
By: **Senator Kasemeyer (Chairman, Joint Committee on Pensions)**

Introduced and read first time: January 25, 2001

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement and Pensions - Withdrawing Participating Governmental**
3 **Units - Return of Assets and Liabilities**

4 FOR the purpose of altering the calculation of the participating fund ratio of a
5 participating governmental unit that provided certain benefits to its employees;
6 establishing a "noncontributory system funding ratio" for a participating
7 governmental unit that did not provide certain benefits to its employees;
8 altering the calculation of certain reimbursements of certain participating
9 governmental units; establishing a method of calculating certain
10 reimbursements of certain participating governmental units that did not
11 provide certain benefits to their employees; amending certain definitions;
12 adding certain definitions; making technical changes; and generally relating to
13 the return of assets and liabilities to participating governmental units
14 withdrawing from employees' systems.

15 BY repealing and reenacting, with amendments,
16 Article - State Personnel and Pensions
17 Section 21-305.5
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 2000 Supplement)

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

22 **Article - State Personnel and Pensions**

23 21-305.5.

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

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

27 (3)] "Complement of the [active] participant funding ratio" is a ratio
28 equal to 1 minus the [active] participant funding ratio.

1 [(4)] (3) "Employees' systems" means the Employees' Pension System
2 and the Employees' Retirement System.

3 (4) "NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT"
4 MEANS A PARTICIPATING GOVERNMENTAL UNIT THAT DID NOT ELECT TO PROVIDE
5 ITS EMPLOYEES WITH THE CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23 OF
6 THIS ARTICLE AS PROVIDED IN § 31-116 OF THIS ARTICLE.

7 (5) "NONCONTRIBUTORY SYSTEM FUNDING RATIO" MEANS THE RATIO
8 DETERMINED BY THE ACTUARY AS PROVIDED UNDER SUBSECTION (E) OF THIS
9 SECTION.

10 (6) "PARTICIPANT FUNDING RATIO" MEANS THE RATIO DETERMINED
11 UNDER SUBSECTION (D) OF THIS SECTION.

12 [(5)] (7) "Transition amount" means the amount determined by the
13 actuary as provided under subsection [(g)] (I) of this section.

14 (b) This section applies only to a participating governmental unit that ON OR
15 AFTER JULY 1, 2001, elects to withdraw from participation in the employees' systems
16 and transfer to a local pension system all employees of the participating
17 governmental unit who consent to the withdrawal.

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

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

27 (3) As of the effective date of withdrawal of a participating governmental
28 unit, the Board of Trustees shall transfer to the administrative board of the local
29 pension system the assets that are allocable to the employees of the participating
30 governmental unit who elect to withdraw from the employees' systems as determined
31 under EITHER subsection [(e)](F) OR (G) of this section.

32 (d) (1) THIS SUBSECTION APPLIES TO A PARTICIPATING GOVERNMENTAL
33 UNIT THAT ELECTED TO PROVIDE ITS EMPLOYEES WITH THE CONTRIBUTORY
34 PENSION BENEFIT UNDER TITLE 23 OF THIS ARTICLE AS PROVIDED IN § 31-116 OF
35 THIS ARTICLE.

36 [(1)] (2) As of June 30 of each fiscal year, the actuary shall determine
37 the [active] participant funding ratio for the participating governmental units as
38 provided in this [section] SUBSECTION.

1 [(2)] (3) The [active] participant funding ratio shall be a fraction[, not
2 to exceed 1,] that has:

3 (i) as its numerator, the assets to the credit of the participating
4 governmental units in the accumulation fund and the annuity savings fund of the
5 employees' systems as adjusted under paragraph [(3)](4) of this subsection[,
6 decreased by the sum of the actuarial liabilities allocable to:

7 1. retirees of the employees' systems who retired from the
8 service of the participating governmental units and the designated beneficiaries of
9 those retirees;

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

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

16 (ii) as its denominator, the actuarial liabilities [that are allocable to
17 the employees] of the participating governmental units [who are members of the
18 employees' systems].

19 [(3)] (4) The assets to the credit of the participating governmental
20 [unit] UNITS as of the valuation date shall be:

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

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

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

26 3. the withdrawal liability contribution attributable to each
27 participating governmental unit under [§ 21-305.5(f) of this subtitle] SUBSECTION
28 (H) OF THIS SECTION; and

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

31 (E) (1) THIS SUBSECTION APPLIES TO A NONCONTRIBUTORY
32 PARTICIPATING GOVERNMENTAL UNIT.

33 (2) AS OF JUNE 30 OF EACH FISCAL YEAR, THE ACTUARY SHALL
34 DETERMINE THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
35 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNITS AS PROVIDED IN THIS
36 SUBSECTION.

