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1997 Regular Session
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By: Washington County Delegation, Allegany County Delegation, and Delegates Hixson, Dembrow, Conroy, Hubbard, Franchot, and Pitkin

Introduced and read first time: February 21, 1997

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 Retirement and Pensions - Participating Governmental Units - Deficits

3 FOR the purpose of providing for a limit on the determination of a deficit amount that
4 certain governmental units that participate in the Employees' Retirement System
5 and the Employees' Pension System are required to pay as part of their employer
6 contributions to the systems.

7 BY repealing and reenacting, with amendments,
8 Article - State Personnel and Pensions
9 Section 21-305.4
10 Annotated Code of Maryland
11 (1994 Volume and 1996 Supplement)

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

14 **Article - State Personnel and Pensions**

15 21-305.4.

16 (a) (1) In this section the following words have the meanings indicated.

17 (2) "Deficit" means, as to any participating governmental unit, THE LESSER
18 OF:

19 (I) the amount, as of June 30, 1995, by which the present value of the
20 accrued benefit of the employees of the participating governmental unit who are members
21 of the Employees' Retirement System exceeds the actuarial value of the assets to the
22 credit of the participating governmental unit in the Employees' Retirement System; OR

23 (II) 40% OF THE AGGREGATE ANNUAL EARNABLE COMPENSATION
24 OF THE PARTICIPATING GOVERNMENTAL UNIT AS OF JULY 1, 1995.

25 (3) "Employees' systems" means the Employees' Pension System and the
26 Employees' Retirement System.

1 (4) "Required employer contribution" means the amount payable each
2 fiscal year under § 21-305(b)(1), (2)(i) and (iii) of this subtitle by a participating
3 governmental unit.

4 (5) "Surplus" means, as to any participating governmental unit, the amount,
5 as of June 30, 1995, by which the actuarial value of the assets to the credit of the
6 participating governmental unit in the employees' systems exceeds the present value of
7 the future benefits of the employees of the participating governmental unit who are
8 members of the employees' systems.

9 (b) (1) The actuary shall determine the surplus allocable to a participating
10 governmental unit as of June 30, 1995, based on an actuarial valuation.

11 (2) The surplus of a participating governmental unit may not be less than
12 zero.

13 (3) The annual credit of a participating governmental unit shall be the
14 amount that is sufficient to amortize over a 25 year term commencing on July 1, 1995, the
15 surplus allocated to a participating governmental unit as of June 30, 1995, by means of an
16 annual credit that increases each year based on the actuarial assumptions adopted by the
17 Board of Trustees on the recommendation of the actuary.

18 (4) Each fiscal year, a participating governmental unit's required employer
19 contribution shall be reduced by the annual credit of the participating governmental unit,
20 but not below zero.

21 (c) (1) The actuary shall determine the deficit allocable to a participating
22 governmental unit as of June 30, 1995, based on an actuarial valuation.

23 (2) (i) Except as provided in subparagraph (ii) of this paragraph, the
24 annual deficit payment of a participating governmental unit shall be the payment that is
25 sufficient to liquidate over a 25 year term beginning as of July 1, 1995, the deficit
26 allocated to the participating governmental unit by means of annual payments that
27 increase each year based on the actuarial assumptions adopted by the Board of Trustees
28 on the recommendation of the actuary.

29 (ii) If, as of July 1, 1995, the annual deficit payment of a participating
30 governmental unit increases the participating governmental unit's required contribution
31 by more than 2% of the aggregate annual earnable compensation of the participating
32 governmental unit as of July 1, 1995, the participating governmental unit may liquidate
33 the deficit over a 40-year term beginning as of July 1, 1995.

34 (3) (i) Subject to subparagraph (ii) of this paragraph, with the
35 concurrence of the Board of Trustees, a participating governmental unit may prepay all or
36 a portion of the deficit.

37 (ii) A participating governmental unit that elects to prepay a portion
38 of the deficit:

39 1. may not prepay less than the greater of \$100,000 or 10% of
40 the outstanding balance of the deficit as of the payment date;

1 2. may not make more than 2 additional payments during any
2 fiscal year; and

6 (d) On the recommendation of the actuary, the Board of Trustees shall adopt
7 regulations that are necessary to carry out this section, and that set forth the amount of
8 any surplus or deficit allocable to a participating governmental unit as of June 30, 1995.