

HOUSE BILL 239

K4

3lr1871

By: **Delegate Kipke**

Introduced and read first time: January 23, 2013

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Full Pension Funding Act**

3 FOR the purpose of phasing out a certain method for determining certain employer
4 contribution rates for the employees' and teachers' retirement and pension
5 systems; and generally relating to the funding of the State Retirement and
6 Pension Systems.

7 BY repealing and reenacting, with amendments,
8 Article – State Personnel and Pensions
9 Section 21–304(e) and (f)
10 Annotated Code of Maryland
11 (2009 Replacement Volume and 2012 Supplement)

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

14 **Article – State Personnel and Pensions**

15 21–304.

16 (e) (1) [When the funding ratio for the employees' systems is between
17 90% and 110%, inclusive, the employees' system contribution rate is the rate for the
18 previous fiscal year, adjusted to reflect legislative changes that result in changes in
19 normal cost and to amortize over 25 years any actuarial liabilities of the employees'
20 systems.

21 (2) [Subject] **EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS**
22 **SUBSECTION AND SUBJECT** to paragraph [(4)] **(2)** of this subsection, [when the
23 funding ratio for the employees' systems is below 90%,] the employees' system
24 contribution rate shall be the sum of:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 (ii) 1. 20% of the difference between the full funding rate for
4 the current fiscal year and the employees' system contribution rate for the previous
5 fiscal year; or

6 2. for a fiscal year for which an adjustment to normal
7 cost or accrued liabilities for a new legislative change is first determined as a result of
8 an actuarial valuation under § 21-125(b) of this title, 20% of the difference between
9 the preliminary funding rate for the current fiscal year and the employees' system
10 contribution rate for the previous fiscal year.

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

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

16 (ii) 1. 20% of the difference between the employees' system
17 contribution rate for the previous fiscal year and the full funding rate for the current
18 fiscal year; or

19 2. for a fiscal year for which an adjustment to normal
20 cost or accrued liabilities for a new legislative change is first determined as a result of
21 an actuarial valuation under § 21-125(b) of this title, 20% of the difference between
22 the employees' system contribution rate for the previous fiscal year and the
23 preliminary funding rate for the current fiscal year.]

24 [(4) (2) For a fiscal year for which an adjustment to normal cost or
25 accrued liabilities for a new legislative change is determined as a result of an actuarial
26 valuation under § 21-125(b) of this title, the contribution rate for the employees'
27 systems under paragraph [(2) or (3)] (1) of this subsection shall be adjusted to fully
28 reflect the cost or savings of the new legislative changes that result in changes in
29 normal contributions or accrued liabilities and to amortize over 25 years any changes
30 in accrued liabilities of the employees' systems.

31 (3) THE PERCENTAGES USED IN PARAGRAPH (1)(II) OF THIS
32 SUBSECTION SHALL BE:

33 (I) 28% FOR THE RATE FOR FISCAL YEAR 2015;

34 (II) 36% FOR THE RATE FOR FISCAL YEAR 2016;

- 1 **(III) 44% FOR THE RATE FOR FISCAL YEAR 2017;**
2 **(IV) 52% FOR THE RATE FOR FISCAL YEAR 2018;**
3 **(V) 60% FOR THE RATE FOR FISCAL YEAR 2019;**
4 **(VI) 68% FOR THE RATE FOR FISCAL YEAR 2020;**
5 **(VII) 76% FOR THE RATE FOR FISCAL YEAR 2021;**
6 **(VIII) 84% FOR THE RATE FOR FISCAL YEAR 2022;**
7 **(IX) 92% FOR THE RATE FOR FISCAL YEAR 2023; AND**
8 **(X) 100% FOR THE RATE FOR FISCAL YEAR 2024 AND**
9 **THEREAFTER.**

10 (f) (1) [When the funding ratio for the teachers' systems is between 90%
11 and 110%, the teachers' system contribution rate is the rate for the previous fiscal
12 year, adjusted to reflect legislative changes that result in changes in normal cost and
13 to amortize over 25 years any actuarial liabilities of the teachers' systems.

14 (2) [Subject] **EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS**
15 **SUBSECTION AND SUBJECT** to paragraph [(4)] **(2)** of this subsection, [when the
16 funding ratio for the teachers' systems is below 90%,] the teachers' system
17 contribution rate shall be the sum of:

18 (i) the teachers' system contribution rate for the previous fiscal
19 year; and

20 (ii) 1. 20% of the difference between the full funding rate for
21 the current fiscal year and the teachers' system contribution rate for the previous
22 fiscal year; or

23 2. for a fiscal year for which an adjustment to normal
24 cost or accrued liabilities for a new legislative change is first determined as a result of
25 an actuarial valuation under § 21–125(b) of this title, 20% of the difference between
26 the preliminary funding rate for the current fiscal year and the teachers' system
27 contribution rate for the previous fiscal year.

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

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

3 (ii) 1. 20% of the difference between the teachers' system
4 contribution rate for the previous fiscal year and the full funding rate for the current
5 fiscal year; or

6 2. for a fiscal year for which an adjustment to normal
7 cost or accrued liabilities for a new legislative change is first determined as a result of
8 an actuarial valuation under § 21–125(b) of this title, 20% of the difference between
9 the teachers' system contribution rate for the previous fiscal year and the preliminary
10 funding rate for the current fiscal year.]

11 [(4)] (2) For a fiscal year for which an adjustment to normal cost or
12 accrued liabilities for a new legislative change is determined as a result of an actuarial
13 valuation under § 21–125(b) of this title, the contribution rate for the teachers'
14 systems under paragraph [(2) or (3)] (1) of this subsection shall be adjusted to fully
15 reflect the cost or savings of the new legislative changes that result in changes in
16 normal contributions or accrued liabilities and to amortize over 25 years any changes
17 in accrued liabilities of the teachers' systems.

18 (3) THE PERCENTAGES USED IN PARAGRAPH (1)(II) OF THIS
19 SUBSECTION SHALL BE:

20 (I) 28% FOR THE RATE FOR FISCAL YEAR 2015;

21 (II) 36% FOR THE RATE FOR FISCAL YEAR 2016;

22 (III) 44% FOR THE RATE FOR FISCAL YEAR 2017;

23 (IV) 52% FOR THE RATE FOR FISCAL YEAR 2018;

24 (V) 60% FOR THE RATE FOR FISCAL YEAR 2019;

25 (VI) 68% FOR THE RATE FOR FISCAL YEAR 2020;

26 (VII) 76% FOR THE RATE FOR FISCAL YEAR 2021;

27 (VIII) 84% FOR THE RATE FOR FISCAL YEAR 2022;

28 (IX) 92% FOR THE RATE FOR FISCAL YEAR 2023; AND

29 (X) 100% FOR THE RATE FOR FISCAL YEAR 2024 AND
30 THEREAFTER.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 July 1, 2013.