HOUSE BILL 496

K4 3lr1338
CF SB 474

By: **Delegate Griffith (Chair, Joint Committee on Pensions)**
Introduced and read first time: January 30, 2013
Assigned to: Appropriations

Committee Report: Favorable
House action: Adopted
Read second time: February 19, 2013

CHAPTER ______

AN ACT concerning

State Retirement and Pension System – Funding Method and Amortization of Unfunded Liabilities or Surpluses

FOR the purpose of altering the amortization periods to be used for certain unfunded liabilities or surpluses of the State Retirement and Pension System; clarifying the application of a certain amortization period to certain changes; phasing out a certain method for determining certain employer contribution rates for the employees' and teachers' retirement and pension systems; and generally relating to the funding of the State Retirement and Pension System.

BY repealing and reenacting, with amendments,
Article – State Personnel and Pensions
Section 21–304(d), (e), and (f)
Annotated Code of Maryland
(2009 Replacement Volume and 2012 Supplement)

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

Article – State Personnel and Pensions

21–304.

(d) **[**(1)**]** Beginning July 1, **[**2001**]** **2013**, each year the Board of Trustees shall set contribution rates for each State system that shall amortize:

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
[Brackets**]** indicate matter deleted from existing law.
Underlining indicates amendments to bill.
~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

[(i)**] (1)** all unfunded liabilities or surpluses accrued as of June 30, **[**2000**] 2013**, over **[**20**] 25** years; and

[(ii)**] (2)** any new unfunded liabilities or surpluses that have accrued from July 1 of the preceding fiscal year over **[**25 years**] THE TIME REMAINING UNTIL JUNE 30, 2038,** to reflect:

[1.**] (I)** experience gains and losses;

[2.**] (II)** the effect of changes in actuarial assumptions **AND METHODS**; and

[3.**] (III)** the effect of legislation effective on or after July 1, **[**2001**] 2013**.

[(2) If the accrued liability is increased by legislation that provides for early retirement of State employees, the additional liability shall be funded over a period of 5 years beginning on:

(i) July 1, 1997 for legislation effective June 1, 1996; and

(ii) July 1, 1998 for legislation effective June 1, 1997.

(3) If the accrued liability is increased by legislation effective June 1, 1998, that provides for the early retirement of employees of the University System of Maryland who are members of the Employees' Pension System or the Employees' Retirement System, the additional liability shall be determined by the actuary and funded over a period of 5 years beginning on July 1, 1999 by payment of an annual accrued liability contribution by the University System of Maryland and the Medical System as provided in § 21–307(h) and (i) of this subtitle.**]**

(e) (1) **[**When the funding ratio for the employees' systems is between 90% and 110%, inclusive, the employees' system contribution rate is the rate for the previous fiscal year, adjusted to reflect legislative changes that result in changes in normal cost and to amortize over 25 years any actuarial liabilities of the employees' systems.

(2)**]** **[**Subject**] EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION AND SUBJECT** to paragraph **[**(4)**] (2)** of this subsection, **[**when the funding ratio for the employees' systems is below 90%,**]** the employees' system contribution rate shall be the sum of:

(i) the employees' system contribution rate for the previous fiscal year; and

(ii) 1. 20% of the difference between the full funding rate for the current fiscal year and the employees' system contribution rate for the previous fiscal year; or

2. for a fiscal year for which an adjustment to normal cost or accrued liabilities for a new legislative change is first determined as a result of an actuarial valuation under § 21–125(b) of this title, 20% of the difference between the preliminary funding rate for the current fiscal year and the employees' system contribution rate for the previous fiscal year.

[(3) Subject to paragraph (4) of this subsection, when the funding ratio for the employees' systems is above 110%, the employees' system contribution rate shall be the difference between:

(i) the employees' system contribution rate for the previous fiscal year; and

(ii) 1. 20% of the difference between the employees' system contribution rate for the previous fiscal year and the full funding rate for the current fiscal year; or

2. for a fiscal year for which an adjustment to normal cost or accrued liabilities for a new legislative change is first determined as a result of an actuarial valuation under § 21–125(b) of this title, 20% of the difference between the employees' system contribution rate for the previous fiscal year and the preliminary funding rate for the current fiscal year.**]**

[(4)**]** **(2)** For a fiscal year for which an adjustment to normal cost or accrued liabilities for a new legislative change is determined as a result of an actuarial valuation under § 21–125(b) of this title, the contribution rate for the employees' systems under paragraph **[**(2) or (3)**]** **(1)** of this subsection shall be adjusted to fully reflect the cost or savings of the new legislative changes that result in changes in normal contributions or accrued liabilities and to amortize over **[**25 years**]** **THE TIME REMAINING UNTIL JUNE 30, 2038,** any changes in accrued liabilities of the employees' systems.

