

Chapter 680

(House Bill 807)

AN ACT concerning

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

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

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

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

Article – State Personnel and Pensions

21–304.

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

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

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

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

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

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

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

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

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

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

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

(i) the employees’ system contribution rate for the previous fiscal year; and

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

2. FOR A FISCAL YEAR FOR WHICH AN ADJUSTMENT TO NORMAL COST OR ACCRUED LIABILITIES FOR A NEW LEGISLATIVE CHANGE IS FIRST DETERMINED AS A RESULT OF AN ACTUARIAL VALUATION UNDER §

21-125(B) OF THIS TITLE, 20% OF THE DIFFERENCE BETWEEN THE PRELIMINARY FUNDING RATE FOR THE CURRENT FISCAL YEAR AND THE EMPLOYEES' SYSTEM CONTRIBUTION RATE FOR THE PREVIOUS FISCAL YEAR.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

21-308.

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

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

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

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

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

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

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

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

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

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

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

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

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

Approved by the Governor, May 22, 2012.