

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

A BILL ENTITLED

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 to commission an actuarial consulting firm on or before a certain date to
5 conduct certain stress tests of future financial positions of the several systems;
6 requiring the actuarial consulting firm to be independent from a certain other firm
7 designated to perform a certain actuarial valuation; requiring the stress tests to be
8 conducted using certain criteria and assumptions; requiring the actuarial consulting
9 firm to submit its findings to certain committees of the General Assembly on or
10 before a certain date; providing for the termination of this Act; and generally relating
11 to actuarial stress tests of the several systems in the State Retirement and Pension
12 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 shall commission
16 an actuarial consulting firm to conduct stress tests of the several systems in addition to the
17 actuarial investigation and valuation performed by the actuary under § 21–125 of the State
18 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.

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

26 (2) The stress tests shall be conducted using 30–year financial projections.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

2 (i) returns at the assumed rate of investment return established by
3 the Board of Trustees for the State Retirement and Pension System in accordance with §
4 21–125(c) of the State Personnel and Pensions Article;

5 (ii) returns at 3 percentage points more and less than the assumed
6 rate of investment return established by the Board of Trustees for the State Retirement
7 and Pension System in accordance with § 21–125(c) of the State Personnel and Pensions
8 Article; and

9 (iii) the funding entity is paying only 80% of the recommended
10 contribution each year.

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

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
16 1, 2015. It shall remain effective for a period 1 year and, at the end of June 30, 2016, with
17 no further action required by the General Assembly, this Act shall be abrogated and of no
18 further force and effect.