

SENATE BILL 643

Unofficial Copy
K4

2000 Regular Session
0lr1723
CF 0lr2526

By: **Senators Currie and Exum**
Introduced and read first time: February 4, 2000
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Employees' Retirement and Pension Systems - Participating Governmental**
3 **Units - Withdrawal Liability Payments**

4 FOR the purpose of altering the method of computing assets that are to be transferred
5 to a local pension system of certain governmental units that withdraw their
6 participation in the Employees' Retirement System and the Employees' Pension
7 System under certain circumstances; repealing a certain requirement that a
8 certain transition amount be deducted from assets that are to be transferred to
9 the local pension system under certain circumstances; altering the method of
10 computing the withdrawal liability contribution that is to be paid by certain
11 governmental units that withdraw their participation in the Employees'
12 Retirement System and the Employees' Pension System under certain
13 circumstances; and generally relating to the certain payments to be made on the
14 withdrawal of a participating governmental unit from the Employees'
15 Retirement System and the Employees' Pension System.

16 BY repealing and reenacting, with amendments,
17 Article - State Personnel and Pensions
18 Section 21-305.5
19 Annotated Code of Maryland
20 (1997 Replacement Volume and 1999 Supplement)

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

23 **Article - State Personnel and Pensions**

24 21-305.5.

25 (a) (1) In this section the following words have the meaning indicated.

26 (2) "Active participant funding ratio" means the ratio determined by the
27 actuary as provided under subsection (d) of this section.

1 (3) "Complement of the active participant funding ratio" is a ratio equal
2 to 1 minus the active participant funding ratio.

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

5 [(5) "Transition amount" means the amount determined by the actuary as
6 provided under subsection (g) of this section.]

7 (b) This section applies only to a participating governmental unit that elects to
8 withdraw from participation in the employees' systems and transfer to a local pension
9 system all employees of the participating governmental unit who consent to the
10 withdrawal.

11 (c) (1) On and after the date of a participating governmental unit's
12 withdrawal from the employees' systems under § 31-302(a)(1) of this article, the
13 participating governmental unit and its employees are not required to make any
14 further contributions to the employees' systems for those employees who elect to
15 withdraw from the employees' systems.

16 (2) As of the effective date of withdrawal, the participating governmental
17 unit shall continue to make any contributions required under § 21-305(b)(1) and (2) of
18 this subtitle on behalf of those employees who do not elect to withdraw from the
19 employees' systems.

20 (3) As of the effective date of withdrawal of a participating governmental
21 unit, the Board of Trustees shall transfer to the administrative board of the local
22 pension system the assets that are allocable to the employees of the participating
23 governmental unit who elect to withdraw from the employees' systems as determined
24 under subsection (e) of this section.

25 (d) (1) As of June 30 of each fiscal year, the actuary shall determine the
26 active participant funding ratio for the participating governmental units as provided
27 in this section.

28 (2) The active participant funding ratio shall be a fraction[, not to
29 exceed 1,] that has:

30 (i) as its numerator, the assets to the credit of the participating
31 governmental units in the accumulation fund and the annuity savings fund of the
32 employees' systems as adjusted under paragraph (3) of this subsection, decreased by
33 the sum of the actuarial liabilities allocable to:

34 1. retirees of the employees' systems who retired from the
35 service of the participating governmental units and the designated beneficiaries of
36 those retirees;

37 2. former members of the employees' systems eligible for a
38 vested allowance who separated from employment with the participating
39 governmental units; and

1 3. members of the employees' systems who separated from
2 employment with the participating governmental units but who may become eligible
3 to receive prior eligibility service credit under § 23-303 of this article; and

4 (ii) as its denominator, the actuarial liabilities that are allocable to
5 the employees of the participating governmental units who are members of the
6 employees' systems.

7 (3) The assets to the credit of the participating governmental unit as of
8 the valuation date shall be:

9 (i) increased by the sum of the outstanding balances of:

10 1. the special accrued liability attributable to each
11 participating governmental unit under § 21-305.3 of this subtitle;

12 2. the deficit allocated to each participating governmental
13 unit under § 21-305.4(c) of this subtitle; and

14 3. the withdrawal liability contribution attributable to each
15 participating governmental unit under § 21-305.5(f) of this subtitle; and

16 (ii) decreased by the sum of the outstanding balances of the surplus
17 allocated to each participating governmental unit under § 21-305.4(b) of this subtitle.

18 (e) (1) The assets that are allocable to the employees of a participating
19 governmental unit who elect to withdraw from the employees' systems shall be
20 computed by the actuary as provided in this subsection.

