

HOUSE BILL 807

K4

2lr1358
CF SB 498

By: **Delegate Griffith (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 9, 2012

Assigned to: Appropriations

Committee Report: Favorable

House action: Adopted

Read second time: March 21, 2012

CHAPTER _____

1 AN ACT concerning

2 **State Retirement and Pension System – Contribution Rates and**
3 **Reinvestment of Savings – Technical Clarifications**

4 FOR the purpose of clarifying how certain contribution rates for the employees' and
5 teachers' retirement and pension systems are calculated to reflect legislative
6 changes that result in a change to normal cost or accrued liabilities; repealing a
7 certain requirement that the Board of Trustees for the State Retirement and
8 Pension System certify a calculation of the difference between certain
9 contributions, resulting from certain legislative changes; altering the method for
10 determining a certain amount of reinvested savings required to be included in
11 the annual budget bill; altering certain definitions; defining certain terms; and
12 generally relating to technical clarifications in connection with the
13 determination of certain pension contribution rates and certain requirements to
14 reinvest savings into the State Retirement and Pension System.

15 BY repealing and reenacting, with amendments,
16 Article – State Personnel and Pensions
17 Section 21–304(a), (e), and (f) and 21–308(a)
18 Annotated Code of Maryland
19 (2009 Replacement Volume and 2011 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**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 21–304.

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

3 (2) **[“Preliminary] “FULL funding rate”** means the sum of:

4 (i) the aggregate normal rate that is based on the normal
5 contribution rate calculated under subsection (c) of this section **AND ADJUSTED TO**
6 **INCORPORATE LEGISLATIVE CHANGES IN BENEFITS TO REFLECT CHANGES TO**
7 **THE NORMAL COST**; and

8 (ii) the aggregate unfunded accrued liability contribution rate
9 that is based on the unfunded accrued liability contribution rate under subsection
10 **[(d)(1)(i) and (ii)1 and 2] (D)(1) and (2)** of this section.

11 (3) “Funding ratio for the employees’ systems” means the actuarial
12 value of assets for the employees’ systems divided by the actuarial accrued liability for
13 the employees’ systems.

14 (4) “Funding ratio for the teachers’ systems” means the actuarial
15 value of assets for the teachers’ systems divided by the actuarial accrued liability for
16 the teachers’ systems.

17 **(5) “NEW LEGISLATIVE CHANGE” MEANS A LEGISLATIVE CHANGE**
18 **THAT RESULTS IN AN ADJUSTMENT TO THE NORMAL COST OR ACCRUED**
19 **LIABILITIES THAT HAS NOT PREVIOUSLY BEEN RECOGNIZED IN AN ACTUARIAL**
20 **VALUATION UNDER § 21–125(B) OF THIS TITLE.**

21 **(6) “PRELIMINARY FUNDING RATE” MEANS THE FULL FUNDING**
22 **RATE WITHOUT ANY ADJUSTMENT TO THE NORMAL COST OR ACCRUED**
23 **LIABILITIES FOR A NEW LEGISLATIVE CHANGE.**

24 **[(5)] (7)** “State member” does not include a member on whose behalf
25 a participating governmental unit is required to make an employer contribution under
26 § 21–305 or § 21–306 of this subtitle.

27 (e) (1) When the funding ratio for the employees’ systems is between 90%
28 and 110%, inclusive, the employees’ system contribution rate is the rate for the
29 previous fiscal year, adjusted to reflect legislative changes that result in changes in
30 normal cost and to amortize over 25 years any actuarial liabilities of the employees’
31 systems.

