995 status of a participating governmental unit is
5 an amount equal to the difference between:

6 (i) the assets transferable to a participating governmental unit
7 that are allocable to the employees of the participating governmental unit who elect to
8 withdraw from the employees' systems as determined by the actuary applying the
9 provisions of former § 21-305(f) of the State Personnel and Pensions Article as of June
10 30, 1995; and

11 (ii) the withdrawal liability of a participating governmental unit
12 that is attributable to the employees of the participating governmental unit who elect
13 to remain members of the employees' systems as determined by the actuary applying
14 the provisions of former State Personnel and Pensions Article § 21-305(f) of the Code
15 as of June 30, 1995.

16 (5) The post-June 30, 1995 status of a participating governmental unit
17 is an amount equal to the difference between:

18 (i) the assets transferable to a participating governmental unit
19 that are allocable to the employees who elect to withdraw from the employees'
20 systems as determined under subsection (d) of this section AS OF JUNE 30, 1995; and

21 (ii) the withdrawal liability of a participating governmental unit
22 that is attributable to the employees of the participating governmental unit who elect
23 to remain in the employees' systems as determined under subsection [(e)] (F) of this
24 section AS OF JUNE 30, 1995.

25 (6) (i) Subject to subparagraph (ii) of this paragraph, the transition
26 amount of a participating governmental unit is the amount determined by the
27 actuary as of June 30, 1995, equal to the difference between:

28 1. the post-June 30, 1995 status of the participating
29 governmental unit as determined under paragraph (4) of this subsection; and

30 2. the pre-June 30, 1995 status of the participating
31 governmental unit as determined under paragraph (3) of this subsection.

32 (ii) The transition amount of a participating governmental unit
33 may not be less than zero.

34 (7) As of June 30 of each fiscal year, the transition amount of a
35 participating governmental unit shall decrease by writing down the transition
36 amount in equal annual installments over the 25-year term beginning on July 1,
37 1995.

1 (8) On the recommendation of the actuary, the Board of Trustees shall
2 adopt regulations that are necessary to carry out this section, and that set forth a
3 schedule reflecting:

4 (i) any transition amount allocable to a participating
5 governmental unit; and

6 (ii) the outstanding balance of the transition amount each year.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 July 1, 2001.