1 (3) THE NONCONTRIBUTORY SYSTEM FUNDING RATIO SHALL BE A
2 FRACTION THAT HAS:

3 (I) AS ITS NUMERATOR, THE ASSETS TO THE CREDIT OF THE
4 PARTICIPATING GOVERNMENTAL UNITS IN THE ACCUMULATION FUND AND THE
5 ANNUITY SAVINGS FUND OF THE EMPLOYEES' SYSTEMS AS ADJUSTED UNDER
6 PARAGRAPH (4) OF THIS SUBSECTION; AND

7 (II) AS ITS DENOMINATOR, THE ACTUARIAL LIABILITIES THAT ARE
8 ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING GOVERNMENTAL UNITS
9 CALCULATED AS IF ALL OF THE PARTICIPATING GOVERNMENTAL UNITS ARE
10 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNITS.

11 (4) THE ASSETS TO THE CREDIT OF THE PARTICIPATING
12 GOVERNMENTAL UNIT AS OF THE VALUATION DATE SHALL BE:

13 (I) INCREASED BY THE SUM OF THE OUTSTANDING BALANCES OF:

14 1. THE SPECIAL ACCRUED LIABILITY ATTRIBUTABLE TO
15 EACH PARTICIPATING GOVERNMENTAL UNIT UNDER § 21-305.3 OF THIS SUBTITLE;

16 2. THE DEFICIT ALLOCATED TO EACH PARTICIPATING
17 GOVERNMENTAL UNIT UNDER § 21-305.4(C) OF THIS SUBTITLE; AND

18 3. THE WITHDRAWAL LIABILITY CONTRIBUTION
19 ATTRIBUTABLE TO EACH PARTICIPATING GOVERNMENTAL UNIT UNDER
20 SUBSECTION (H) OF THIS SECTION; AND

21 (II) DECREASED BY THE SUM OF THE OUTSTANDING BALANCES OF
22 THE SURPLUS ALLOCATED TO EACH NONCONTRIBUTORY PARTICIPATING
23 GOVERNMENTAL UNIT UNDER § 21-305.4(B) OF THIS SUBTITLE.

24 [(e)] (F) (1) THIS SUBSECTION APPLIES TO A PARTICIPATING
25 GOVERNMENTAL UNIT THAT ELECTED TO PROVIDE ITS EMPLOYEES WITH THE
26 CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23 OF THIS ARTICLE AS PROVIDED
27 IN § 31-116 OF THIS ARTICLE.

28 [(1)] (2) The assets that are allocable to the employees of a participating
29 governmental unit who elect to withdraw from the employees' systems shall be
30 computed by the actuary as provided in this subsection.

31 [(2)] (3) [The] IF THE PARTICIPANT FUNDING RATIO FOR THE FISCAL
32 YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE PARTICIPATING
33 GOVERNMENTAL UNIT IS LESS THAN 100%, THE actuary SHALL[:

34 (i)] multiply the [active] participant funding ratio for the fiscal
35 year preceding the effective date of withdrawal of the participating governmental unit
36 by the actuarial liability allocable to the employees of the participating governmental
37 unit who elect to withdraw[: and

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

3 1. the outstanding balance of the deficit allocable to the
4 participating governmental unit as of the effective date of withdrawal;

5 2. the outstanding balance of the special accrued liability
6 contribution allocable to the participating governmental unit as of the effective date
7 of withdrawal; and

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

10 (4) IF THE PARTICIPANT FUNDING RATIO FOR THE FISCAL YEAR
11 PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE PARTICIPATING
12 GOVERNMENTAL UNIT IS 100% OR GREATER AND LESS THAN 110%, THE ACTUARY
13 SHALL MULTIPLY THE ACTUARIAL LIABILITY ALLOCABLE TO THE EMPLOYEES OF
14 THE PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW BY 100%.

15 (5) IF THE PARTICIPANT FUNDING RATIO FOR THE FISCAL YEAR
16 PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE PARTICIPATING
17 GOVERNMENTAL UNIT IS 110% OR GREATER, THE ACTUARY SHALL MULTIPLY THE
18 ACTUARIAL LIABILITY ALLOCABLE TO THE EMPLOYEES OF THE PARTICIPATING
19 GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW BY THE DIFFERENCE BETWEEN
20 THE PARTICIPANT FUNDING RATIO AND 10%.

21 (6) ANY ASSETS COMPUTED UNDER PARAGRAPHS (3), (4), OR (5) OF THIS
22 SUBSECTION SHALL BE REDUCED BY THE SUM OF:

23 (I) THE OUTSTANDING BALANCE OF THE DEFICIT ALLOCABLE TO
24 THE PARTICIPATING GOVERNMENTAL UNIT AS OF THE EFFECTIVE DATE OF
25 WITHDRAWAL;

26 (II) THE OUTSTANDING BALANCE OF THE SPECIAL ACCRUED
27 LIABILITY CONTRIBUTION ALLOCABLE TO THE PARTICIPATING GOVERNMENTAL
28 UNIT AS OF THE EFFECTIVE DATE OF WITHDRAWAL; AND

29 (III) ANY TRANSITION AMOUNT AS DETERMINED UNDER
30 SUBSECTION (I) OF THIS SECTION.

