

***State Retirement and Pension  
System of Maryland  
Actuarial Valuation  
as of June 30, 2004***



A MILLIMAN GLOBAL FIRM

**Milliman**

*Consultants and Actuaries*

**November 2004**

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November 24, 2004

Board of Trustees  
State Retirement and Pension  
System of Maryland  
120 East Baltimore Street  
Baltimore, MD 21202

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of the State Retirement and Pension System of Maryland. The results of the valuation are contained in the following report.

The actuarial assumptions used in performing this valuation have been recommended by the actuary and adopted by the Board of Trustees based on Milliman's most recent review of the System's experience completed during Fiscal Year 2003. We believe the assumptions used, in the aggregate, reflect our best estimate of anticipated future experience of the plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from these assumptions, the true cost of the plan could vary from our results. Since the prior valuation there have been only minor changes to plan benefit features that did not materially impact the overall contribution rate for the System.

The assumptions and methods used in performing this valuation meet the parameters set by Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans*.

In preparing our report we relied, without audit, on information (some oral and some written) supplied by the State Retirement Agency. This information includes, but is not limited to, plan provisions, employee data, and financial information. Census data provided to us by the Agency has been reviewed for reasonableness, and for consistency with the data certified by the System's auditors. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.



Board of Trustees  
State Retirement and Pension System of Maryland  
November 24, 2004  
Page 2

The funding objective of the plan is to establish contribution rates that over time will remain level, as a percentage of payroll.

I, Robert S. Dezube, am a consulting actuary for Milliman. I am also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries.

Sincerely,

Milliman

Robert S. Dezube, FSA  
Principal and Consulting Actuary

RSD/MSR/10

# SECTION I

## BOARD SUMMARY

# BOARD SUMMARY

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This report presents the results of the June 30, 2004 actuarial valuation of the State Retirement and Pension System of Maryland (SRPS). The primary purposes of performing the annual actuarial valuation are to:

- 1) **determine the contributions** to be paid by the State in Fiscal Year 2006;
- 2) **measure and disclose**, as of the valuation date, the financial condition of the fund;
- 3) **indicate trends** in the financial progress of the fund;
- 4) **provide specific information** and documentation required by the Government Accounting Standards Board (GASB).

In this section of the report, we will present a summary of the above information in the form of:

- the actuary's comments;
- the prior year's experience of the Fund's assets, liabilities, contributions, and membership;
- a series of graphs highlighting key trends experienced by the Fund; and
- a tabular summary, intended for quick reference purposes, of all the principal results from this year's valuation, compared to the prior year's.

## Actuary's Comments

The System's assets earned **16.5%** for the year, which is **8.75%** above the 7.75% assumption. This marks the first period of favorable market return (i.e. greater than the 7.75% assumption) since the year ending June 30, 2000. Even though the market return exceeded the 7.75% assumption, because of the unfavorable returns of the last few years, the actuarial, or smoothed, rate of return measured from this past year was only **5.2%**, or approximately 2.6% less than our assumption.

For the System to earn at least 7.75% on an actuarial value basis, the market value of assets will have to earn returns in the future that are higher than the actuarial investment return assumption by enough to offset the unrecognized market losses that have been deferred under the "5-year averaging" method used to determine the actuarial value of assets. If future investment results are only sufficient to earn 7.75% on a market basis, then the deferred market investment losses will gradually be reflected in actuarial assets which will put upward pressure on the contribution rate.

## BOARD SUMMARY

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The System's unfunded actuarial liability was **\$2,841** million as of June 30, 2004. This compares to a **\$2,343** million unfunded liability measured as of the June 30, 2003 valuation. In relative terms, the overall System funding ratio of assets to liabilities fell from **93.3%** in 2003, to **92.2%** this year. This funded status is still substantially better than would have been expected when the State first established the goal to extinguish unfunded liabilities by the year 2020.

The investment loss increased the unfunded actuarial liability by **\$830** million. This was partially offset by a liability gain of **\$525** million, which indicates that actual experience during the year ending June 30, 2004 was more favorable than the non-investment actuarial assumptions. Thus the total System experienced a net actuarial loss of **\$305** million.

In the 2001 legislative session, the Legislature changed the method used to fund the two largest Systems of the SRPS: the Teachers Combined System and the State portion of the Employees Combined System to a corridor method. Under this funding approach, the State appropriation is fixed at the June 30, 2000 valuation rate as long as the actuarial funded status of these Systems remains in a corridor of 90% funded to 110% funded. Once the ratio falls outside this corridor, the appropriated rate will be adjusted toward the underlying actuarially calculated rate. This year, for the first time, the State portion of the Employees Combined System (ECS) fell out of the corridor necessitating an increase in the ECS contribution rate. The Teachers' Combined System (TCS) is likely to fall out of the corridor next year absent very favorable investment returns.

The results of this valuation report disclose the actuarially calculated rate which will be used for purposes of disclosing the Annual Required Contribution rate under Government Accounting Standards Board Statement No. 25. The analysis in this report will focus on the actuarially determined rate but will strive to footnote the appropriated or budgeted rate where applicable.

Finally, while the results are not on the favorable side this year, we emphasize again, as we have so often in the past, that financing of any retirement system is a long term proposition. Annual fluctuations are to be expected and should not by themselves be cause for concern.

The balance of this section summarizes System trends, and provides the principal details on this year's experience.

## Prior Year Experience

### ASSETS

Plan assets for this Fund are measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method, described in detail in Appendix C, essentially reflects only 20% of the difference between (a) the asset value if they had earned the assumed rate of 7.75%, and (b) the actual market value. In periods of high returns, this method significantly defers the amount of asset gains above the assumed return of 7.75%. Conversely, in periods of returns below the assumed, recognition of the losses is deferred. The primary advantage of this smoothing technique is contribution stability. The System does not feel the full impact of lower (or higher) costs when asset values fluctuate dramatically.

For the plan year ending June 30, 2004, the Fund earned a positive **16.5%** on a market value basis and a positive **5.2%** on a smoothed basis. While on a market basis, the Fund experienced an investment gain of **\$2,299** million, the actuarial or smoothed basis grew by less than 7.75% which produced a loss of **\$830** million. The specific changes between the prior year amounts and this year's are presented below.

Item (In Millions)	Market Value	Actuarial Value
June 30, 2003 Value	\$ 26,648	\$ 32,631
June 30, 2003 Municipal Withdrawals	(0)	(0)
Employer Contributions	632	632
Member Contributions	204	204
Benefit Payments	(1,651)	(1,651)
Expected Investment Earnings (7.75%)	2,035	2,499
Expected Value June 30, 2004	\$ 27,868	\$ 34,315
INVESTMENT GAIN (LOSS)	2,299	(830)
June 30, 2004 Value	\$ 30,167	\$ 33,485

### LIABILITIES

Three different measures of liabilities are calculated for this fund: a total value of future obligations (PVB), an actuarial liability (EAN), and an accrued benefit liability (PVAB). Section III of this report describes the development of each. Only the actuarial liability is analyzed in terms of a gain or loss experience, which then is used to determine the System's funding and accounting (GASB) disclosures. During the plan year ending in



## BOARD SUMMARY

2004, the actuarial liabilities experienced an overall gain of **\$525 million**, which is **1.45%** of the total actuarial liability being measured. The primary cause for liability experience being better than anticipated this past year was annual salary increases being less than anticipated.

LIABILITIES (In Millions)	Total Value (PVB)	Actuarial (EAN)	Accounting (PVAB)
June 30, 2003	\$ 42,549	\$ 34,975	\$ 29,010
June 30, 2004	\$ 43,716	\$ 36,326	\$ 30,400

### UNFUNDED LIABILITIES AND FUNDING RATIOS

The difference between assets and liabilities is the unfunded liability. This is measured in two ways: unfunded actuarial liabilities, which compare the actuarial liabilities to the actuarial asset value, and unfunded accrued benefits, which compare the present value of benefits accrued as of the valuation date to the market value of assets. These amounts are shown for June 30, 2003 and June 30, 2004, as well as the corresponding funding ratios for each (assets divided by liabilities).

Item (In Millions)	Actuarial	PVAB
6/30/2003 Net Surplus (Unfunded)	\$ 2,343	\$ 2,362
Funding Ratio	93.3%	91.9%
6/30/2004 Net Surplus (Unfunded)	\$ 2,841	\$ 233
Funding Ratio	92.2%	99.2%

### CONTRIBUTIONS

In Section IV, we show the various contribution rates by system. In this summary, we present the overall State contribution rate, and compare it to the rate developed in the June 30, 2003 actuarial valuation. In summary, due to the net impact of investment losses and liability gains, the overall System contribution requirement, payable in FY 2006 on the GASB disclosure basis, has increased by **0.45%** of payroll. It is important to note that this is not the contribution rate upon which the State will base its budget in either FY 2005 or FY 2006. This analysis compares the underlying cost calculations which will be used to disclose the State's pension expense for GASB reporting purposes. The actual appropriations are calculated on a Corridor Funding Method for the two largest plans. This approach produced payroll-weighted averages of **7.97%** at June 30, 2003, increasing to **8.46%** as of June 30, 2004.

<b>Rate as Percent of Covered Payroll – GASB Disclosure</b>	
June 30, 2003 State Annual Required Contribution Rate	9.97%
Increase due to Assumption Changes	0%
Increase due to Investment Loss	0.89%
Decrease due to Liability Gain	(0.44%)
June 30, 2004 State Annual Required Contribution Rate	10.42%

<b>Rate as Percent of Covered Payroll – Budget (Corridor Method)</b>	
June 30, 2003 State Appropriation Rate	7.97%
Increase due to Shift in Payroll	0.01%
Increase in Systems not within the Corridor	0.12%
Increase due to ECS falling out of Corridor	0.36%
June 30, 2004 State Appropriation Rate	8.46%

In terms of dollar amounts under the budget (corridor method), the estimated State contribution increases were as follows:

- \$28.1 million because the Employees' System funding ratio dropped below 90%, causing the contribution rate to increase from 4.73% to 5.76% of payroll pursuant to the corridor method
- \$7.7 million to reflect the value of automatic 50% surviving spouse annuities for retired members that was not reflected in prior years' costs for the State Police, Judges, and LEOPS Systems
- \$2.1 million due to payroll growth
- \$2.2 million due to the recognition of market losses from prior years under the actuarial value of assets methodology for the State Police, Judges, and LEOPS Systems.

The estimated State contribution decreased by approximately \$1.2 million due to other factors.

