By: **Senator Kasemeyer (Chairman, Joint Committee on Pensions)**
Introduced and read first time: January 24, 2001
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement and Pensions - Funding - Accrued Liability**

3 FOR the purpose of altering the amortization period for certain unfunded actuarial
4   liabilities of the State Retirement and Pension System, including those payable
5   by participating governmental units; and generally relating to the amortization
6   period for unfunded actuarial liabilities of the State Retirement and Pension
7   System, including those payable by participating governmental units.

8 BY repealing and reenacting, with amendments,
9   Article - State Personnel and Pensions
10   Section 21-304 and 21-305.2
11   Annotated Code of Maryland
12   (1997 Replacement Volume and 2000 Supplement)

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

15   **Article - State Personnel and Pensions**

16 21-304.

17   (a)   In this section, "State member" does not include a member on whose behalf
18 a participating governmental unit is required to make an employer contribution
19 under § 21-305 or § 21-306 of this subtitle.

20   (b)   (1)   Each fiscal year, on behalf of the State members of each State system,
21 the State shall pay to the appropriate accumulation fund an amount equal to or
22 greater than the product of multiplying:

23   (i)   the aggregate annual earnable compensation of the State
24 members of that State system; and

25   (ii)   the sum of the normal contribution rate and the accrued
26 liability contribution rate, as determined under this section.

1   (2)   The amount determined under paragraph (1) of this subsection for
2 each State system shall be based on an actuarial determination of the amounts that
3 are required to preserve the integrity of the funds of the several systems using:

4   (i)   the entry-age actuarial cost method; and

5   (ii)   actuarial assumptions adopted by the Board of Trustees.

6   (3)   For the purpose of making the determinations required under this
7 section:

8   (i)   the Employees' Retirement System and the Employees' Pension
9 System shall be considered together as one State system; and

10   (ii)   the Teachers' Retirement System and the Teachers' Pension
11 System shall be considered together as one State system.

12   (c)   (1)   As part of each actuarial valuation, the actuary shall determine the
13 normal contributions, net of member contributions, on account of the State members
14 of each State system.

15   (2)   For each State system, the normal contribution rate equals the
16 fraction that has:

17   (i)   as its numerator, the sum of the normal contributions
18 determined under this subsection; and

19   (ii)   as its denominator, the aggregate annual earnable
20 compensation of the State members of the State system.

21   (d)   EACH YEAR THE BOARD OF TRUSTEES SHALL SET CONTRIBUTION RATES
22 FOR EACH STATE SYSTEM THAT AMORTIZE ALL LIABILITIES ACCRUED:

23   (1)   [For each State system, the accrued liability contribution rate shall
24 be computed] BEFORE JULY 1, 2001 as the percent of the aggregate annual earnable
25 compensation of the State members of that State system that is sufficient to liquidate
26 over 40 years beginning July 1, 1980, the amount, as of June 30, 1980, by which the
27 total liabilities of that State system on account of State members exceeded the sum of:

28   (i)   the assets of the accumulation fund and the annuity savings
29 fund of that State system, other than assets to the credit of the participating
30 governmental units; and

31   (ii)   the present value of future normal contributions and future
32 member contributions to that State system on behalf of or by State members[.

33   (2)   On the recommendation of the actuary, the Board of Trustees may
34 adjust the accrued liability contribution rates to reflect, over the greater of 15 years or
35 the time remaining to amortize the accrued liability:]; AND

1   (2)   ON OR AFTER JULY 1, 2001, OVER 25 YEARS FROM JULY 1 OF THE
2 PRECEDING FISCAL YEAR TO REFLECT:

3   (i)   experience gains and losses; [and]

4   (ii)   the effect of changes in actuarial assumptions; AND

5   (III)   THE EFFECT OF LEGISLATION EFFECTIVE ON OR AFTER JULY 1,
6 2001.

7   (3)   [Except as provided in paragraphs (4) and (5) of this subsection, if
8 the accrued liability is increased by legislation enacted after July 1, 1980, the
9 additional liability shall be funded over 30 years beginning on July 1 coincident with
10 or next following the effective date of the increase.

