

SENATE BILL 629

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11r1870

By: **Senators Pipkin and Brinkley**

Introduced and read first time: February 4, 2011

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Teachers' Retirement and Pension Systems – Local Employer Contributions**

3 FOR the purpose of providing for the calculation of a payment of a certain portion of
4 employer contributions for certain members of the Teachers' Retirement System
5 or the Teachers' Pension System; requiring counties to pay a certain amount of
6 employer contributions for certain members of the Teachers' Retirement System
7 or the Teachers' Pension System; requiring the State to pay, under certain
8 circumstances, a certain portion of certain employer contributions for certain
9 members of the Teachers' Retirement System or the Teachers' Pension System;
10 altering the amount of employer contributions the State is required to pay for
11 certain members of the Teachers' Retirement System or the Teachers' Pension
12 System; providing for the method of payment each county is required to make to
13 the Board of Trustees for the State Retirement and Pension System regarding a
14 certain portion of employer contributions for certain members of the Teachers'
15 Retirement System or the Teachers' Pension System; requiring the State Board
16 of Education and the Maryland Higher Education Commission to submit certain
17 information to the Board of Trustees by a certain date; defining certain terms;
18 and generally relating to the payment of employer contributions for certain
19 members of the Teachers' Retirement System or the Teachers' Pension System.

20 BY repealing and reenacting, with amendments,
21 Article – State Personnel and Pensions
22 Section 21–304
23 Annotated Code of Maryland
24 (2009 Replacement Volume and 2010 Supplement)

25 BY adding to
26 Article – State Personnel and Pensions
27 Section 21–309.1
28 Annotated Code of Maryland
29 (2009 Replacement Volume and 2010 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – State Personnel and Pensions**

4 21–304.

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

6 **(2) “MEDIAN LOCAL COMMUNITY COLLEGE EMPLOYEE SALARY”**
7 **MEANS THE MEDIAN ANNUAL SALARY OF ALL LOCAL COMMUNITY COLLEGE**
8 **EMPLOYEES AS DETERMINED BY THE MARYLAND HIGHER EDUCATION**
9 **COMMISSION AND SUBMITTED TO THE BOARD OF TRUSTEES UNDER**
10 **SUBSECTION (A–1) OF THIS SECTION.**

11 **(3) “MEDIAN LOCAL LIBRARIAN EMPLOYEE SALARY” MEANS THE**
12 **MEDIAN ANNUAL SALARY OF ALL LOCAL LIBRARIAN EMPLOYEES AS**
13 **DETERMINED BY THE STATE BOARD OF EDUCATION AND SUBMITTED TO THE**
14 **BOARD OF TRUSTEES UNDER SUBSECTION (A–1) OF THIS SECTION.**

15 **(4) “MEDIAN LOCAL TEACHER EMPLOYEE SALARY” MEANS THE**
16 **MEDIAN ANNUAL SALARY OF ALL LOCAL TEACHER EMPLOYEES AS DETERMINED**
17 **BY THE STATE BOARD OF EDUCATION AND SUBMITTED TO THE BOARD OF**
18 **TRUSTEES UNDER SUBSECTION (A–1) OF THIS SECTION.**

19 **[(2)] (5)** “Full funding rate” means the sum of:

20 (i) the aggregate normal rate that is based on the normal
21 contribution rate calculated under subsection **[(c)] (D)** of this section and adjusted to
22 incorporate legislative changes in benefits to reflect changes to the normal cost; and

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

26 **[(3)] (6)** “Funding ratio for the employees’ systems” means the
27 actuarial value of assets for the employees’ systems divided by the actuarial accrued
28 liability for the employees’ systems.

29 **[(4)] (7)** “Funding ratio for the teachers’ systems” means the
30 actuarial value of assets for the teachers’ systems divided by the actuarial accrued
31 liability for the teachers’ systems.