## BOARD SUMMARY

### MEMBERSHIP

There are four types of plan participants: current active workers, previous terminations who retain a right to a deferred vested benefit, previous terminations who are not vested but have member contributions in the System (inactives), and participants in pay status. In Appendix B, we present extensive details on membership statistics. Below, we compare totals in each group between June 30, 2003 and 2004.

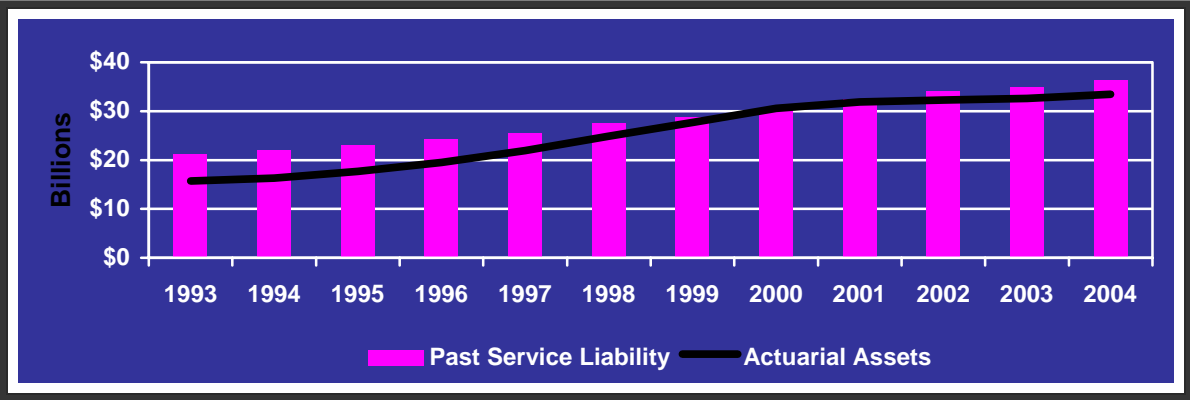
As shown below, there was an overall increase in participation during the year of **0.4%**.

	June 30, 2004	June 30, 2003	Change
Active Participants	185,861	190,021	(2.2%)
Terminated Vested Participants	36,523	35,302	3.5%
Inactive Participants	10,388	10,271	1.1%
Participants In Pay Status	94,880	90,803	4.5%
<b>Total Participants</b>	<b>327,652</b>	<b>326,937</b>	<b>0.4%</b>

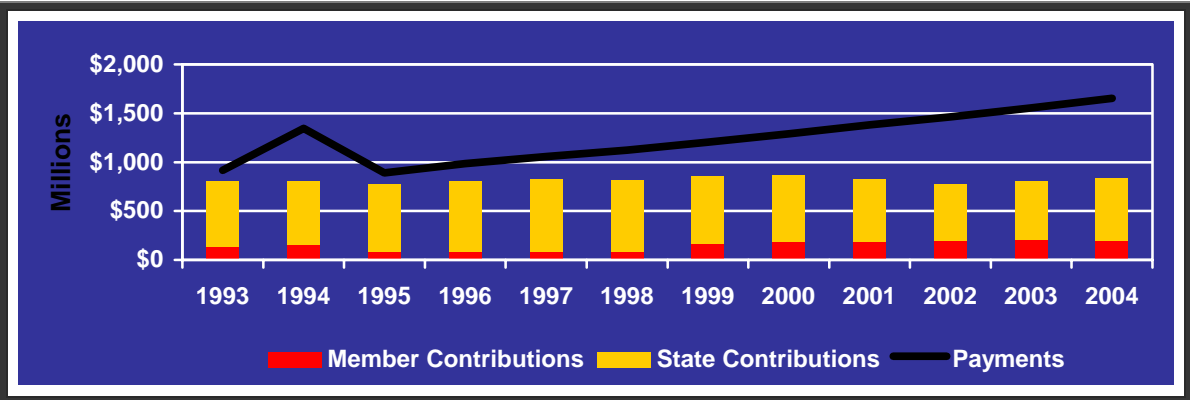
**Trends**

One of the best ways to measure or evaluate the financial condition of a pension plan is to examine the historical trends that are evolving. Below, we present three charts which present trend information from 1993 through the end of 2004, on the System's assets and liabilities, annual cash flows in and out of the fund, and the State contribution rate. Our comments on each follow.

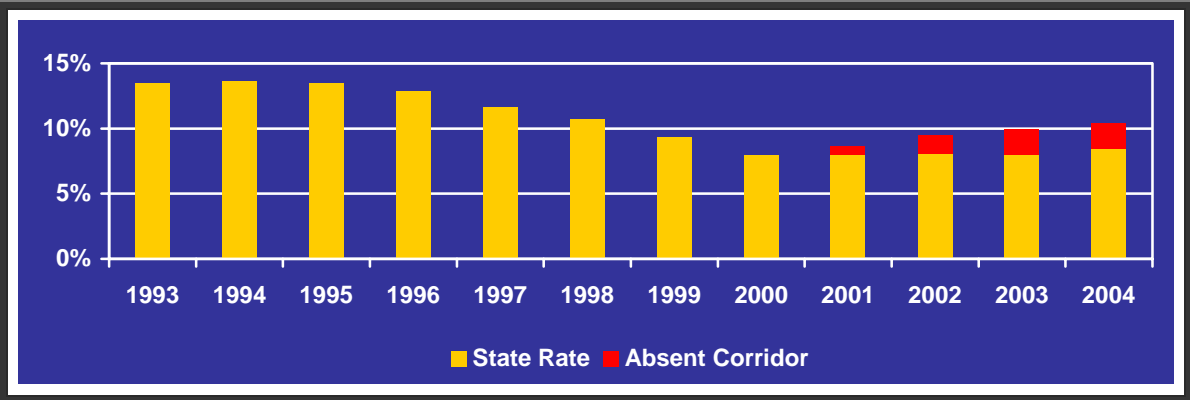
**Chart A: ASSETS / LIABILITIES**



**Chart B: CASH FLOWS**



**Chart C: STATE CONTRIBUTION RATE**



## Comments

Chart A places into perspective the aforementioned investment and liability performance losses of this past year. The ratio of actuarial assets to liabilities (i.e., funding ratio) has grown since the early 1980's. The unfavorable investment experience from 2000 through 2003 has eroded the funded ratio from its peak in 2000.

Chart B presents an emerging trend that will have investment implications. It is a trend being faced by many state-wide retirement systems, with the aging of our baby boomer generations. Payments to retirees are on the increase, while cash into the fund, from employer and employee contributions, is stable or declining. The ECS contribution rate will start increasing in FY 2006 and it is likely that the TCS contribution rate will also start to increase in FY 2007 under the corridor method.

Finally, Chart C, looks only at the State contribution rate which is used each year to determine the upcoming fiscal year State appropriation. It shows the impact of the past decade's sustained investment gains, a continuous lowering of the rate until 2000. Effective with the 2001 valuation, the State appropriations are performed under a corridor funding method for the two largest plans. The appropriation remained essentially level for a few years before increasing this year. In the absence of favorable investment and/or demographic experience, the contribution rates can be expected to increase to the level indicated if the corridor method had not been adopted. Without the corridor method, the State contribution in FY 2006 would be 1.96% of payroll higher than the amount to be budgeted under the corridor method.

# BOARD SUMMARY

TOTAL SRPS (STATE AND MUNICIPAL)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2004	6/30/2003	% change
PARTICIPANT COUNTS			
ACTIVES	185,861	190,021	(2.2%)
TERMINATED VESTEDS	36,523	35,302	3.5%
INACTIVES	10,388	10,271	1.1%
IN PAY STATUS	94,880	90,803	4.5%
TOTAL	327,652	326,397	0.4%
Annual Salaries of Active Members	\$ 8,209,248,324	\$ 8,182,626,004	0.3%
Covered Annual Salaries of Active Members	\$ 8,069,480,852	\$ 8,134,419,291	(0.8%)
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 1,592,533,229	\$ 1,478,091,946	7.7%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 36,325,704,065	\$ 34,974,600,866	3.9%
Assets for Valuation Purposes	33,484,656,570	32,631,464,884	2.6%
Unfunded Actuarial Liability	\$ 2,841,047,495	\$ 2,343,135,982	21.2%
Funding Ratio	92.2%	93.3%	N/A
Present Value of Accrued Benefits	\$ 30,399,562,594	\$ 29,009,910,574	4.8%
Market Value of Assets	30,166,723,455	26,648,106,847	13.2%
Unfunded FASB Accrued Liability	\$ 232,839,139	\$ 2,361,803,727	(90.1%)
Accrued Benefit Funding Ratio	99.2%	91.9%	
CONTRIBUTIONS AS % OF PAYROLL (STATE PORTION ONLY)			
	Fiscal Year 2006	Fiscal Year 2005	
<u>GASB Method:</u>			
Normal Cost Contribution	8.02%	8.02%	
Unfunded Actuarial Liability Contribution	2.40	1.95	
Total State Contribution	10.42%	9.97%	
<u>Corridor Method:</u>			
Certified Rate Using Corridor Method	8.46%	7.97%	

# BOARD SUMMARY

TOTAL SRPS (TEACHERS)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2004	6/30/2003	% change
PARTICIPANT COUNTS			
ACTIVES	95,962	97,298	(1.4%)
TERMINATED VESTEDS	14,379	13,642	5.4%
INACTIVES	5,426	5,219	4.0%
IN PAY STATUS	<u>45,691</u>	<u>43,675</u>	4.6%
TOTAL	161,458	159,834	1.0%
Annual Salaries of Active Members	\$ 4,615,607,093	\$ 4,609,991,902	0.1%
Covered Annual Salaries of Active Members	\$ 4,543,443,669	\$ 4,522,202,402	0.5%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 973,734,838	\$ 907,422,987	7.3%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 21,724,178,194	\$ 21,152,062,565	2.7%
Assets for Valuation Purposes	<u>20,155,414,671</u>	<u>19,626,676,057</u>	2.7%
Unfunded Actuarial Liability	\$ 1,568,763,523	\$ 1,525,386,508	2.8%
Funding Ratio	92.8%	92.8%	N/A
Present Value of Accrued Benefits	\$ 18,286,822,230	\$ 17,671,561,409	3.5%
Market Value of Assets	<u>18,187,297,200</u>	<u>16,108,367,651</u>	12.9%
Unfunded FASB Accrued Liability	\$ 99,525,030	\$ 1,563,193,758	(93.6%)
Accrued Benefit Funding Ratio	99.5%	91.2%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2006	Fiscal Year 2005	
<u>GASB Method:</u> Normal Cost Contribution	7.70%	7.70%	
Unfunded Actuarial Liability Contribution	<u>2.46</u>	<u>2.33</u>	
Total State Contribution	10.16%	10.03%	
<u>Corridor Method:</u> Certified Rate Using Corridor Method	9.35%	9.35%	