21 (2) The actuary shall:

22 (i) multiply the active participant funding ratio for the fiscal year
23 preceding the effective date of withdrawal of the participating governmental unit by
24 the actuarial liability allocable to the employees of the participating governmental
25 unit who elect to withdraw; and

26 (ii) reduce the amount determined under subparagraph (i) of this
27 paragraph by the sum of:

28 1. the outstanding balance of the deficit allocable to the
29 participating governmental unit as of the effective date of withdrawal; AND

30 2. the outstanding balance of the special accrued liability
31 contribution allocable to the participating governmental unit as of the effective date
32 of withdrawal; and

33 3. any transition amount as determined under subsection (g)
34 of this section].

35 (f) (1) The withdrawal liability contribution of a participating governmental
36 unit shall be computed by the actuary as provided in this subsection.

1 (2) The actuary shall:

2 (i) multiply the complement of the active participant funding ratio
3 for the fiscal year preceding the effective date of withdrawal of the participating
4 governmental unit by the actuarial liability allocable to the employees of the
5 participating governmental unit who elect to remain members of the employees'
6 systems; and

7 (ii) reduce the amount determined under subparagraph (i) of this
8 paragraph by the outstanding balance of the surplus allocable to the participating
9 governmental unit as of the effective date of withdrawal.

10 (3) The amount determined under paragraph (2) may not be less than
11 zero.

12 (4) (i) Except as provided in subparagraph (ii) of this paragraph, the
13 annual withdrawal liability contribution of a participating governmental unit shall be
14 the annual payment that is sufficient to liquidate, over not more than 25 years, the
15 withdrawal liability contribution by means of annual payments that increase each
16 year based on the actuarial assumptions adopted by the Board of Trustees on the
17 recommendation of the actuary.

18 (ii) Subject to the approval of the Board of Trustees and the
19 actuary's concurrence, a participating governmental unit:

20 1. may liquidate the withdrawal liability contribution by
21 means of level annual payments or over a term of less than 25 years; or

22 2. prepay all or a portion of the withdrawal liability
23 contribution.

24 [(g) (1) This section applies only to a participating governmental unit with a
25 deficit as determined under § 21-305.4(c) of this subtitle.

26 (2) The transition amount of a participating governmental unit shall be
27 computed by the actuary as provided in this subsection.

28 (3) The actuary shall determine the pre-June 30, 1995 status and the
29 post-June 30, 1995 status of a participating governmental unit using the
30 assumptions that:

31 (i) the participating governmental unit elects to withdraw from the
32 employees' systems as of June 30, 1995;

33 (ii) the employees of the withdrawing participating governmental
34 unit who are members of the Employees' Retirement System elect to remain in the
35 employees' systems; and

1 (iii) the employees of the withdrawing participating governmental
2 unit who are members of the Employees' Pension System elect to withdraw from the
3 employees' systems.

4 (4) The pre-June 30, 1995 status of a participating governmental unit is
5 an amount equal to the difference between:

6 (i) the assets transferable to a participating governmental unit
7 that are allocable to the employees of the participating governmental unit who elect to
8 withdraw from the employees' systems as determined by the actuary applying the
9 provisions of former § 21-305(f) of the State Personnel and Pensions Article as of June
10 30, 1995; and

11 (ii) the withdrawal liability of a participating governmental unit
12 that is attributable to the employees of the participating governmental unit who elect
13 to remain members of the employees' systems as determined by the actuary applying
14 the provisions of former State Personnel and Pensions Article § 21-305(f) of the Code
15 as of June 30, 1995.

16 (5) The post-June 30, 1995 status of a participating governmental unit
17 is an amount equal to the difference between:

18 (i) the assets transferable to a participating governmental unit
19 that are allocable to the employees who elect to withdraw from the employees'
20 systems as determined under subsection (d) of this section; and

21 (ii) the withdrawal liability of a participating governmental unit
22 that is attributable to the employees of the participating governmental unit who elect
23 to remain in the employees' systems as determined under subsection (e) of this
24 section.

25 (6) (i) Subject to subparagraph (ii) of this paragraph, the transition
26 amount of a participating governmental unit is the amount determined by the
27 actuary as of June 30, 1995, equal to the difference between:

28 1. the post-June 30, 1995 status of the participating
29 governmental unit as determined under paragraph (4) of this subsection; and

30 2. the pre-June 30, 1995 status of the participating
31 governmental unit as determined under paragraph (3) of this subsection.

32 (ii) The transition amount of a participating governmental unit
33 may not be less than zero.

34 (7) As of June 30 of each fiscal year, the transition amount of a
35 participating governmental unit shall decrease by writing down the transition
36 amount in equal annual installments over the 25-year term beginning on July 1,
37 1995.

1 (8) On the recommendation of the actuary, the Board of Trustees shall
2 adopt regulations that are necessary to carry out this section, and that set forth a
3 schedule reflecting:

4 (i) any transition amount allocable to a participating
5 governmental unit; and

6 (ii) the outstanding balance of the transition amount each year.]

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 July 1, 2000.