32 **(8) “LOCAL COMMUNITY COLLEGE EMPLOYEES” MEANS THOSE**
33 **MEMBERS OF THE TEACHERS’ RETIREMENT SYSTEM OR THE TEACHERS’**

1 PENSION SYSTEM WHO ARE FACULTY, PROFESSIONAL, OR CLERICAL
2 EMPLOYEES OF A COMMUNITY COLLEGE THAT IS ESTABLISHED UNDER THE
3 EDUCATION ARTICLE.

4 (9) "LOCAL COMMUNITY COLLEGE SHARE" MEANS THAT PORTION
5 OF THE TOTAL EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES THAT IS
6 SOLELY ATTRIBUTABLE TO THAT AMOUNT OF A LOCAL COMMUNITY COLLEGE
7 EMPLOYEE'S SALARY THAT IS IN EXCESS OF THE MEDIAN COMMUNITY COLLEGE
8 EMPLOYEE SALARY.

9 (10) "LOCAL LIBRARIAN EMPLOYEES" MEANS THOSE MEMBERS OF
10 THE TEACHERS' RETIREMENT SYSTEM OR THE TEACHERS' PENSION SYSTEM
11 WHO ARE LIBRARIANS OR CLERICAL EMPLOYEES OF A LIBRARY THAT IS
12 ESTABLISHED OR OPERATES UNDER THE EDUCATION ARTICLE.

13 (11) "LOCAL LIBRARIAN SHARE" MEANS THAT PORTION OF THE
14 TOTAL EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES THAT IS SOLELY
15 ATTRIBUTABLE TO THAT AMOUNT OF A LOCAL LIBRARIAN EMPLOYEE'S SALARY
16 THAT IS IN EXCESS OF THE MEDIAN LIBRARIAN EMPLOYEE SALARY.

17 (12) "LOCAL TEACHER EMPLOYEES" MEANS THOSE MEMBERS OF
18 THE TEACHERS' RETIREMENT SYSTEM OR THE TEACHERS' PENSION SYSTEM
19 WHO ARE EMPLOYEES OF A DAY SCHOOL IN THE STATE UNDER THE AUTHORITY
20 AND SUPERVISION OF A COUNTY BOARD OF EDUCATION OR THE BALTIMORE
21 CITY BOARD OF SCHOOL COMMISSIONERS, EMPLOYED AS:

- 22 (I) A CLERK;
- 23 (II) A HELPING TEACHER;
- 24 (III) A TEACHER;
- 25 (IV) A SUPERVISOR;
- 26 (V) A PRINCIPAL; OR
- 27 (VI) A SUPERINTENDENT.

28 (13) "LOCAL TEACHER SHARE" MEANS THAT PORTION OF THE
29 TOTAL EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES THAT IS SOLELY
30 ATTRIBUTABLE TO THAT AMOUNT OF A LOCAL TEACHER EMPLOYEE'S SALARY
31 THAT IS IN EXCESS OF THE MEDIAN TEACHER EMPLOYEE SALARY.

1 **[(5)] (13)** “State member” does not include a member on whose behalf
2 a participating governmental unit is required to make an employer contribution under
3 § 21–305 or § 21–306 of this subtitle.

4 **(14)** “TOTAL EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES”
5 MEANS THAT PORTION OF THE EMPLOYER CONTRIBUTION CALCULATED UNDER
6 SUBSECTION (B) OF THIS SECTION THAT IS ATTRIBUTABLE TO THE TOTAL
7 LOCAL EMPLOYEES OF EACH COUNTY.

8 **(15)** “TOTAL LOCAL EMPLOYEES” MEANS THE COMBINED TOTAL
9 OF THE LOCAL COMMUNITY COLLEGE EMPLOYEES, THE LOCAL LIBRARIAN
10 EMPLOYEES, AND THE LOCAL TEACHER EMPLOYEES.

11 **(16)** “TOTAL LOCAL SHARE” MEANS THE COMBINED TOTAL OF THE
12 LOCAL COMMUNITY COLLEGE SHARE, THE LOCAL LIBRARIAN SHARE, AND THE
13 LOCAL TEACHER SHARE.