# BOARD SUMMARY

TOTAL SRPS (EMPLOYEES COMBINED SYSTEM)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2004	6/30/2003	% change
PARTICIPANT COUNTS			
ACTIVES	86,444	89,286	(3.2%)
TERMINATED VESTEDS	22,065	21,593	2.2%
INACTIVES	4,872	4,968	(1.9%)
IN PAY STATUS	<u>46,472</u>	<u>44,591</u>	4.2%
TOTAL	159,853	160,438	0.4%
Annual Salaries of Active Members	\$ 3,402,548,594	\$ 3,387,705,450	0.4%
Covered Annual Salaries of Active Members	\$ 3,337,542,706	\$ 3,424,054,274	(2.5%)
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 523,078,287	\$ 483,702,850	8.1%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 12,621,578,337	\$ 12,083,197,248	4.5%
Assets for Valuation Purposes	<u>11,514,654,915</u>	<u>11,244,007,832</u>	2.4%
Unfunded Actuarial Liability	\$ 1,106,923,422	\$ 839,189,416	31.9%
Funding Ratio	91.2%	93.1%	N/A
Funding Ratio For Corridor Method (excludes municipal component)	89.2%	91.6%	N/A
Present Value of Accrued Benefits	\$ 10,266,563,919	\$ 9,728,910,255	5.5%
Market Value of Assets	<u>10,395,821,867</u>	<u>9,156,181,278</u>	13.5%
Unfunded FASB Accrued Liability	\$ (129,257,948)	\$ 572,728,977	(122.6%)
Accrued Benefit Funding Ratio	101.26%	94.1%	N/A
CONTRIBUTIONS AS % OF PAYROLL (STATE PORTION ONLY)			
	Fiscal Year 2006	Fiscal Year 2005	
<u>GASB Method:</u> Normal Cost Contribution	7.50%	7.50%	
Unfunded Actuarial Liability Contribution	<u>2.38</u>	<u>1.69</u>	
Total State Contribution	9.88%	9.19%	
<u>Corridor Method:</u> Certified Rate Using Corridor Method	5.76%	4.73%	



# BOARD SUMMARY

TOTAL SRPS (STATE POLICE)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2004	6/30/2003	% change
PARTICIPANT COUNTS			
ACTIVES	1,445	1,542	(6.3%)
TERMINATED VESTEDS	29	28	3.6%
INACTIVES	15	13	15.4%
IN PAY STATUS	1,790	1,695	5.6%
TOTAL	3,279	3,278	0.0%
Annual Salaries of Active Members	\$ 77,531,613	\$ 79,268,691	(2.2%)
Covered Annual Salaries of Active Members	\$ 76,444,973	\$ 80,838,519	(5.4%)
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 62,331,011	\$ 56,691,315	10.0%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 1,200,604,840	\$ 1,062,383,238	13.0%
Assets for Valuation Purposes	1,287,981,246	1,285,200,743	0.0%
Unfunded Actuarial Liability	\$ (87,376,406)	\$ (222,817,505)	60.1%
Funding Ratio	107.3%	121.0%	N/A
Present Value of Accrued Benefits	\$ 1,128,130,884	\$ 986,821,179	14.3%
Market Value of Assets	1,112,668,245	996,338,671	11.7%
Unfunded FASB Accrued Liability	\$ (15,462,639)	\$ (9,517,492)	262.5%
Accrued Benefit Funding Ratio	98.6%	101.0%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2006	Fiscal Year 2005	
Normal Cost Contribution	25.05%	25.05%	
Unfunded Actuarial Liability Contribution	<u>(16.83)</u>	<u>(25.53)</u>	
Total State Contribution	8.22%	(0.00%)	

# BOARD SUMMARY

TOTAL SRPS (JUDGES AND SURVIVING SPOUSES)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2004	6/30/2003	% change
PARTICIPANT COUNTS			
ACTIVES	283	287	(1.4%)
TERMINATED VESTEDS	10	10	0.0%
INACTIVES	4	3	33.3%
IN PAY STATUS	<u>309</u>	<u>306</u>	1.0%
TOTAL	606	606	0.0%
Annual Salaries of Active Members	\$ 33,149,832	\$ 32,524,743	1.9%
Covered Annual Salaries of Active Members	\$ 32,937,016	\$ 33,168,859	(1.0%)
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 17,539,241	\$ 17,171,254	2.1%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 312,285,089	\$ 279,008,117	11.9%
Assets for Valuation Purposes	<u>250,272,253</u>	<u>240,207,561</u>	4.2%
Unfunded Actuarial Liability	\$ 62,012,836	\$ 38,800,556	59.8%
Funding Ratio	80.1%	86.1%	N/A
Present Value of Accrued Benefits	\$ 297,860,265	\$ 265,105,527	12.4%
Market Value of Assets	<u>223,735,442</u>	<u>193,773,533</u>	15.5%
Unfunded FASB Accrued Liability	\$ 74,124,823	\$ 71,331,994	3.9%
Accrued Benefit Funding Ratio	75.1%	73.1%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2006	Fiscal Year 2005	
Normal Cost Contribution	28.15%	28.15%	
Unfunded Actuarial Liability Contribution	<u>12.97</u>	<u>8.57</u>	
Total State Contribution	41.12%	36.72%	

# BOARD SUMMARY

TOTAL SRPS (LAW ENFORCEMENT OFFICERS (LEOPS))			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2004	6/30/2003	% change
PARTICIPANT COUNTS			
ACTIVES	1,675	1,481	13.1%
TERMINATED VESTEDS	25	18	38.9%
INACTIVES	56	44	27.3%
IN PAY STATUS	581	503	15.5%
TOTAL	2,337	2,046	14.2%
Annual Salaries of Active Members	\$ 78,628,672	\$ 68,356,726	15.0%
Covered Annual Salaries of Active Members	\$ 77,369,072	\$ 69,469,540	11.4%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 15,155,236	\$ 12,479,011	21.5%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 454,814,985	\$ 382,287,032	19.0%
Assets for Valuation Purposes	271,586,578	225,111,179	20.6%
Unfunded Actuarial Liability	\$ 183,228,407	\$ 157,175,853	16.6%
Funding Ratio	59.7%	58.9%	N/A
Present Value of Accrued Benefits	\$ 408,003,847	\$ 342,486,608	19.1%
Market Value of Assets	242,747,153	184,658,278	31.5%
Unfunded FASB Accrued Liability	\$ 165,256,694	\$ 157,828,330	4.7%
Accrued Benefit Funding Ratio	59.5%	53.9%	N/A
CONTRIBUTIONS AS % OF PAYROLL (STATE PORTION ONLY)			
	Fiscal Year 2006	Fiscal Year 2005	
Normal Cost Contribution	21.25%	21.25%	
Unfunded Actuarial Liability Contribution	17.22	16.48	
Total State Contribution	38.47%	37.73%	

# BOARD SUMMARY

TOTAL SRPS (LOCAL FIRE AND POLICE SYSTEM)			
SUMMARY OF PRINCIPAL PLAN RESULTS			
Valuation As Of -->	6/30/2004	6/30/2003	% change
<b>PARTICIPANT COUNTS</b>			
ACTIVES	52	127	(59.1%)
TERMINATED VESTEDS	15	11	36.4%
INACTIVES	15	24	(37.5%)
IN PAY STATUS	<u>37</u>	<u>33</u>	12.1%
TOTAL	119	195	(39.0%)
Annual Salaries of Active Members	\$ 1,782,520	\$ 4,778,492	(62.7%)
Covered Annual Salaries of Active Members	\$ 1,743,416	\$ 4,685,697	(62.8%)
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 694,616	\$ 624,529	11.2%
<b>ASSETS &amp; LIABILITIES</b>			
Total Actuarial Liability	\$ 12,242,620	\$ 15,662,666	(21.8%)
Assets for Valuation Purposes	<u>4,746,907</u>	<u>10,261,512</u>	(53.7%)
Unfunded Actuarial Liability	7,495,713	5,401,154	38.8%
Funding Ratio	38.8%	65.5%	N/A
Present Value of Accrued Benefits	\$ 12,181,449	\$ 15,025,596	(18.9%)
Market Value of Assets	<u>4,453,548</u>	<u>8,787,437</u>	(49.3%)
Unfunded FASB Accrued Liability	\$ 7,727,901	\$ 6,238,159	23.9%
Accrued Benefit Funding Ratio	36.6%	58.5%	N/A
<b>CONTRIBUTIONS AS % OF PAYROLL (STATE PORTION ONLY)</b>			
	Fiscal Year 2006	Fiscal Year 2005	
Normal Cost Contribution	N/A	N/A	
Unfunded Actuarial Liability Contribution	<u>N/A</u>	<u>N/A</u>	
Total State Contribution	N/A	N/A	

# SECTION II

# ASSETS

Pension plan assets play a key role in the financial operation of the plan and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, negotiated contributions, and the ultimate security of participants' benefits.

In this section we present detailed information on plan assets including:

- **Disclosure** of plan assets at June 30, 2004 and June 30, 2003;
- Statement of the **changes** in market values during the year;
- Development of the Actuarial Value of Assets; and
- An assessment of **investment performance**.

## **Disclosure:**

Market values represent "snapshot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate. As a result, actuaries have traditionally smoothed market fluctuations when developing long range contribution rates.

Actuarial values, or "carrying values," are market values which have been smoothed and are the actuary's best estimate of long term asset values. They are used for evaluating the Fund's ongoing ability to meet its obligations and for developing the Fund's annual required contribution under GASB rules.

Current methods employed by this Fund set the actuarial values equal to the expected adjusted market value plus 20% of the difference between the actual market value and the expected smoothed value of assets.