11   (4)]   If the accrued liability is increased by legislation that provides for
12 early retirement of State employees, the additional liability shall be funded over a
13 period of 5 years beginning on:

14   (i)   July 1, 1997 for legislation effective June 1, 1996; and

15   (ii)   July 1, 1998 for legislation effective June 1, 1997.

16   [(5)   If the accrued liability is increased by legislation effective July 1,
17 1998, that provides for changes in the method of computing the retirement allowance
18 of members of the Employees' Pension System or the Teachers' Pension System, the
19 additional liability shall be funded over a period of 20 years beginning on July 1,
20 1999.

21   (6)]   (4)   If the accrued liability is increased by legislation effective June
22 1, 1998, that provides for the early retirement of employees of the University System
23 of Maryland who are members of the Employees' Pension System or the Employees'
24 Retirement System, the additional liability shall be determined by the actuary and
25 funded over a period of 5 years beginning on July 1, 1999 by payment of an annual
26 accrued liability contribution by the University System of Maryland and the Medical
27 System as provided in § 21-307(i) and (j) of this subtitle.

28 21-305.2.

29   (a)   In this section, "employees' systems" means the Employees' Pension
30 System and the Employees' Retirement System.

31   (b)   As part of each actuarial valuation, the actuary shall determine the
32 accrued liability contributions on account of members of the employees' systems who
33 are employees of participating governmental units.

34   (c)   Except as provided in [subsections] SUBSECTION (d) [and (e)] of this
35 section, EACH YEAR THE BOARD OF TRUSTEES SHALL SET THE CONTRIBUTION RATE
36 FOR THE PARTICIPATING GOVERNMENTAL UNITS THAT AMORTIZE ALL LIABILITIES
37 ACCRUED BEFORE JULY 1, 2001, [the accrued liability contribution rate for the

1 participating governmental units shall be computed] as the percent of the aggregate
2 earnable compensation of the members of the employees' systems who are employees
3 of participating governmental units that is sufficient to liquidate over 40 years
4 beginning July 1, 1980, the amount, as of June 30, 1980, by which the total liability of
5 the employees' systems on account of participating governmental units exceeded the
6 sum of:

7   (1)   the assets to the credit of the participating governmental units in the
8 accumulation fund and the annuity savings fund of the employees' systems; and

9   (2)   the present value of future normal contributions, future special
10 accrued liability contributions, future withdrawal liability contributions, and future
11 member contributions on behalf of or by members who are employees of participating
12 governmental units.

13   (d)   On the recommendation of the actuary, the Board of Trustees shall adjust:

14   (1)   the amount determined under subsection (c)(1) of this section to
15 account for:

16   (i)   the sum of the outstanding balance of the surplus allocated to
17 each participating governmental unit under § 21-305.4(b) of this subtitle as of the
18 valuation date; and

19   (ii)   the sum of the outstanding balance of the deficit allocated to
20 each participating governmental unit under § 21-305.4(c) of this subtitle as of the
21 valuation date; and

22   (2)   the amount determined under subsection (c)(2) of this section to
23 account for the present value of future contributions for members of the Employees'
24 Retirement System required under § 21-305(b)(2)(iii) of this subtitle.

25   (e)   [On the recommendation of the actuary, the Board of Trustees may adjust
26 the accrued liability contribution rate to reflect] EACH YEAR THE BOARD OF
27 TRUSTEES SHALL SET CONTRIBUTION RATES FOR THE PARTICIPATING
28 GOVERNMENTAL UNITS THAT AMORTIZE ALL LIABILITIES ACCRUED ON OR AFTER
29 JULY 1, 2001 OVER 25 YEARS FROM JULY 1 OF THE PRECEDING FISCAL YEAR TO
30 REFLECT:

31   (1)   experience gains and losses;

32   (2)   the effect of changes in actuarial assumptions; and

33   (3)   the effect of legislation [enacted after July 1, 1980] EFFECTIVE ON
34 OR AFTER JULY 1, 2001.

35   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
36 July 1, 2001.