
By: **Washington County Delegation, Allegany County Delegation, and
Delegates Hixson, Dembrow, Conroy, Hubbard, Franchot, and Pitkin**

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Assigned to: Appropriations

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 27, 1998

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
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.

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

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

8 (ii) 40% of the aggregate annual earnable compensation of the
9 participating governmental unit as of June 30, 1995[, plus one-half of the difference
10 between the amount determined under subparagraph (i) of this paragraph and 40% of
11 the aggregate annual earnable compensation of the participating governmental unit
12 as of June 30, 1995].

13 (3) "Employees' systems" means the Employees' Pension System and the
14 Employees' Retirement System.

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

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

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

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

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

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

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

37 (2) (i) Except as provided in subparagraph (ii) of this paragraph, the
38 annual deficit payment of a participating governmental unit shall be the payment
39 that is sufficient to liquidate over a 25-year term beginning as of July 1, 1995, the

1 deficit allocated to the participating governmental unit by means of annual payments
2 that increase each year based on the actuarial assumptions adopted by the Board of
3 Trustees on the recommendation of the actuary.

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

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

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

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

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

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

22 (d) On the recommendation of the actuary, the Board of Trustees shall adopt
23 regulations that are necessary to carry out this section, and that set forth the amount
24 of any surplus or deficit allocable to a participating governmental unit as of June 30,
25 1995.

26 SECTION 2. AND BE IT FURTHER ENACTED, That, to preserve the integrity
27 of the accumulation funds of the Employees' Retirement System and the Employees'
28 Pension System for the participating governmental units as a result of the creation of
29 the limit on the amount of the deficit of any participating governmental unit under §
30 21-305.4(a)(2) of the State Personnel and Pensions Article as enacted by Section 1 of
31 this Act, the State Retirement Agency shall transfer up to ~~\$3.85~~ \$4.45 million from
32 the accumulation funds of the Employees' Retirement System and the Employees'
33 Pension System for State participants to the accumulation funds of the Employees'
34 Retirement System and the Employees' Pension System for participating
35 governmental unit participants.

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