**Disclosure of Plan Market Value Of Assets**

STATEMENT OF ASSETS AT MARKET VALUE		
	June 30,	
	2004	2003
<b>INVESTMENTS</b>		
Equities	\$ 19,317,419,034	\$ 16,574,693,174
Fixed Income	8,672,984,033	8,346,320,777
Real Estate	2,040,093,858	1,701,382,553
Total Investments	\$ 30,030,496,925	\$ 26,622,396,504
<b>OTHER ASSETS</b>		
Other Assets	\$ 136,226,530	\$ 25,710,343
<b>Net Assets Available for Benefits</b>	<b>\$ 30,166,723,455</b>	<b>\$ 26,648,106,847</b>

**Changes in Market Value:**

The components of asset change are:

- Contributions
- Benefit payments
- Expenses
- Investment Income (realized and unrealized)

The specific changes during 2004 are represented below:

CHANGES IN MARKET VALUES	
Value of Assets – JUNE 30, 2003	\$ 26,648,106,847
RECEIPTS	
Member Contributions	\$ 204,158,834
Employer Contributions	632,252,030
Investment Returns	<u>4,333,631,720</u>
Total Receipts	\$ 5,170,042,584
DISBURSEMENTS	
Benefit Payments	<u>\$ 1,651,425,976</u>
Total Disbursements	\$ <u>1,651,425,976</u>
TOTAL	
Value of Assets – June 30, 2004	\$ 30,166,723,455



**Actuarial Value of Assets:**

The Actuarial Value of Assets represents a "smoothed" value developed by the actuary to reduce, or eliminate, erratic results which could develop from short term ups and downs in the Market Value of Assets. For this Fund, the Actuarial Value has been calculated by adding 20% of any deviation from Market Value and Expected Adjusted Market Value to the Expected Adjusted Market Value. The following table illustrates the calculation of the Actuarial Value of Assets for the June 30, 2004 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2004		
1.	Actuarial Value of Assets at June 30, 2003	\$ 32,631,464,884
2.	Amount in (1) with interest to June 30, 2004	35,160,403,413
3.	Employer & member contributions for the Plan Year ended June 30, 2004	836,410,864
4.	Interest on Employer and member contributions assuming payments made uniformly throughout the year to June 30, 2004	31,806,175
5.	Disbursements from Trust except investment expenses, June 30, 2003 through June 30, 2004	1,651,425,976
6.	Interest on disbursements to June 30, 2004 at 7.75% per year	63,054,628
7.	Expected adjusted Market Value of Assets at June 30, 2004 = (2) + (3) + (4) - (5) - (6)	34,314,139,848
8.	Actual Market Value of Assets at June 30, 2004	30,166,723,455
9.	Excess of (8) over (7)	(4,147,416,393)
10	Actuarial Value of Assets at June 30, 2004 = (7) + 20% of (9)	33,484,656,569

## Investment Performance:

The Market Value of Assets (MVA) returned approximately 16.51%<sup>1</sup> during 2004. This is higher than the assumed 7.75% and reflects the improved performance of the “market” in general.

The Actuarial Value of Assets (AVA) returned 5.18% for the year. This is primarily the result of the Asset Valuation method being utilized for the calculation of the Actuarial Value of Assets. In periods of very good performance, the rate of return on the AVA can lag significantly behind the rate of return on the MVA, while in a period of negative returns (as was the situation from 2000 to 2003), the AVA does not decline as rapidly as the MVA. Because the MVA value is less than the AVA, the market value must earn in excess of the assumption of 7.75% for the AVA to earn at least 7.75%.

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<sup>1</sup> Assumes net cash flow occurs mid-year.

# **SECTION III**

# **LIABILITIES**

In this section we present detailed information on plan liabilities including:

- **Disclosure** of plan liabilities at June 30, 2004 and June 30, 2003;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

### Disclosure:

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures, and the purpose for which they are using them.

- **Total Future Obligations:** Used for analyzing the financial outlook of the Fund, this represents the amount of money needed today to fully pay off all future benefits and expenses of the Fund, assuming participants continue to work and accrue benefits and receive salary increases.
- **Actuarial Liabilities:** Used for funding calculations and GASB disclosures, this liability is calculated by taking the Total Obligations above and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method. This represents the amount of assets that “should have” been accumulated in the past based on the current actuarial assumptions.
- **Accrued Benefit Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the fund, assuming no future accruals of benefits or salary increases. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the plan can meet its current benefit commitments.

## LIABILITIES

The table below discloses each of these liabilities for the current and prior valuation. With respect to each disclosure, a subtraction of the appropriate value of Fund assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

LIABILITIES/NET SURPLUS (UNFUNDED)	6/30/2004	6/30/2003
<b>Total Future Obligations</b>		
Active Participant Benefits	\$ 24,673,653,510	\$ 24,975,927,418
Retiree and Inactive Benefits	19,041,901,524	17,573,117,822
<b>Total Future Obligations</b>	<b>\$ 43,715,555,034</b>	<b>\$ 42,549,045,240</b>
Market Value of Assets	\$30,166,723,455	\$ 26,648,106,847
Future Member Contributions	1,598,977,194	1,658,758,707
Future State Contributions	11,949,854,385	14,242,179,686
<b>Total Resources</b>	<b>\$ 43,715,555,034</b>	<b>\$ 42,549,045,240</b>
<b>Actuarial Liability</b>		
Total Future Obligations	\$ 43,715,555,034	\$ 42,549,045,240
Present Value of Future Normal Costs		
Less Employer Portion	(5,641,975,448)	(5,769,673,683)
Less Employee Portion	(1,598,977,194)	(1,658,758,707)
Less Present Value of Future UAL Amounts	(148,898,327)	(146,011,984)
<b>Actuarial Liability</b>	<b>\$ 36,325,704,065</b>	<b>\$ 34,974,600,866</b>
Less Actuarial Value of Assets	(33,484,656,570)	(32,631,464,884)
<b>Net (Surplus) Unfunded</b>	<b>\$ 2,841,047,495</b>	<b>\$ 2,343,135,982</b>
<b>Accrued Benefit Liability</b>		
Total Future Obligations	\$ 43,715,555,034	\$ 42,549,045,240
Less Present Value of Future Benefit Accruals	(13,315,992,440)	(13,539,134,666)
<b>Accrued Benefit Liability</b>	<b>\$30,399,562,594</b>	<b>\$ 29,009,910,574</b>
Less Market Value of Assets	(30,166,723,455)	(26,648,106,847)
<b>Net (Surplus) Unfunded</b>	<b>\$ 232,839,139</b>	<b>\$ 2,361,803,727</b>

## Changes in Liabilities:

Each of the liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- new hires since the last valuation
- benefits accrued since the last valuation
- plan amendments increasing benefits
- passage of time which adds interest to the prior liability
- benefits paid to retirees since the last valuation
- participants retiring, terminating, or dying at rates different than expected
- a change in actuarial or investment assumptions
- a change in the actuarial funding method

Unfunded liabilities will change because of all the above, and also due to changes in Fund assets resulting from:

- employer contributions different than expected
- investment earnings different than expected
- a change in the method used to measure plan assets

In each valuation we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the fund. Below we present the key changes in liabilities since the last valuation.

	\$ in Millions		
	TOTAL FUTURE OBLIGATION	ACTUARIAL LIABILITY	ACCRUED BENEFIT LIABILITY
Liabilities 6/30/2003	\$ 42,549	\$ 34,975	\$ 29,010
Liabilities 6/30/2004	\$ 43,716	\$ 36,326	\$ 30,400
Liability Increase (Decrease)	\$ 1,167	\$ 1,351	\$ 1,390
Change due to:			
Plan Amendment	\$ 0	\$ 0	\$ 0
Assumption Change	\$ 0	\$ 0	\$ 0
Actuarial (Gain)/Loss	N/A	\$ (525)	N/A
Benefits Accumulated and Other Sources	\$ 1,167	\$ 1,876	\$ 1,390

# LIABILITIES

## ACTUARIAL LIABILITY BY SYSTEM AS OF JUNE 30, 2004

	Total Systems	Teachers' Retirement & Pension	Employees' Retirement & Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Actuarial Liabilities for:							
a. Active Members	\$ 17,283,802,541	\$ 10,177,406,412	\$ 6,437,723,981	\$ 319,251,276	\$ 123,321,440	\$ 223,780,521	\$ 2,318,911
b. Retired, Disabled and Beneficiary Members	18,347,530,077	11,235,844,910	5,814,366,214	877,848,000	182,011,363	227,765,793	9,693,797
c. Vested Deferred and Inactive Status Members	<u>694,371,447</u>	<u>310,926,872</u>	<u>369,488,142</u>	<u>3,505,564</u>	<u>6,952,286</u>	<u>3,268,671</u>	<u>229,912</u>
2. Total Actuarial Liability (1(a) + 1(b) + 1(c))	\$ 36,325,704,065	\$ 21,724,178,194	\$ 12,621,578,337	\$1,200,604,840	\$ 312,285,089	454,814,985	\$ 12,242,620
3. Actuarial Value of Assets	<u>33,484,656,569</u>	<u>20,155,414,671</u>	<u>11,514,654,915</u>	<u>1,287,981,246</u>	<u>250,272,253</u>	<u>271,586,578</u>	<u>4,746,907</u>
4. Unfunded Actuarial Liability (2 - 3)	\$ <u>2,841,047,496</u>	\$ <u>1,568,763,523</u>	\$ <u>1,106,923,422</u>	\$ <u>(87,376,406)</u>	\$ <u>62,012,836</u>	\$ <u>183,228,407</u>	\$ <u>7,495,713</u>

# **SECTION IV**

# **CONTRIBUTIONS**



In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will utilize a funding scheme that will result in a pattern of contributions that are both stable and predictable.

## Actuarially Determined Rate (for GASB disclosure)

For this Fund, the funding scheme employed is the **Entry Age Actuarial Cost Method**. Under this method there are two components to the total contribution, a **normal cost**, and an **amortization payment**. A normal cost is determined for each individual participant which, when added up for all participants, represents the Fund's total normal cost. Each year's normal cost represents the cost to fund that portion of the total future obligations which has been allocated to the current year, based upon the actuarial cost method in use.

The amortization payment, on the other hand, is not calculated for individual participants but calculated for the Fund as a whole, and represents an annual installment to fund the **unfunded actuarial liability (UAL)** for the Fund. The UAL represents the amount of additional funds that would have been accumulated by the valuation date, had all prior normal costs been made, and all actuarial assumptions been realized.

In Appendix C we describe more fully this technical topic.

The table below presents and compares the actuarially determined contributions for the Fund for this valuation and the prior one, and includes a calculation of the average annual normal cost per participant for each year.

