
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

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 30, 1997

CHAPTER ____

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; and requiring that the State Retirement Agency
7 transfer a certain amount from certain accumulation funds of the Employees'
8 Retirement System and the Employees' Pension System to other accumulation
9 funds of the Employees' Retirement System and the Employees' Pension System.

10 BY repealing and reenacting, with amendments,
11 Article - State Personnel and Pensions
12 Section 21-305.4
13 Annotated Code of Maryland
14 (1994 Volume and 1996 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 21-305.4.

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

20 (2) "Deficit" means, as to any participating governmental unit, THE LESSER

21 OF:

2

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

5 (II) 40% OF THE AGGREGATE ANNUAL EARNABLE COMPENSATION
6 OF THE PARTICIPATING GOVERNMENTAL UNIT AS OF ~~JULY 1, 1995~~ JUNE 30, 1995, PLUS
7 ONE-HALF OF THE DIFFERENCE BETWEEN THE AMOUNT DETERMINED UNDER
8 SUBPARAGRAPH (I) OF THIS PARAGRAPH AND 40% OF THE AGGREGATE ANNUAL
9 EARNABLE COMPENSATION OF THE PARTICIPATING GOVERNMENTAL UNIT AS OF
10 JUNE 30, 1995.

11 (3) "Employees' systems" means the Employees' Pension System and the
12 Employees' Retirement System.

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

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

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

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

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

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

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

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

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

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

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

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

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

15 3. shall be liable for payment of the expenses incurred by the
 16 agency for the actuary to recalculate the annual deficit payments required under §
 17 21-305(b)(2)(iv) of this subtitle.

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

21 SECTION 2. AND BE IT FURTHER ENACTED, That, to preserve the integrity
 22 of the accumulation funds of the Employees' Retirement System and the Employees'
 23 Pension System for the participating governmental units as a result of the creation of the
 24 limit on the amount of the deficit of any participating governmental unit under §
 25 21-305.4(a)(2) of the State Personnel and Pensions Article as enacted by Section 1 of this
 26 Act, the State Retirement Agency shall transfer up to \$3.85 million from the
 27 accumulation funds of the Employees' Retirement System and the Employees' Pension
 28 System for State participants to the accumulation funds of the Employees' Retirement
 29 System and the Employees' Pension System for participating governmental unit
 30 participants.

31 ~~SECTION 2.~~ 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
 32 July 1, 1997.