14 **(A–1) (1)** ON OR BEFORE APRIL 1 OF EACH YEAR, THE STATE BOARD
15 OF EDUCATION SHALL SUBMIT TO THE BOARD OF TRUSTEES:

16 **(I)** THE AMOUNT OF THE MEDIAN LOCAL LIBRARIAN
17 EMPLOYEE SALARY FOR THE PRECEDING CALENDAR YEAR; AND

18 **(II)** THE AMOUNT OF THE MEDIAN LOCAL TEACHER
19 EMPLOYEE SALARY FOR THE PRECEDING CALENDAR YEAR.

20 **(2) (I)** THIS PARAGRAPH DOES NOT INCLUDE LOCAL
21 COMMUNITY COLLEGE EMPLOYEES EMPLOYED BY BALTIMORE CITY
22 COMMUNITY COLLEGE.

23 **(II)** ON OR BEFORE APRIL 1 OF EACH YEAR, THE
24 MARYLAND HIGHER EDUCATION COMMISSION SHALL SUBMIT TO THE BOARD
25 OF TRUSTEES THE AMOUNT OF THE MEDIAN LOCAL COMMUNITY COLLEGE
26 EMPLOYEE SALARY FOR THE PRECEDING CALENDAR YEAR.

27 **(b) (1)** **[Each]** EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS
28 SECTION, EACH fiscal year, on behalf of the State members of each State system, the
29 State shall pay to the appropriate accumulation fund an amount equal to or greater
30 than the sum of the amount, if any, required to be included in the budget bill under §
31 3–501(c)(2)(ii) of this article and the product of multiplying:

32 **(i)** the aggregate annual earnable compensation of the State
33 members of that State system; and

1 (ii) 1. for State members of the Law Enforcement Officers'
2 Retirement System, State Police Retirement System, and the Judges' Retirement
3 System, the sum of the normal contribution rate and the accrued liability contribution
4 rate, as determined under this section;

5 2. for State members of the Employees' Pension System,
6 Employees' Retirement System, Correctional Officers' Retirement System, and
7 Legislative Pension Plan, the employees' systems contribution rate determined under
8 subsection [(e)] (F) of this section; or

9 3. for State members of the Teachers' Pension System
10 and Teachers' Retirement System, the teachers' systems contribution rate determined
11 under subsection [(f)] (G) of this section.

12 (2) The amount determined under paragraph (1) of this subsection for
13 each State system shall be based on an actuarial determination of the amounts that
14 are required to preserve the integrity of the funds of the several systems using:

15 (i) the entry-age actuarial cost method; and

16 (ii) actuarial assumptions adopted by the Board of Trustees.

17 (3) For the purpose of making the determinations required under this
18 section:

19 (i) the Employees' Retirement System, the Employees' Pension
20 System, the Correctional Officers' Retirement System, and the Legislative Pension
21 Plan shall be considered together as one State system; and

22 (ii) the Teachers' Retirement System and the Teachers' Pension
23 System shall be considered together as one State system.

24 (C) (1) (I) THIS PARAGRAPH DOES NOT APPLY TO BALTIMORE
25 CITY COMMUNITY COLLEGE.

26 (II) BEGINNING JULY 1, 2012, ON BEHALF OF THE TOTAL
27 LOCAL EMPLOYEES OF EACH COUNTY, EACH COUNTY SHALL PAY EACH FISCAL
28 YEAR TO THE APPROPRIATE ACCUMULATION FUND AN AMOUNT EQUAL TO OR
29 GREATER THAN THE TOTAL LOCAL SHARE OF THE TOTAL EMPLOYER
30 CONTRIBUTION FOR LOCAL EMPLOYEES.

31 (III) 1. FOR A REGIONAL COMMUNITY COLLEGE, AS
32 DEFINED UNDER § 16-202 OF THE EDUCATION ARTICLE, THE OBLIGATION OF
33 THE TOTAL LOCAL SHARE OF THE TOTAL EMPLOYER CONTRIBUTION FOR LOCAL
34 EMPLOYEES SHALL BE SHARED BY EACH COUNTY SUPPORTING THE REGIONAL
35 COMMUNITY COLLEGE.

