
By: **Washington County Delegation**

Introduced and read first time: February 4, 1998

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
5 System and the Employees' Pension System are required to pay as part of their
6 employer contributions to the systems; and requiring that the State Retirement
7 Agency transfer a certain amount from certain accumulation funds of the
8 Employees' Retirement System and the Employees' Pension System to other
9 accumulation funds of the Employees' Retirement System and the Employees'
10 Pension System.

11 BY repealing and reenacting, with amendments,
12 Article - State Personnel and Pensions
13 Section 21-305.4
14 Annotated Code of Maryland
15 (1997 Replacement Volume)

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

18 **Article - State Personnel and Pensions**

19 21-305.4.

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

21 (2) "Deficit" means, as to any participating governmental unit, the lesser
22 of:

23 (i) the amount, as of June 30, 1995, by which the present value of
24 the accrued benefit of the employees of the participating governmental unit who are
25 members of the Employees' Retirement System exceeds the actuarial value of the
26 assets to the credit of the participating governmental unit in the Employees'
27 Retirement System; or

1 (ii) 40% of the aggregate annual earnable compensation of the
2 participating governmental unit as of June 30, 1995[, plus one-half of the difference
3 between the amount determined under subparagraph (i) of this paragraph and 40% of
4 the aggregate annual earnable compensation of the participating governmental unit
5 as of June 30, 1995].

6 (3) "Employees' systems" means the Employees' Pension System and the
7 Employees' Retirement System.

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

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

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

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

20 (3) The annual credit of a participating governmental unit shall be the
21 amount that is sufficient to amortize over a 25-year term commencing on July 1,
22 1995, the surplus allocated to a participating governmental unit as of June 30, 1995,
23 by means of an annual credit that increases each year based on the actuarial
24 assumptions adopted by the Board of Trustees on the recommendation of the actuary.

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

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

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

36 (ii) If, as of July 1, 1995, the annual deficit payment of a
37 participating governmental unit increases the participating governmental unit's
38 required contribution by more than 2% of the aggregate annual earnable
39 compensation of the participating governmental unit as of July 1, 1995, the

1 participating governmental unit may liquidate the deficit over a 40-year term
2 beginning as of July 1, 1995.

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

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

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

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

12 3. shall be liable for payment of the expenses incurred by the
13 agency for the actuary to recalculate the annual deficit payments required under §
14 21-305(b)(2)(iv) of this subtitle.

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

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

29 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
30 July 1, 1998.