ACTUARIALLY DETERMINED CONTRIBUTION (for GASB Disclosure)	7/1/2004	7/1/2003
Entry Age Normal Cost	8.02%	8.02%
Amortization Payment	<u>2.40%</u>	<u>1.95%</u>
Total State Contribution	10.42%	9.97%

The figures in the above table ignore the effect of the corridor method on ECS and TCS.

On the following pages we display the contribution rates developed for each System.

**TABLE IV-1  
STATE CONTRIBUTION RATES  
FISCAL YEAR 2006 – ENTRY AGE NORMAL**

	Total State	Teachers' Retirement and Pension	State Employees' Retirement and Pension	State Police	Judges	LEOPS
New Entrant Normal Contributions as Percent of Payroll	8.02%	7.70%	7.50%	25.05%	28.15%	21.25%
Unfunded Actuarial Liability Contribution as Percent of Payroll	<u>2.40</u>	<u>2.46</u>	<u>2.38</u>	<u>(16.83)</u>	<u>12.97</u>	<u>17.22</u>
Total Contributions as Percent of Payroll	<u>10.42%*</u>	<u>10.16%*</u>	<u>9.88%*</u>	<u>8.22%</u>	<u>41.12%</u>	<u>38.47%</u>

\* Ignores effect of the "Corridor Method."

**TABLE IV-2  
TOTAL STATE CONTRIBUTION RATES BY SYSTEM  
JUNE 30, 1991 – JUNE 30, 2004**

Valuation Date June 30	Total Systems	Teachers' Combined	Employees' Combined	State Police	Judges	LEOPS	Local Fire and Police
2004	10.42% *	10.16%*	9.88%*	8.22%	41.12%	38.47%	N/A
- 2003	9.97 *	10.03 *	9.19 *	(0.00)	36.72	37.73	N/A
- 2002	9.44 *	10.48 *	6.62 *	7.58	43.74	35.13	N/A
- 2001	8.70 *	9.87 *	5.74 *	5.78	43.92	36.10	N/A
- 2000	7.98	9.35	4.73	5.83	42.66	32.41	14.85
- 1999	9.31	10.95	5.71	8.44	46.75	23.38	15.00
- 1998	10.70	12.54	7.15	1.26	48.18	22.96	14.99
- 1997	11.67	13.99	7.13	10.91	52.12	25.60	16.42
- 1996	12.90	15.48	8.21	13.08	52.49	26.27	16.29
- 1995	13.50	16.09	8.54	17.65	52.56	35.15	16.19
- 1994	13.61	16.22	8.61	19.13	52.51	35.68	16.31
- 1993	13.43	15.92	8.70	19.36	52.84	34.07	16.17
- 1992	13.40	15.76	8.70	25.74	54.25	32.56	15.85
- 1991	13.89	16.31	9.15	28.72	54.98	33.58	15.43

\* Ignores effect of the "Corridor Method."

## Budgeted Rates (based on Corridor Method)

For the State Police, Judges and LEOPs Systems, the State's total contribution rate is equal to the normal cost plus the unfunded actuarial contribution rate. The unfunded actuarial contribution rate consists of the July 1, 2000 unfunded actuarial liability being amortized over 20 years (16 years remaining) plus 25 year amortization of the unfunded actuarial liability that emerges each subsequent year.

For the Teachers Combined System and the Employees' Combined System, the State's contribution is equal to the 2000 valuation contribution percentage (first applicable for fiscal 2002) as long as each System's actuarial funded status remains within a corridor of 90% to 110%. The normal cost rate and actuarial liability will continue to be measured using the entry age funding method. If the funded status falls outside the corridor a credit (if above 110%) or charge (if below 90%) will be established equal to the one-fifth of the difference between the prior year budgeted rate and the actuarially determined rate. Once the funded status returns to within the corridor the contribution rate will become fixed until the funded status falls outside of the corridor.

This year the Employees' Combined System became less than 90% funded. A charge of one-fifth of the difference between the prior year budgeted rate (4.73%) and the actuarially determined rate (9.88%) was calculated, moving the contribution rate to 5.76%.

The Teachers' Combined System remains in the corridor this year with a funding percent of 92.8% but is likely to fall below 90% funded next year absent very favorable investment returns.

The table below presents and compares the budgeted determined contributions for the State for this valuation and the prior one.

	7/1/2004	7/1/2003
Budgeted State Rate (based on Corridor Method)	8.46%	7.97%

On the following page we show the budgeted rate by System for this valuation and the prior one.

**TABLE IV-3  
SUMMARY OF CONTRIBUTIONS BASED ON CORRIDOR METHOD**

		Total State	Teachers' Retirement and Pension	State Employees' Retirement and Pension	State Police	Judges	LEOPS
7/1/2003 Valuation Results *	Unfunded Actuarial Liability	\$2,326,410,272	\$1,525,386,508	\$843,164,979	(\$222,817,505)	\$38,800,556	\$141,875,734
	Valuation-Based Contribution	\$612,963,841	\$448,275,613	\$128,444,519	\$0	\$12,420,809	\$24,412,504
	Total Contributions as Percentage of Payroll***	7.97%	9.35%	4.73%	0.00%	36.72%	37.73%
	Corridor Percentage		92.8%	91.6%			
7/1/2004 Valuation Results **	Unfunded Actuarial Liability	\$2,816,815,846	\$1,568,763,523	\$1,126,242,608	(\$87,376,406)	\$62,012,836	\$147,173,285
	Valuation-Based Contribution	\$652,439,063	\$448,821,634	\$157,266,702	\$6,628,023	\$14,176,459	\$25,536,732
	Total Contributions as Percentage of Payroll****	8.46%	9.35%	5.76%	8.22%	41.12%	38.47%
	Corridor Percentage		92.8%	89.2%			

\* This table shows the impact on Fiscal Year 2005.

\*\* This table shows the impact on Fiscal Year 2006

\*\*\* Total Contributions as Percent of Payroll remains fixed for Teachers and State Employees, because they remain within the Corridor Percentage.

\*\*\*\* The contribution rate would be 10.16% for Teachers, 9.88% for Employees, and 10.42% for the Total State if the corridor method were not in effect.

**SECTION V**

**ACCOUNTING STATEMENT  
INFORMATION**

# ACCOUNTING STATEMENT INFORMATION

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Statement No. 35 of the Financial Accounting Standards Board previously required the System to disclose certain information regarding its funded status. Statement No. 25 of the Governmental Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a quasi “snap shot” view of how the plan’s assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the plan were to terminate.

The GASB 25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the plan is ongoing and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.75% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement #25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2004 are exhibited in Table V-1, Table V-2, and Table V-3. As directed by FASB-35, the liabilities shown in Section A of Table V-1 and Table V-2 do not include any projection for future service and salary. Finally, Table V-4 reconciles the FASB-35 liabilities determined as of the prior valuation, June 30, 2003, to the liabilities as of June 30, 2004.

# ACCOUNTING STATEMENT INFORMATION

**TABLE V-1  
ACCOUNTING STATEMENT INFORMATION  
THE TOTAL SYSTEMS OF THE STATE OF MARYLAND**

	2004	2003
<b>A. FASB #35 Basis</b>		
1. Present Value of Benefits Accrued to Date:		
a. Members Currently Receiving Payments	\$ 18,347,530,077	\$ 16,851,546,911
b. Former Vested Members	694,371,447	721,570,911
c. Active Members	<u>11,357,661,070</u>	<u>11,436,792,752</u>
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	<u>\$ 30,399,562,594</u>	<u>\$ 29,009,910,574</u>
3. Assets at Market Value	<u>\$ 30,166,723,455</u>	<u>\$ 26,648,106,847</u>
4. Unfunded Value to Value of Benefits (2 - 3)	\$ 232,839,139	\$ 2,361,803,727
5. Ratio of Assets to Value of Benefits (3 / 2)	99.23%	91.86%
<b>B. GASB #25 Basis</b>		
1. Actuarial accrued liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 19,041,901,524	\$ 17,573,117,822
2. Actuarial accrued liabilities for current Employees	<u>17,283,802,541</u>	<u>17,401,483,044</u>
3. Total actuarial accrued liability (1 + 2)	\$ 36,325,704,065	\$ 34,974,600,866
4. Net actuarial assets available for benefits	33,484,656,570	<u>\$ 32,631,464,884</u>
5. Unfunded actuarial accrued liability (3 - 4)	<u>\$ 2,841,047,495</u>	<u>\$ 2,343,135,982</u>



# ACCOUNTING STATEMENT INFORMATION

**TABLE V-2  
ACCOUNTING STATEMENT INFORMATION – FASB 35  
AS OF JUNE 30, 2004**

	Total Systems	Teachers' Retirement & Pension	Employees' Retirement & Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Present Value of Benefits Accrued to Date:							
a. Members Currently Receiving Payments	\$18,347,530,077	\$11,235,844,910	\$ 5,814,366,214	\$ 877,848,000	\$ 182,011,363	\$ 227,765,793	\$ 9,693,797
b. Former Vested Members	694,371,447	310,926,872	369,488,142	3,305,564	6,952,286	3,268,671	229,912
c. Active Members	<u>11,357,661,070</u>	<u>6,740,050,448</u>	<u>4,082,709,563</u>	<u>246,777,320</u>	<u>108,896,616</u>	<u>176,969,383</u>	<u>2,257,740</u>
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	\$30,399,562,594	\$18,286,822,230	\$10,266,563,919	\$1,128,130,884	\$ 297,860,265	\$ 408,003,847	\$ 12,181,449
3. Assets at Market Value	<u>30,166,723,455</u>	<u>\$18,187,297,200</u>	<u>10,395,821,867</u>	<u>1,112,668,245</u>	<u>223,735,442</u>	<u>242,747,153</u>	<u>4,453,548</u>
4. Unfunded Value of Accrued Benefits (2 – 3)	<u>\$ 232,839,139</u>	<u>\$ 99,525,030</u>	<u>\$ (129,257,948)</u>	<u>\$ 15,462,639</u>	<u>\$ 74,124,823</u>	<u>\$ 165,256,694</u>	<u>\$ 7,727,901</u>
5. Ratio of Assets to Value of Accrued Benefits (3 / 2)	99.23%	99.46%	101.26%	98.63%	75.11%	59.50%	36.56%