1 **2. EACH COUNTY'S SHARE SHALL BE PRORATED BY**
 2 **DIVIDING THE NUMBER OF FULL-TIME EQUIVALENT STUDENTS AS CALCULATED**
 3 **UNDER § 16-305(B)(7) OF THE EDUCATION ARTICLE FOR THE SECOND PRIOR**
 4 **FISCAL YEAR WHO ARE ENROLLED AT THE REGIONAL COMMUNITY COLLEGE**
 5 **AND ARE RESIDENTS OF THE COUNTY BY THE TOTAL NUMBER OF FULL-TIME**
 6 **EQUIVALENT STUDENTS AS CALCULATED UNDER § 16-305(B)(7) OF THE**
 7 **EDUCATION ARTICLE FOR THE SECOND PRIOR FISCAL YEAR WHO ARE**
 8 **RESIDENTS OF THE REGION.**

9 **(2) (I) THE DIFFERENCE BETWEEN THE TOTAL EMPLOYER**
 10 **CONTRIBUTION FOR LOCAL EMPLOYEES AND THE TOTAL LOCAL SHARE OF THE**
 11 **TOTAL EMPLOYER CONTRIBUTION FOR LOCAL EMPLOYEES FOR EACH COUNTY**
 12 **SHALL BE THE OBLIGATION OF THE STATE.**

13 **(II) IN ADDITION TO ANY PAYMENTS MADE BY THE STATE**
 14 **UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE STATE SHALL PAY 100%**
 15 **OF THE AMOUNT DETERMINED UNDER SUBSECTION (B) OF THIS SECTION FOR**
 16 **THOSE MEMBERS OF THE TEACHERS' RETIREMENT SYSTEM OR TEACHERS'**
 17 **PENSION SYSTEM WHO ARE:**

18 **1. FACULTY, PROFESSIONAL, OR CLERICAL**
 19 **EMPLOYEES OF BALTIMORE CITY COMMUNITY COLLEGE;**

20 **2. FACULTY EMPLOYEES OF AN EDUCATIONAL**
 21 **INSTITUTION, OTHER THAN A COMMUNITY COLLEGE, SUPPORTED BY AND**
 22 **UNDER THE CONTROL OF THE STATE; OR**

23 **3. STAFF EMPLOYEES OF THE UNIVERSITY SYSTEM**
 24 **OF MARYLAND, MORGAN STATE UNIVERSITY, OR ST. MARY'S COLLEGE OF**
 25 **MARYLAND WHO WERE MEMBERS OF THE TEACHERS' PENSION SYSTEM AS OF**
 26 **JANUARY 1, 1998, OR WHO TRANSFERRED FROM THE TEACHERS' RETIREMENT**
 27 **SYSTEM ON OR AFTER JANUARY 1, 1998.**

28 **[(c)] (D) (1) As part of each actuarial valuation, the actuary shall**
 29 **determine the normal contributions, net of member contributions, on account of the**
 30 **State members of each State system.**

31 **(2) For each State system, the normal contribution rate equals the**
 32 **fraction that has:**

33 **(i) as its numerator, the sum of the normal contributions**
 34 **determined under this subsection; and**

1 (ii) as its denominator, the aggregate annual earnable
2 compensation of the State members of the State system.

3 **[(d)] (E)** (1) Beginning July 1, 2001, each year the Board of Trustees
4 shall set contribution rates for each State system that shall amortize:

5 (i) all unfunded liabilities or surpluses accrued as of June 30,
6 2000, over 20 years; and

7 (ii) any new unfunded liabilities or surpluses that have accrued
8 from July 1 of the preceding fiscal year over 25 years to reflect:

- 9 1. experience gains and losses;
- 10 2. the effect of changes in actuarial assumptions; and
- 11 3. the effect of legislation effective on or after July 1,
12 2001.

