

SENATE BILL 640

K4

5lr1202

By: **Senators Serafini, Bates, Eckardt, Edwards, Hough, Salling, and Simonaire**

Introduced and read first time: February 6, 2015

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 20, 2015

CHAPTER _____

1 AN ACT concerning

2 **State Retirement and Pension System – Actuarial Stress Tests**

3 FOR the purpose of requiring the ~~Board of Trustees for the State Retirement and Pension~~
4 ~~System~~ General Assembly to commission ~~an~~ its actuarial consulting firm on or before
5 a certain date to conduct certain stress tests of future financial positions of the
6 several systems in the State Retirement and Pension System; ~~requiring the actuarial~~
7 ~~consulting firm to be independent from a certain other firm designated to perform a~~
8 ~~certain actuarial valuation~~; requiring the stress tests to be conducted using certain
9 criteria and assumptions; requiring the actuarial consulting firm to submit its
10 findings to certain committees of the General Assembly on or before a certain date;
11 providing for the termination of this Act; and generally relating to actuarial stress
12 tests of the several systems in the State Retirement and Pension System.

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
14 That:

15 (a) ~~(1)~~ On or before September 1, 2015, the ~~Board of Trustees~~ General
16 Assembly shall commission ~~an~~ its actuarial consulting firm to conduct stress tests of the
17 several systems in addition to the actuarial investigation and valuation performed by the
18 actuary under § 21–125 of the State Personnel and Pensions Article.

19 ~~(2) The actuarial consulting firm commissioned under this section shall be~~
20 ~~independent from the firm that is designated by Board of Trustees for the State Retirement~~
21 ~~and Pension System to perform the actuarial investigation and valuation under § 21–125~~
22 ~~of the State Personnel and Pensions Article.~~

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 (b) (1) The actuarial consulting firm commissioned under this section shall
2 conduct stress tests of future financial positions of the several systems to measure
3 investment and contribution risks.

4 (2) The stress tests shall be conducted using 30-year financial projections.

5 (3) The stress tests shall be conducted using the following assumptions:

6 (i) returns at the assumed rate of investment return established by
7 the Board of Trustees for the State Retirement and Pension System in accordance with §
8 21-125(c) of the State Personnel and Pensions Article;

9 (ii) returns at 3 percentage points more and less than the assumed
10 rate of investment return established by the Board of Trustees for the State Retirement
11 and Pension System in accordance with § 21-125(c) of the State Personnel and Pensions
12 Article; and

13 (iii) the funding entity is paying only 80% of the recommended
14 actuarially determined contribution each year.

15 (c) On or before December 31, 2015, the actuarial consulting firm shall submit its
16 findings to the Senate Budget and Taxation Committee, the House Appropriations
17 Committee, and the Joint Committee on Pensions, in accordance with § 2-1246 of the State
18 Government Article.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
20 1, 2015. It shall remain effective for a period 1 year and, at the end of June 30, 2016, with
21 no further action required by the General Assembly, this Act shall be abrogated and of no
22 further force and effect.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.