# ACCOUNTING STATEMENT INFORMATION

**TABLE V-3  
ACCOUNTING STATEMENT INFORMATION – GASB #25  
AS OF JUNE 30, 2004**

	Total Systems	Teachers' Retirement & Pension	Employees' Retirement & Pension	State Police	Judges	LEOPS	Local Fire and Police
1. Actuarial Accrued Liability:							
a. Active Member Contributions	\$ 2,064,065,193	\$ 1,204,050,993	\$ 756,097,883	\$ 68,405,177	\$ 20,973,885	\$ 14,529,560	\$ 7,695
b. Retirees, Term Vesteds & Inactives	19,041,901,524	11,546,771,782	6,183,854,356	881,353,564	188,963,649	231,034,464	9,923,709
c. Active Members	<u>15,219,737,348</u>	<u>8,973,355,419</u>	<u>5,681,626,098</u>	<u>250,846,099</u>	<u>102,347,555</u>	<u>209,250,961</u>	<u>2,311,216</u>
2. Total Actuarial Accrued Liability (1(a) + 1(b) + 1(c))	\$36,325,704,065	\$21,724,178,194	\$12,621,578,337	\$1,200,604,840	\$ 312,285,089	\$ 454,814,985	\$ 12,242,620
3. Actuarial Value of Assets	33,484,656,570	20,155,414,671	11,514,654,915	1,287,981,246	250,272,253	271,586,578	4,746,907
4. Unfunded Actuarial Accrued Liability (2 – 3)	<u>\$ 2,841,047,495</u>	<u>\$ 1,568,763,523</u>	<u>\$ 1,106,923,422</u>	<u>\$ (87,376,406)</u>	<u>\$ 62,012,836</u>	<u>\$ 183,228,407</u>	<u>\$ 7,495,713</u>
5. Funded Ratio	92.18%	92.78%	91.23%	107.28%	80.14%	59.71%	38.77%
6. Annual Covered Payroll	\$ 8,069,480,852	\$ 4,543,443,669	\$ 3,337,542,706	\$ 76,444,973	\$ 32,937,016	\$ 77,369,072	\$ 1,743,416
7. UAAL as % of Covered Payroll	35.21%	34.53%	33.17%	(114.30%)	188.28%	236.82%	429.94%

# ACCOUNTING STATEMENT INFORMATION

**TABLE V-4  
STATEMENT OF CHANGES IN TOTAL ACTUARIAL  
PRESENT VALUE OF ALL ACCRUED BENEFITS**

(In Millions)	Accumulated Benefit Obligation (FASB 35)
Actuarial Present Value of Accrued Benefits at June 30, 2003	\$ 29,010
Increase (Decrease) During years Attributable to:	
Passage of Time	2,186
Benefits Paid – FY 2004	(1,651)
Benefits Accrued, Other (Gains)/Losses	855
Plan Amendment	-0-
Actuarial Assumption Change	<u>-0-</u>
Net Increase (Decrease)	1,390
Actuarial Present Value of Accrued Benefits at June 30, 2004	<u>\$ 30,400</u>

# **APPENDIX A**

## **DETAILED ACTUARIAL INFORMATION**

# APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (STATE PORTION)		
	Actuarial Valuation Performed	
	June 30, 2004 (for FY 2006)	June 30, 2003 (for FY 2005)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries.	\$17,321,527,043	\$ 15,906,478,152
b. Terminated vested members	640,722,198	664,681,405
c. Active members	<u>22,823,505,441</u>	<u>23,142,860,169</u>
d. Total present value	<u><u>40,785,754,682</u></u>	<u><u>\$39,714,019,726</u></u>
2. Present value of future earnings for present active members	\$ 63,956,007,269	\$ 65,517,711,222
3. Employer normal cost rate	8.02%	8.02%
4. Present value of employer future normal costs	\$ 5,129,271,783	\$ 5,254,520,440
5. Present value of members' future contributions (incl. Extra 2%)	\$ 1,487,111,045	\$ 1,544,445,036
6. Present value of future special UAL contributions.	\$ 74,429,704	\$ 76,267,329
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 34,094,942,150	\$ 32,838,786,921
8. Actuarial value of assets	<u>31,278,126,304</u>	<u>30,512,376,649</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 2,816,815,846	\$ 2,326,410,272
10. Less Window Payments	<u>0</u>	<u>2,401,342</u>
11. UAL for Amortization (9) – (10)	<u>\$ 2,816,815,846</u>	<u>\$ 2,324,008,930</u>
12. Present value of future payroll for amortization purposes	\$ 117,367,326,917	\$ 119,303,090,872
13. Unfunded Liability Rate	2.40%	1.95%
14. TOTAL EMPLOYER CONTRIBUTION RATE (GASB) (3) + (13)	10.42%	9.97%
15. TOTAL EMPLOYER CONTRIBUTION RATE (Corridor)	8.46%	7.97%

## APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (TEACHERS' COMBINED SYSTEM)		
	Actuarial Valuation Performed	
	June 30, 2004 (for FY 2006)	June 30, 2003 (for FY 2005)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries.	\$ 11,235,844,910	\$ 10,452,181,938
b. Terminated vested members	310,926,872	329,487,929
c. Active members	<u>14,261,927,636</u>	<u>14,547,847,979</u>
d. Total present value	<u>\$ 25,808,699,418</u>	<u>\$ 25,329,517,846</u>
2. Present value of future earnings for present active members	\$ 41,340,813,714	\$ 42,120,454,481
3. Employer normal cost rate	7.70%	7.70%
4. Present value of employer future normal costs	\$ 3,183,242,656	\$ 3,243,274,995
5. Present value of members' future contributions (incl. Extra 2%)	\$ 901,278,568	\$ 934,180,286
6. Present value of future special UAL contributions.	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 21,724,178,194	\$ 21,152,062,565
8. Actuarial value of assets	<u>20,155,414,671</u>	<u>19,626,676,057</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 1,568,763,523	\$ 1,525,386,508
10. Less Window Payments	<u>0</u>	<u>0</u>
11. UAL for Amortization (9) – (10)	<u>\$ 1,568,763,523</u>	<u>\$ 1,525,386,508</u>
12. Present value of future payroll for amortization purposes	\$ 63,770,874,919	\$ 65,467,232,103
13. Unfunded Liability Rate	2.46%	2.33%
14. TOTAL EMPLOYER CONTRIBUTION RATE (GASB (3) + (13))	10.16%	10.03%
15. TOTAL EMPLOYER CONTRIBUTION RATE (Corridor)	9.35%	9.35%

# APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND EMPLOYEES' COMBINED SYSTEM (STATE PORTION)			
		Actuarial Valuation Performed	
		June 30, 2004 (for FY 2006)	June 30, 2003 (for FY 2005)
1.	Present value of projected benefits attributable to:		
	a. Retired and disabled members, and beneficiaries.	\$ 4,811,670,402	\$ 4,412,129,246
	b. Terminated vested members	316,359,642	323,427,082
	c. Active members	<u>7,490,357,352</u>	<u>7,489,115,526</u>
	d. Total present value	<u>\$ 12,618,387,396</u>	<u>\$ 12,224,671,854</u>
2.	Present value of future earnings for present active members	\$ 21,162,535,107	\$ 21,882,535,853
3.	Employer normal cost rate	7.50%	7.50%
4.	Present value of employer future normal costs	\$ 1,587,190,133	\$ 1,641,190,189
5.	Present value of members' future contributions (incl. Extra 2%)	\$ 499,648,620	\$ 520,669,844
6.	Present value of future special UAL contributions.	\$ 74,429,704	\$ 76,267,329
7.	Total Actuarial Liability (1)d – (4) – (5) – (6)	\$10,457,118,939	\$ 9,986,544,492
8.	Actuarial value of assets	<u>\$ 9,330,876,331</u>	<u>\$ 9,143,379,513</u>
9.	Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 1,126,242,608	\$ 843,164,979
10.	Less Window Payments	<u>0</u>	<u>2,401,342</u>
11.	UAL for Amortization (9) – (10)	<u>\$ 1,126,242,608</u>	<u>\$ 840,763,637</u>
12.	Present value of future payroll for amortization purposes	\$ 47,321,117,983	\$ 49,891,418,876
13.	Unfunded Liability Rate	2.38%	1.69%
14.	TOTAL EMPLOYER CONTRIBUTION RATE (GASB) (3) + (13)	9.88%	9.19%
15.	TOTAL EMPLOYER CONTRIBUTION RATE (Corridor)	5.76%	4.73%

## APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (STATE POLICE)		
	Actuarial Valuation Performed	
	June 30, 2004 (for FY 2006)	June 30, 2003 (for FY 2005)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries.	\$ 877,848,000	\$ 720,328,622
b. Terminated vested members	3,505,564	3,270,088
c. Active members	<u>547,960,209</u>	<u>578,978,349</u>
d. Total present value	<u>\$ 1,429,313,773</u>	<u>\$ 1,302,577,059</u>
2. Present value of future earnings for present active members	\$ 692,008,910	\$ 726,592,723
3. Employer normal cost rate	25.05%	25.05%
4. Present value of employer future normal costs	\$ 173,348,232	\$ 182,011,477
5. Present value of members' future contributions (incl. Extra 2%)	\$ 55,360,701	\$ 58,182,344
6. Present value of future special UAL contributions.	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 1,200,604,840	\$ 1,062,383,238
8. Actuarial value of assets	<u>\$ 1,287,981,246</u>	<u>\$ 1,285,200,743</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ (87,376,406)	\$ (222,817,505)
10. Less Window Payments	<u>NA</u>	<u>NA</u>
11. UAL for Amortization (9) – (10)	<u>\$ (87,376,406)</u>	<u>\$ (222,817,505)</u>
12. Present value of future payroll for amortization purposes	\$ 519,170,564	\$ 872,767,352
13. Unfunded Liability Rate	-16.83%	-25.53%
14. TOTAL EMPLOYER CONTRIBUTION RATE (3) + (13)	8.22%	0.00%



## APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND (JUDGES)		
	Actuarial Valuation Performed	
	June 30, 2004 (for FY 2006)	June 30, 2003 (for FY 2005)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries.	\$ 182,011,363	\$ 154,065,372
b. Terminated vested members	6,952,286	5,742,712
c. Active members	197,285,008	196,098,248
d. Total present value	<u>\$ 386,248,657</u>	<u>\$ 355,906,332</u>
2. Present value of future earnings for present active members	\$ 233,748,000	\$ 242,508,089
3. Employer normal cost rate	28.15%	28.15%
4. Present value of employer future normal costs	\$ 65,800,062	\$ 68,266,027
5. Present value of members' future contributions (incl. Extra 2%)	\$ 8,163,506	\$ 8,632,188
6. Present value of future special UAL contributions.	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 312,285,089	\$ 279,008,117
8. Actuarial value of assets	<u>\$ 250,272,253</u>	<u>\$ 240,207,561</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 62,012,836	\$ 38,800,556
10. Less Window Payments	<u>NA</u>	<u>NA</u>
11. UAL for Amortization (9) – (10)	<u>\$ 62,012,836</u>	<u>\$ 38,800,556</u>
12. Present value of future payroll for amortization purposes	\$ 478,125,181	\$ 452,748,611
13. Unfunded Liability Rate	12.97%	8.57%
14. TOTAL EMPLOYER CONTRIBUTION RATE (3) + (13)	41.12%	36.72%

