

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

A BILL ENTITLED

1 AN ACT concerning

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

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

10 BY repealing and reenacting, with amendments,
11 Article – State Personnel and Pensions
12 Section 21–304(d), (e), and (f)
13 Annotated Code of Maryland
14 (2009 Replacement Volume and 2012 Supplement)

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

17 **Article – State Personnel and Pensions**

18 21–304.

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

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

7 [3.] (III) the effect of legislation effective on or after July
 8 1, [2001] **2013**.

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

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

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

14 (3) If the accrued liability is increased by legislation effective June 1,
 15 1998, that provides for the early retirement of employees of the University System of
 16 Maryland who are members of the Employees' Pension System or the Employees'
 17 Retirement System, the additional liability shall be determined by the actuary and
 18 funded over a period of 5 years beginning on July 1, 1999 by payment of an annual
 19 accrued liability contribution by the University System of Maryland and the Medical
 20 System as provided in § 21-307(h) and (i) of this subtitle.]

21 (e) (1) [When the funding ratio for the employees' systems is between
 22 90% and 110%, inclusive, the employees' system contribution rate is the rate for the
 23 previous fiscal year, adjusted to reflect legislative changes that result in changes in
 24 normal cost and to amortize over 25 years any actuarial liabilities of the employees'
 25 systems.

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

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

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

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

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

9 (i) the employees’ system contribution rate for the previous
10 fiscal year; and

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

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

19 [(4)] (2) For a fiscal year for which an adjustment to normal cost or
20 accrued liabilities for a new legislative change is determined as a result of an actuarial
21 valuation under § 21–125(b) of this title, the contribution rate for the employees’
22 systems under paragraph [(2) or (3)] (1) of this subsection shall be adjusted to fully
23 reflect the cost or savings of the new legislative changes that result in changes in
24 normal contributions or accrued liabilities and to amortize over [25 years] **THE TIME**
25 **REMAINING UNTIL JUNE 30, 2038**, any changes in accrued liabilities of the
26 employees’ systems.

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

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

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

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

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

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

- 1 **(VI) 68% FOR THE RATE FOR FISCAL YEAR 2020;**
2 **(VII) 76% FOR THE RATE FOR FISCAL YEAR 2021;**
3 **(VIII) 84% FOR THE RATE FOR FISCAL YEAR 2022;**
4 **(IX) 92% FOR THE RATE FOR FISCAL YEAR 2023; AND**
5 **(X) 100% FOR THE RATE FOR FISCAL YEAR 2024 AND**
6 **THEREAFTER.**

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

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

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

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

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

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

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

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

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

6 **[(4)] (2)** For a fiscal year for which an adjustment to normal cost or
7 accrued liabilities for a new legislative change is determined as a result of an actuarial
8 valuation under § 21–125(b) of this title, the contribution rate for the teachers’
9 systems under paragraph **[(2) or (3)] (1)** of this subsection shall be adjusted to fully
10 reflect the cost or savings of the new legislative changes that result in changes in
11 normal contributions or accrued liabilities and to amortize over **[25 years] THE TIME**
12 **REMAINING UNTIL JUNE 30, 2038**, any changes in accrued liabilities of the teachers’
13 systems.

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

- 16 **(I) 28% FOR THE RATE FOR FISCAL YEAR 2015;**
- 17 **(II) 36% FOR THE RATE FOR FISCAL YEAR 2016;**
- 18 **(III) 44% FOR THE RATE FOR FISCAL YEAR 2017;**
- 19 **(IV) 52% FOR THE RATE FOR FISCAL YEAR 2018;**
- 20 **(V) 60% FOR THE RATE FOR FISCAL YEAR 2019;**
- 21 **(VI) 68% FOR THE RATE FOR FISCAL YEAR 2020;**
- 22 **(VII) 76% FOR THE RATE FOR FISCAL YEAR 2021;**
- 23 **(VIII) 84% FOR THE RATE FOR FISCAL YEAR 2022;**
- 24 **(IX) 92% FOR THE RATE FOR FISCAL YEAR 2023; AND**
- 25 **(X) 100% FOR THE RATE FOR FISCAL YEAR 2024 AND**
26 **THEREAFTER.**

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