31 (G) (1) THIS SUBSECTION APPLIES TO A NONCONTRIBUTORY
32 PARTICIPATING GOVERNMENTAL UNIT.

33 (2) THE ASSETS THAT ARE ALLOCABLE TO THE EMPLOYEES OF A
34 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO
35 WITHDRAW FROM THE EMPLOYEES' SYSTEMS SHALL BE COMPUTED BY THE
36 ACTUARY AS PROVIDED IN THIS SUBSECTION.

37 (3) IF THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
38 FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE

1 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT IS NOT LESS THAN 100%,
2 THE ACTUARY SHALL MULTIPLY THE NONCONTRIBUTORY SYSTEM FUNDING RATIO
3 FOR THE FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE
4 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT BY THE ACTUARIAL
5 LIABILITY ALLOCABLE TO THE EMPLOYEES OF THE NONCONTRIBUTORY
6 PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW.

7 (4) IF THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
8 FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE
9 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT IS 100% OR GREATER
10 AND LESS THAN 110%, THE ACTUARY SHALL MULTIPLY THE ACTUARIAL LIABILITY
11 ALLOCABLE TO THE EMPLOYEES OF THE NONCONTRIBUTORY PARTICIPATING
12 GOVERNMENTAL UNIT WHO ELECT TO WITHDRAW BY 100%.

13 (5) IF THE NONCONTRIBUTORY SYSTEM FUNDING RATIO FOR THE
14 FISCAL YEAR PRECEDING THE EFFECTIVE DATE OF WITHDRAWAL OF THE
15 NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT IS 110% OR GREATER,
16 THE ACTUARY SHALL MULTIPLY THE ACTUARIAL LIABILITY ALLOCABLE TO THE
17 EMPLOYEES OF THE NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT
18 WHO ELECT TO WITHDRAW BY THE DIFFERENCE BETWEEN THE NONCONTRIBUTORY
19 SYSTEM FUNDING RATIO AND 10%.

20 (6) ANY ASSETS COMPUTED UNDER PARAGRAPHS (3), (4), OR (5) OF THIS
21 SUBSECTION SHALL BE REDUCED BY THE SUM OF:

22 (I) THE OUTSTANDING BALANCE OF THE DEFICIT ALLOCABLE TO
23 THE NONCONTRIBUTORY PARTICIPATING GOVERNMENTAL UNIT AS OF THE
24 EFFECTIVE DATE OF WITHDRAWAL;

25 (II) THE OUTSTANDING BALANCE OF THE SPECIAL ACCRUED
26 LIABILITY CONTRIBUTION ALLOCABLE TO THE NONCONTRIBUTORY PARTICIPATING
27 GOVERNMENTAL UNIT AS OF THE EFFECTIVE DATE OF WITHDRAWAL; AND

28 (III) ANY TRANSITION AMOUNT AS DETERMINED UNDER
29 SUBSECTION (I) OF THIS SECTION.

30 [(f)] (H) (1) The withdrawal liability contribution of a participating
31 governmental unit shall be computed by the actuary as provided in this subsection.

32 (2) The actuary shall:

33 (i) multiply the complement of the [active] participant funding
34 ratio for the fiscal year preceding the effective date of withdrawal of the participating
35 governmental unit by the actuarial liability allocable to the employees of the
36 participating governmental unit who elect to remain members of the employees'
37 systems; and

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

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

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

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

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

13 2. prepay all or a portion of the withdrawal liability
14 contribution.

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

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

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

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

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

27 (iii) the employees of the withdrawing participating governmental
28 unit who are members of the Employees' Pension System elect to withdraw from the
29 employees' systems.

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

32 (i) the assets transferable to a participating governmental unit
33 that are allocable to the employees of the participating governmental unit who elect to
34 withdraw from the employees' systems as determined by the actuary applying the
35 provisions of former § 21-305(f) of the State Personnel and Pensions Article as of June
36 30, 1995; and

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

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

8 (i) the assets transferable to a participating governmental unit
9 that are allocable to the employees who elect to withdraw from the employees'
10 systems as determined under subsection (d) of this section; 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 in the employees' systems as determined under subsection [(e)] (F) of this
14 section.

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

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

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

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

24 (7) As of June 30 of each fiscal year, the transition amount of a
25 participating governmental unit shall decrease by writing down the transition
26 amount in equal annual installments over the 25-year term beginning on July 1,
27 1995.

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

31 (i) any transition amount allocable to a participating
32 governmental unit; and

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

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