# APPENDIX A – DETAILED ACTUARIAL INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND LEOPS (STATE PORTION)		
	Actuarial Valuation Performed	
	June 30, 2004 (for FY 2006)	June 30, 2003 (for FY 2005)
1. Present value of projected benefits attributable to:		
a. Retired and disabled members, and beneficiaries.	\$ 214,152,368	\$ 167,772,974
b. Terminated vested members	2,977,834	2,753,594
c. Active members	<u>325,975,236</u>	<u>330,820,067</u>
d. Total present value	<u>\$ 543,105,438</u>	<u>\$ 501,346,635</u>
2. Present value of future earnings for present active members	\$ 563,250,353	\$ 563,660,009
3. Employer normal cost rate	21.25%	21.25%
4. Present value of employer future normal costs	\$ 119,690,700	\$ 119,777,752
5. Present value of members' future contributions (incl. Extra 2%)	\$ 22,659,650	\$ 22,780,374
6. Present value of future special UAL contributions.	\$ 0	\$ 0
7. Total Actuarial Liability (1)d – (4) – (5) – (6)	\$ 400,755,088	\$ 358,788,509
8. Actuarial value of assets	<u>\$ 253,581,803</u>	<u>\$ 216,912,775</u>
9. Unfunded Actuarial Liability on valuation date (7) – (8)	\$ 147,173,285	\$ 141,875,734
10. Less Window Payments	<u>NA</u>	<u>NA</u>
11. UAL for Amortization (9) – (10)	<u>\$ 147,173,285</u>	<u>\$ 141,875,734</u>
12. Present value of future payroll for amortization purposes	\$ 854,664,837	\$ 860,896,444
13. Unfunded Liability Rate	17.22%	16.48%
14. TOTAL EMPLOYER CONTRIBUTION RATE (3) + (13)	38.47%	37.73%

# **APPENDIX B**

## **MEMBERSHIP INFORMATION**

## APPENDIX B – MEMBERSHIP INFORMATION

### STATE RETIREMENT AND PENSION SYSTEM SUMMARY OF MEMBERSHIP DATA AS OF JUNE 30, 2004 COMBINED SYSTEMS

		Active Members		Retirees & Beneficiaries			Vested Former Members (includes inactives)	Total Counts
		Count	Salary	Count	Benefits	Avg. Age	Count	
Teachers' Retirement	Total	7,197	\$ 502,487,678					
	Vested	7,195	\$ 502,359,339					
	Non-vested	2	\$ 128,339	30,598	\$ 766,893,717	72.5	1,478	39,273
Teachers' Pension	Total	88,765	\$ 4,113,119,415					
	Vested	57,502	\$ 3,005,529,655					
	Non-vested	31,263	\$ 1,107,589,760	15,093	\$ 206,841,121	65.4	18,327	122,185
Employees' Retirement	Total	10,489	\$ 438,455,277					
	Vested	8,151	\$ 367,614,813					
	Non-vested	2,338	\$ 70,840,464	24,559	\$ 352,260,535	73.2	1,311	36,359
Employees' Pension	Total	75,955	\$ 2,964,093,317					
	Vested	51,445	\$ 2,176,685,933					
	Non-vested	24,510	\$ 787,407,384	21,913	\$ 170,817,752	66.0	25,626	123,494
State Police	Total	1,445	\$ 77,531,613					
	Vested	1,121	\$ 65,532,198					
	Non-vested	324	\$ 11,999,415	1,790	\$ 62,331,011	58.8	44	3,279
Judges	Total	283	\$ 33,149,832					
	Vested	283	\$ 33,149,832					
	Non-vested	0	\$ 0	309	\$ 17,539,241	77.5	14	606
LEOPS	Total	1,675	\$ 78,628,672					
	Vested	1,178	\$ 60,398,555					
	Non-vested	497	\$ 18,230,117	581	\$ 15,155,236	56.2	81	2,337
Local F & P	Total	52	\$ 1,782,520					
	Vested	28	\$ 1,063,660					
	Non-vested	24	\$ 718,860	37	\$ 694,616	53.5	30	119
Total Systems -	Total	185,861	\$ 8,209,248,324					
	Vested	126,903	\$ 6,212,333,985					
	Non-Vested	58,958	\$ 1,996,914,339	94,880	\$1,592,533,229	69.7	46,911	327,652

## APPENDIX B – MEMBERSHIP INFORMATION

### STATE RETIREMENT AND PENSION SYSTEM SUMMARY OF MEMBERSHIP DATA AS OF JUNE 30, 2004 MUNICIPAL CORPORATIONS

		Active Members		Retirees & Beneficiaries			Vested Former Members (includes inactives)	Total Counts
		Count	Salary	Count	Benefits	Avg. Age	Count	
Employees' Retirement	Total	670	\$ 30,869,474					
	Vested	670	\$ 30,869,474					
	Non-vested	0	\$ 0	4,839	\$ 54,303,845	75.4	135	5,644
Employees' Pension	Total	22,776	\$ 746,366,923					
	Vested	13,604	\$ 514,364,185					
	Non-vested	9,172	\$ 232,002,738	5,648	\$ 37,876,174	66.4	5,417	33,841
LEOPS	Total	355	\$ 14,800,883					
	Vested	219	\$ 10,381,400					
	Non-vested	136	\$ 4,419,483	29	\$ 833,450	52.7	14	398
Local F & P	Total	52	\$ 1,782,520					
	Vested	28	\$ 1,063,660					
	Non-vested	24	\$ 718,860	37	\$ 694,616	53.5	30	119
Total Systems -	Total	23,853	\$ 793,819,800					
	Vested	14,521	\$ 556,678,719					
	Non-Vested	9,332	\$ 237,141,081	10,553	\$ 93,708,085	70.4	5,596	40,002

## APPENDIX B – MEMBERSHIP INFORMATION

### STATE RETIREMENT AND PENSION SYSTEM SUMMARY OF MEMBERSHIP DATA AS OF JUNE 30, 2004 STATE ONLY

		Active Members		Retirees & Beneficiaries			Vested Former Members (includes inactives)	Total Counts
		Count	Salary	Count	Benefits	Avg. Age	Count	
Teachers' Retirement	Total	7,197	\$ 502,487,678					
	Vested	7,195	\$ 502,359,339					
	Non-vested	2	\$ 128,339	30,598	\$ 766,893,717	72.5	1,478	39,273
Teachers' Pension	Total	88,765	\$ 4,113,119,415					
	Vested	57,502	\$ 3,005,529,655					
	Non-vested	31,263	\$ 1,107,589,760	15,093	\$ 206,841,121	65.4	18,327	122,185
Employees' Retirement	Total	9,819	\$ 407,585,803					
	Vested	7,481	\$ 336,745,339					
	Non-vested	2,338	\$ 70,840,464	19,720	\$ 297,956,690	72.7	1,176	30,715
Employees' Pension	Total	53,179	\$ 2,217,726,394					
	Vested	37,841	\$ 1,662,321,748					
	Non-vested	15,338	\$ 555,404,646	16,265	\$ 132,941,578	65.9	20,209	89,653
State Police	Total	1,445	\$ 77,531,613					
	Vested	1,121	\$ 65,532,198					
	Non-vested	324	\$ 11,999,415	1,790	\$ 62,331,011	58.8	44	3,279
Judges	Total	283	\$ 33,149,832					
	Vested	283	\$ 33,149,832					
	Non-vested	0	\$ 0	309	\$ 17,539,241	77.5	14	606
LEOPS	Total	1,320	\$ 63,827,789					
	Vested	959	\$ 50,017,155					
	Non-vested	361	\$ 13,810,634	552	\$ 14,321,786	56.4	67	1,939
Total Systems -	Total	162,008	\$ 7,415,428,524					
	Vested	112,382	\$ 5,655,655,266					
	Non-Vested	49,626	\$ 1,759,773,258	84,327	\$1,498,825,144	69.6	41,315	287,650

## APPENDIX B – MEMBERSHIP INFORMATION

STATE RETIREMENT AND PENSION SYSTEM OF MARYLAND MEMBERSHIP STATISTICS June 30, 2004				
System	Count	Average Age	Average Service	Average Salary
Teachers' Retirement	7,197	56.1	29.312	\$ 69,819
Teachers' Pension	88,765	43.6	10.547	46,337
Employees' Retirement – State	2,938	55.1	29.193	52,791
Employees' Retirement – Municipal	670	56.1	28.880	46,074
Employees' Retirement – Legislators	184	54.7	9.664	38,258
Employees' Retirement – Correctional Officers	<u>6,697</u>	<u>39.6</u>	<u>9.689</u>	<u>36,650</u>
Employees' Retirement – Total	10,489	45.3	16.378	41,801
Employees' Pension – State	53,179	46.7	12.737	41,703
Employees' Pension – Municipal	<u>22,776</u>	<u>46.7</u>	<u>9.789</u>	<u>32,770</u>
Employees' Pension – Total	75,955	46.7	11.853	39,024
State Police	1,445	35.8	11.721	53,655
Judges	283	56.2	9.778	117,137
LEOPS – State	1,320	40.3	11.651	48,354
LEOPS – Municipal	<u>355</u>	<u>36.6</u>	<u>10.221</u>	<u>41,693</u>
LEOPS – Total	1,675	39.5	11.348	46,942
Local P & F	52	36.4	10.021	34,279
<b>TOTAL SYSTEMS</b>	185,861	45.4	12.151	44,169
		Teachers	State and Municipal Employees	
	Count	Earnings	Count	Earnings
Unlimited COLA	4,846	\$ 341,720,322	2,259	\$ 116,228,745
5% COLA Cap	1,556	106,565,851	1,114	57,687,037
Bifurcate	<u>795</u>	<u>54,201,505</u>	<u>235</u>	<u>12,053,486</u>
	<u><u>7,197</u></u>	<u><u>\$ 502,487,678</u></u>	<u><u>3,608</u></u>	<u><u>\$ 185,969,268</u></u>

