

# SENATE BILL 474

K4

3lr1337  
CF HB 496

---

By: **Senator Jones–Rodwell (Chair, Joint Committee on Pensions)**

Introduced and read first time: January 30, 2013

Assigned to: Budget and Taxation

---

Committee Report: Favorable

Senate action: Adopted

Read second time: March 18, 2013

---

## CHAPTER \_\_\_\_\_

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:

---

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.



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

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

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

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

9                    [3.] (III) the effect of legislation effective on or after July  
10 1, [2001] **2013**.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 1                   (V)    **60% FOR THE RATE FOR FISCAL YEAR 2019;**  
 2                   (VI)   **68% FOR THE RATE FOR FISCAL YEAR 2020;**  
 3                   (VII)   **76% FOR THE RATE FOR FISCAL YEAR 2021;**  
 4                   (VIII)   **84% FOR THE RATE FOR FISCAL YEAR 2022;**  
 5                   (IX)   **92% FOR THE RATE FOR FISCAL YEAR 2023; AND**  
 6                   (X)    **100% FOR THE RATE FOR FISCAL YEAR 2024 AND**  
 7   **THEREAFTER.**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Approved:

---

Governor.

---

President of the Senate.

---

Speaker of the House of Delegates.