32 (2) Subject to paragraph (4) of this subsection, when the funding ratio
33 for the employees’ systems is below 90%, the employees’ system contribution rate shall
34 be the sum of:

1 (i) the employees' system contribution rate for the previous
2 fiscal year; and

3 (ii) 1. 20% of the difference between the [preliminary] FULL
4 funding rate for the current fiscal year and the employees' system contribution rate for
5 the previous fiscal year; OR

6 2. FOR A FISCAL YEAR FOR WHICH AN ADJUSTMENT
7 TO NORMAL COST OR ACCRUED LIABILITIES FOR A NEW LEGISLATIVE CHANGE
8 IS FIRST DETERMINED AS A RESULT OF AN ACTUARIAL VALUATION UNDER §
9 21-125(B) OF THIS TITLE, 20% OF THE DIFFERENCE BETWEEN THE
10 PRELIMINARY FUNDING RATE FOR THE CURRENT FISCAL YEAR AND THE
11 EMPLOYEES' SYSTEM CONTRIBUTION RATE FOR THE PREVIOUS FISCAL YEAR.

12 (3) Subject to paragraph (4) of this subsection, when the funding ratio
13 for the employees' systems is above 110%, the employees' system contribution rate
14 shall be the difference between:

15 (i) the employees' system contribution rate for the previous
16 fiscal year; and

17 (ii) 1. 20% of the difference between the employees' system
18 contribution rate for the previous fiscal year and the [preliminary] FULL funding rate
19 for the current fiscal year; OR

20 2. FOR A FISCAL YEAR FOR WHICH AN ADJUSTMENT
21 TO NORMAL COST OR ACCRUED LIABILITIES FOR A NEW LEGISLATIVE CHANGE
22 IS FIRST DETERMINED AS A RESULT OF AN ACTUARIAL VALUATION UNDER §
23 21-125(B) OF THIS TITLE, 20% OF THE DIFFERENCE BETWEEN THE EMPLOYEES'
24 SYSTEM CONTRIBUTION RATE FOR THE PREVIOUS FISCAL YEAR AND THE
25 PRELIMINARY FUNDING RATE FOR THE CURRENT FISCAL YEAR.

26 (4) [The] FOR A FISCAL YEAR FOR WHICH AN ADJUSTMENT TO
27 NORMAL COST OR ACCRUED LIABILITIES FOR A NEW LEGISLATIVE CHANGE IS
28 DETERMINED AS A RESULT OF AN ACTUARIAL VALUATION UNDER § 21-125(B)
29 OF THIS TITLE, THE contribution rate for the employees' systems under paragraph (2)
30 or (3) of this subsection shall be adjusted to FULLY reflect the cost or savings of THE
31 NEW legislative changes that result in changes in normal contributions or accrued
32 liabilities and to amortize over 25 years any changes in accrued liabilities of the
33 employees' systems.

34 (f) (1) When the funding ratio for the teachers' systems is between 90%
35 and 110%, the teachers' system contribution rate is the rate for the previous fiscal

1 year, adjusted to reflect legislative changes that result in changes in normal cost and
2 to amortize over 25 years any actuarial liabilities of the teachers' systems.

3 (2) Subject to paragraph (4) of this subsection, when the funding ratio
4 for the teachers' systems is below 90%, the teachers' system contribution rate shall be
5 the sum of:

6 (i) the teachers' system contribution rate for the previous fiscal
7 year; and

8 (ii) 1. 20% of the difference between the [preliminary] FULL
9 funding rate for the current fiscal year and the teachers' system contribution rate for
10 the previous fiscal year; OR

11 2. FOR A FISCAL YEAR FOR WHICH AN ADJUSTMENT
12 TO NORMAL COST OR ACCRUED LIABILITIES FOR A NEW LEGISLATIVE CHANGE
13 IS FIRST DETERMINED AS A RESULT OF AN ACTUARIAL VALUATION UNDER §
14 21-125(B) OF THIS TITLE, 20% OF THE DIFFERENCE BETWEEN THE
15 PRELIMINARY FUNDING RATE FOR THE CURRENT FISCAL YEAR AND THE
16 TEACHERS' SYSTEM CONTRIBUTION RATE FOR THE PREVIOUS FISCAL YEAR.