(3) THE PERCENTAGES USED IN PARAGRAPH (1)(II) OF THIS SUBSECTION SHALL BE:

(I) 28% FOR THE RATE FOR FISCAL YEAR 2015;

(II) 36% FOR THE RATE FOR FISCAL YEAR 2016;

(III) 44% FOR THE RATE FOR FISCAL YEAR 2017;

(IV) 52% FOR THE RATE FOR FISCAL YEAR 2018;

(V) 60% FOR THE RATE FOR FISCAL YEAR 2019;

(VI) 68% FOR THE RATE FOR FISCAL YEAR 2020;

(VII) 76% FOR THE RATE FOR FISCAL YEAR 2021;

(VIII) 84% FOR THE RATE FOR FISCAL YEAR 2022;

(IX) 92% FOR THE RATE FOR FISCAL YEAR 2023; AND

(X) 100% FOR THE RATE FOR FISCAL YEAR 2024 AND THEREAFTER.

(f) (1) **[**When the funding ratio for the teachers' systems is between 90% and 110%, the teachers' system contribution rate is the rate for the previous fiscal year, adjusted to reflect legislative changes that result in changes in normal cost and to amortize over 25 years any actuarial liabilities of the teachers' systems.

(2)**]** **[**Subject**]** **EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION AND SUBJECT** to paragraph **[**(4)**]** **(2)** of this subsection, **[**when the funding ratio for the teachers' systems is below 90%,**]** the teachers' system contribution rate shall be the sum of:

(i) the teachers' system contribution rate for the previous fiscal year; and

(ii) 1. 20% of the difference between the full funding rate for the current fiscal year and the teachers' system contribution rate for the previous fiscal year; or

2. for a fiscal year for which an adjustment to normal cost or accrued liabilities for a new legislative change is first determined as a result of an actuarial valuation under § 21–125(b) of this title, 20% of the difference between the preliminary funding rate for the current fiscal year and the teachers' system contribution rate for the previous fiscal year.

[(3) Subject to paragraph (4) of this subsection, when the funding ratio for the teachers' systems is above 110%, the teachers' system contribution rate shall be the difference between:

(i) the teachers' system contribution rate for the previous fiscal year; and

(ii) 1. 20% of the difference between the teachers' system contribution rate for the previous fiscal year and the full funding rate for the current fiscal year; or

2. for a fiscal year for which an adjustment to normal cost or accrued liabilities for a new legislative change is first determined as a result of an actuarial valuation under § 21–125(b) of this title, 20% of the difference between the teachers' system contribution rate for the previous fiscal year and the preliminary funding rate for the current fiscal year.**]**

[(4)**]** **(2)** For a fiscal year for which an adjustment to normal cost or accrued liabilities for a new legislative change is determined as a result of an actuarial valuation under § 21–125(b) of this title, the contribution rate for the teachers' systems under paragraph **[**(2) or (3)**]** **(1)** of this subsection shall be adjusted to fully reflect the cost or savings of the new legislative changes that result in changes in normal contributions or accrued liabilities and to amortize over **[**25 years**]** **THE TIME REMAINING UNTIL JUNE 30, 2038,** any changes in accrued liabilities of the teachers' systems.

(3) THE PERCENTAGES USED IN PARAGRAPH (1)(II) OF THIS SUBSECTION SHALL BE:

(I) 28% FOR THE RATE FOR FISCAL YEAR 2015;

(II) 36% FOR THE RATE FOR FISCAL YEAR 2016;

(III) 44% FOR THE RATE FOR FISCAL YEAR 2017;

(IV) 52% FOR THE RATE FOR FISCAL YEAR 2018;

(V) 60% FOR THE RATE FOR FISCAL YEAR 2019;

(VI) 68% FOR THE RATE FOR FISCAL YEAR 2020;

(VII) 76% FOR THE RATE FOR FISCAL YEAR 2021;

(VIII) 84% FOR THE RATE FOR FISCAL YEAR 2022;

(IX) 92% FOR THE RATE FOR FISCAL YEAR 2023; AND

(X) 100% FOR THE RATE FOR FISCAL YEAR 2024 AND THEREAFTER.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2013.

Approved:

____

Governor.

____

Speaker of the House of Delegates.

____

President of the Senate.