13 (2) If the accrued liability is increased by legislation that provides for
14 early retirement of State employees, the additional liability shall be funded over a
15 period of 5 years beginning on:

16 (i) July 1, 1997 for legislation effective June 1, 1996; and

17 (ii) July 1, 1998 for legislation effective June 1, 1997.

18 (3) If the accrued liability is increased by legislation effective June 1,
19 1998, that provides for the early retirement of employees of the University System of
20 Maryland who are members of the Employees' Pension System or the Employees'
21 Retirement System, the additional liability shall be determined by the actuary and
22 funded over a period of 5 years beginning on July 1, 1999 by payment of an annual
23 accrued liability contribution by the University System of Maryland and the Medical
24 System as provided in § 21-307(h) and (i) of this subtitle.

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

30 (2) When the funding ratio for the employees' systems is below 90%,
31 the employees' system contribution rate shall be the sum of:

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

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

4 (3) When the funding ratio for the employees' systems is above 110%,
5 the employees' system contribution rate shall be the difference between:

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

8 (ii) 20% of the difference between the employees' system
9 contribution rate for the previous fiscal year and the full funding rate for the current
10 fiscal year.

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

15 (2) When the funding ratio for the teachers' systems is below 90%, the
16 teachers' system contribution rate shall be the sum of:

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

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

22 (3) When the funding ratio for the teachers' systems is above 110%,
23 the teachers' system contribution rate shall be the difference between:

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

26 (ii) 20% of the difference between the teachers' system
27 contribution rate for the previous fiscal year and the full funding rate for the current
28 fiscal year.

29 **21-309.1.**

30 **(A) EACH YEAR, THE BOARD OF TRUSTEES SHALL CERTIFY TO EACH**
31 **COUNTY THE STATE'S NORMAL CONTRIBUTION RATE AND THE STATE'S**
32 **ACCRUED LIABILITY CONTRIBUTION RATE AND THE AMOUNTS PAYABLE UNDER**
33 **§ 21-304(C) OF THIS SUBTITLE.**

1 **(B) (1) EACH COUNTY SHALL PAY TO THE BOARD OF TRUSTEES THE**
2 **AMOUNT OF THE CHARGES CERTIFIED TO THE COUNTY BY THE BOARD OF**
3 **TRUSTEES UNDER SUBSECTION (A) OF THIS SECTION.**

4 **(2) WITHIN 30 DAYS AFTER RECEIVING THE CERTIFICATION BY**
5 **THE BOARD OF TRUSTEES, THE COUNTY SHALL PAY THAT AMOUNT TO THE**
6 **BOARD OF TRUSTEES.**

7 **(3) IF A COUNTY DOES NOT PAY THE AMOUNTS CERTIFIED UNDER**
8 **THIS SECTION WITHIN THE TIME REQUIRED, IT IS LIABLE FOR:**

9 **(I) A PENALTY OF 10% OF THE AMOUNT DUE; AND**

10 **(II) INTEREST ON DELINQUENT AMOUNTS AT 10% A YEAR**
11 **UNTIL PAYMENT.**

12 **(4) THE SECRETARY OF THE BOARD OF TRUSTEES MAY ALLOW A**
13 **GRACE PERIOD FOR PAYMENT OF THE AMOUNTS CERTIFIED UNDER THIS**
14 **SECTION NOT TO EXCEED 10 CALENDAR DAYS.**

15 **(5) ON NOTIFICATION BY THE SECRETARY OF THE BOARD OF**
16 **TRUSTEES THAT A DELINQUENCY EXISTS, THE COMPTROLLER IMMEDIATELY**
17 **SHALL EXERCISE THE RIGHT OF SETOFF AGAINST ANY MONEY DUE OR COMING**
18 **DUE TO THAT COUNTY FROM THE STATE.**

19 **(C) ON RECEIPT OF THE PAYMENTS FROM EACH COUNTY, THE BOARD**
20 **OF TRUSTEES SHALL CREDIT THESE AMOUNTS TO THE ACCUMULATION FUND**
21 **OF THE APPROPRIATE STATE SYSTEM.**

22 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
23 July 1, 2011.