17 (3) Subject to paragraph (4) of this subsection, when the funding ratio
18 for the teachers' systems is above 110%, the teachers' system contribution rate shall be
19 the difference between:

20 (i) the teachers' system contribution rate for the previous fiscal
21 year; and

22 (ii) 1. 20% of the difference between the teachers' system
23 contribution rate for the previous fiscal year and the [preliminary] FULL funding rate
24 for the current fiscal year; OR

25 2. FOR A FISCAL YEAR FOR WHICH AN ADJUSTMENT
26 TO NORMAL COST OR ACCRUED LIABILITIES FOR A NEW LEGISLATIVE CHANGE
27 IS FIRST DETERMINED AS A RESULT OF AN ACTUARIAL VALUATION UNDER §
28 21-125(B) OF THIS TITLE, 20% OF THE DIFFERENCE BETWEEN THE TEACHERS'
29 SYSTEM CONTRIBUTION RATE FOR THE PREVIOUS FISCAL YEAR AND THE
30 PRELIMINARY FUNDING RATE FOR THE CURRENT FISCAL YEAR.

31 (4) [The] FOR A FISCAL YEAR FOR WHICH AN ADJUSTMENT TO
32 NORMAL COST OR ACCRUED LIABILITIES FOR A NEW LEGISLATIVE CHANGE IS
33 DETERMINED AS A RESULT OF AN ACTUARIAL VALUATION UNDER § 21-125(B)
34 OF THIS TITLE, THE contribution rate for the teachers' systems under paragraph (2)
35 or (3) of this subsection shall be adjusted to FULLY reflect the cost or savings of THE
36 NEW legislative changes that result in changes in normal contributions or accrued

1 liabilities and to amortize over 25 years any changes in accrued liabilities of the
2 teachers' systems.

3 21-308.

4 (a) (1) On or before December 1 of each year, the Board of Trustees shall:

5 (i) certify to the Governor and the Secretary of Budget and
6 Management the rates to be used to determine the amounts to be paid by the State to
7 the accumulation fund of each of the several systems during the next fiscal year; and

8 (ii) provide to the Secretary of Budget and Management a
9 statement of the total amount to be paid to the Teachers' Retirement System and the
10 Teachers' Pension System expressed as a percentage of the payroll of all members of
11 those State systems.

12 (2) The Governor shall include in the budget bill:

13 (i) the total amount of the State's contribution to each State
14 system as ascertained based on the rates certified by the Board of Trustees under
15 paragraph (1) of this subsection;

16 (ii) the additional amounts as ascertained under subsection (d)
17 of this section for the State's payment to the professional and clerical employees of the
18 Department of Public Libraries of Montgomery County who are members of the
19 Employees' Retirement System of Montgomery County and are excluded from
20 membership in the Teachers' Retirement System or the Teachers' Pension System;
21 and

22 (iii) any additional amount required to be in the budget bill
23 under § 3-501(c)(2)(ii) of this article.

24 (3) The amounts that the Governor is required to include in the budget
25 bill under paragraph (2) of this subsection shall be reduced by the amount of
26 administrative and operational expenses for the Board of Trustees and the State
27 Retirement Agency that are to be paid by local employers under § 21-316 of this
28 subtitle other than participating governmental units or employers who are required to
29 make contributions under § 21-307 of this subtitle.

30 (4) [(i) On or before December 1, 2012, and each December 1
31 thereafter, the Board of Trustees shall certify to the Governor and the Secretary of
32 Budget and Management the amount of the difference between the total amount of the
33 State's contribution required under paragraph (2) of this subsection and the amount
34 that the Board determines would have been required had legislation increasing
35 employee contributions to, and reducing the liabilities of, the State Retirement and
36 Pension System not been enacted in 2011.

1 (ii) For fiscal year 2014 and each fiscal year thereafter, in
2 addition to the amounts required under paragraph (2) of this subsection, the Governor
3 shall include in the budget bill [the lesser of:

4 1.] \$300,000,000[; and

5 2. the amount certified under subparagraph (i) of this
6 paragraph].

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
8 July 1, 2012.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.