# APPENDIX B – MEMBERSHIP INFORMATION

## Active Membership - Age Distributions

<b>Total Systems 2004</b>			
Age	Number of People	Total Salary	Average Salary
Under 20	77	\$1,508,134	\$19,586
20 To 24	4,197	\$127,503,414	\$30,380
25 To 29	14,815	\$530,160,280	\$35,785
30 To 34	20,733	\$808,435,056	\$38,993
35 To 39	19,968	\$831,211,172	\$41,627
40 To 44	22,875	\$954,495,153	\$41,727
45 To 49	27,500	\$1,202,906,416	\$43,742
50 To 54	31,616	\$1,557,474,962	\$49,262
55 To 59	26,284	\$1,350,424,775	\$51,378
60 To 64	12,808	\$629,421,642	\$49,143
65 & UP	4,988	\$215,707,320	\$43,245
Totals	185,861	\$8,209,248,324	\$44,169

<b><u>Teachers' Retirement</u></b>			<b><u>Teachers' Pension</u></b>		
Age	All Years		Age	All Years	
	Count	Salary		Count	Salary
Under 20	0	\$0	Under 20	15	\$205,198
20 To 24	0	\$0	20 To 24	2,627	\$85,648,608
25 To 29	0	\$0	25 To 29	10,146	\$380,467,291
30 To 34	0	\$0	30 To 34	12,530	\$517,543,578
35 To 39	0	\$0	35 To 39	9,776	\$443,160,056
40 To 44	7	\$261,636	40 To 44	9,605	\$429,256,490
45 To 49	595	\$37,625,282	45 To 49	11,468	\$527,093,726
50 To 54	2,484	\$173,145,314	50 To 54	14,108	\$733,871,824
55 To 59	2,406	\$171,541,392	55 To 59	11,761	\$647,491,787
60 To 64	1,183	\$84,556,867	60 To 64	5,152	\$276,601,030
65 & UP	522	\$35,357,187	65 & UP	1,577	\$71,779,827
Totals	7,197	\$502,487,678	Totals	88,765	\$4,113,119,415



# APPENDIX B – MEMBERSHIP INFORMATION

## Employees' Retirement State Regular

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	36	\$1,586,168
45 To 49	481	\$22,194,557
50 To 54	921	\$48,394,752
55 To 59	886	\$49,675,538
60 To 64	434	\$23,291,197
65 & UP	180	\$9,957,582
Totals	2,938	\$155,099,794

## Employees' Retirement Municipal

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	13	\$562,652
45 To 49	128	\$6,221,330
50 To 54	155	\$8,120,400
55 To 59	162	\$7,888,826
60 To 64	143	\$5,856,141
65 & UP	69	\$2,220,125
Totals	670	\$30,869,474

## Employees' Retirement Legislative

Age	All Years	
	Count	Salary
Under 20	0	\$0
20 To 24	0	\$0
25 To 29	5	\$191,260
30 To 34	7	\$267,764
35 To 39	6	\$229,512
40 To 44	19	\$726,788
45 To 49	23	\$879,796
50 To 54	23	\$879,796
55 To 59	35	\$1,332,929
60 To 64	26	\$1,001,561
65 & UP	40	\$1,530,080
Totals	184	\$7,039,486

## Employees' Retirement Correctional Officers

Age	All Years	
	Count	Salary
Under 20	11	\$304,810
20 To 24	216	\$6,170,313
25 To 29	662	\$20,204,891
30 To 34	1,283	\$42,495,650
35 To 39	1,297	\$47,686,369
40 To 44	1,247	\$48,672,160
45 To 49	971	\$39,091,609
50 To 54	577	\$23,221,433
55 To 59	336	\$13,642,972
60 To 64	84	\$3,402,925
65 & UP	13	\$553,391
Totals	6,697	\$245,446,523

## Employees' Pension State Regular

Age	All Years	
	Count	Salary
Under 20	11	\$245,109
20 To 24	671	\$18,119,387
25 To 29	2,642	\$87,115,940
30 To 34	4,433	\$164,664,443
35 To 39	5,655	\$221,960,457
40 To 44	7,778	\$319,000,360
45 To 49	9,407	\$403,851,525
50 To 54	9,594	\$426,032,552
55 To 59	7,635	\$344,144,087
60 To 64	3,866	\$169,475,166
65 & UP	1,487	\$63,117,368
Totals	53,179	\$2,217,726,394

## Employees' Pension Municipal

Age	All Years	
	Count	Salary
Under 20	27	\$471,619
20 To 24	527	\$12,237,913
25 To 29	968	\$26,587,339
30 To 34	1,832	\$54,479,216
35 To 39	2,527	\$81,564,119
40 To 44	3,596	\$121,390,554
45 To 49	4,020	\$140,344,427
50 To 54	3,508	\$126,377,116
55 To 59	2,863	\$98,282,545
60 To 64	1,850	\$58,374,303
65 & UP	1,058	\$26,257,772
Totals	22,776	\$746,366,923

# APPENDIX B – MEMBERSHIP INFORMATION

## State Police

Age	Count	All Years	
		Count	Salary
Under 20	13		\$281,398
20 To 24	100		\$3,386,138
25 To 29	198		\$8,529,751
30 To 34	309		\$15,369,151
35 To 39	387		\$22,069,269
40 To 44	259		\$16,229,833
45 To 49	116		\$7,410,956
50 To 54	46		\$3,090,088
55 To 59	16		\$1,106,646
60 To 64	1		\$58,383
65 & UP	0		\$0
<b>Totals</b>	<b>1,445</b>		<b>\$77,531,613</b>

## Judges

Age	Count	All Years	
		Count	Salary
Under 20	0		\$0
20 To 24	0		\$0
25 To 29	0		\$0
30 To 34	0		\$0
35 To 39	1		\$112,252
40 To 44	13		\$1,499,776
45 To 49	37		\$4,323,424
50 To 54	57		\$6,611,226
55 To 59	85		\$9,931,317
60 To 64	49		\$5,780,105
65 & UP	41		\$4,891,732
<b>Totals</b>	<b>283</b>		<b>\$33,149,832</b>

## LEOPS

Age	Count	All Years	
		Count	Salary
Under 20	0		\$0
20 To 24	55		\$1,911,947
25 To 29	183		\$6,729,624
30 To 34	320		\$13,015,809
35 To 39	311		\$14,144,297
40 To 44	299		\$15,191,125
45 To 49	253		\$13,844,184
50 To 54	137		\$7,487,022
55 To 59	96		\$5,238,444
60 To 64	20		\$1,023,964
65 & UP	1		\$42,256
<b>Totals</b>	<b>1,675</b>		<b>\$78,628,672</b>

## Local Fire and Police

Age	Count	All Years	
		Count	Salary
Under 20	0		\$0
20 To 24	1		\$29,108
25 To 29	11		\$334,184
30 To 34	19		\$599,445
35 To 39	8		\$284,841
40 To 44	3		\$117,611
45 To 49	1		\$25,600
50 To 54	6		\$243,439
55 To 59	3		\$148,292
60 To 64	0		\$0
65 & UP	0		\$0
<b>Totals</b>	<b>52</b>		<b>\$1,782,520</b>

# APPENDIX B – MEMBERSHIP INFORMATION

## Retiree, Beneficiary and Disability Membership - Age Distributions

Total Systems 2004			
Age	Number of People	Total Benefits	Average Benefit
Under 25	3	\$55,446	\$18,482
25 To 29	11	\$231,009	\$21,001
30 To 34	60	\$1,235,249	\$20,587
35 To 39	243	\$5,087,552	\$20,936
40 To 44	671	\$11,625,986	\$17,326
45 To 49	1,486	\$27,163,057	\$18,279
50 To 54	3,523	\$71,293,806	\$20,237
55 To 59	9,538	\$208,109,736	\$21,819
60 To 64	14,753	\$274,462,951	\$18,604
65 To 69	17,546	\$275,146,210	\$15,681
70 To 74	16,208	\$254,060,041	\$15,675
75 To 79	13,383	\$204,171,664	\$15,256
80 & Up	17,455	\$259,890,522	\$14,889
Totals	94,880	\$1,592,533,229	\$16,785

### Teachers' Retirement

Age	All Years	
	Count	Benefit
Under 25	1	\$10,272
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	1	\$8,728
40 To 44	1	\$5,864
45 To 49	27	\$470,996
50 To 54	506	\$14,828,656
55 To 59	2,840	\$90,998,763
60 To 64	4,099	\$122,124,458
65 To 69	4,641	\$126,024,956
70 To 74	5,380	\$134,833,991
75 To 79	5,229	\$116,675,059
80 & Up	7,873	\$160,911,974
Totals	30,598	\$766,893,717

### Teachers' Pension

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	1	\$18,834
30 To 34	7	\$152,498
35 To 39	24	\$432,064
40 To 44	65	\$887,021
45 To 49	133	\$2,056,963
50 To 54	488	\$9,945,340
55 To 59	2,239	\$40,598,373
60 To 64	3,829	\$58,129,223
65 To 69	4,107	\$49,694,650
70 To 74	2,655	\$30,283,214
75 To 79	1,178	\$11,663,246
80 & Up	367	\$2,979,695
Totals	15,093	\$206,841,121

# APPENDIX B – MEMBERSHIP INFORMATION

## Employees' Retirement State Regular

Age	All Years	
	Count	Benefit
Under 25	1	\$44,259
25 To 29	3	\$30,976
30 To 34	19	\$303,477
35 To 39	62	\$1,044,326
40 To 44	187	\$2,717,942
45 To 49	486	\$7,152,179
50 To 54	756	\$12,688,153
55 To 59	1443	\$28,904,942
60 To 64	1908	\$36,975,370
65 To 69	2258	\$40,796,180
70 To 74	2835	\$45,907,603
75 To 79	3441	\$49,224,889
80 & Up	6103	\$69,583,427
<b>Totals</b>	<b>19,502</b>	<b>\$295,373,723</b>

## Employees' Retirement Municipal

Age	All Years	
	Count	Benefit
Under 25	1	\$915
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	0	\$0
45 To 49	16	\$324,182
50 To 54	70	\$1,531,597
55 To 59	211	\$4,805,843
60 To 64	381	\$7,323,974
65 To 69	689	\$10,272,008
70 To 74	779	\$9,450,035
75 To 79	929	\$9,111,468
80 & Up	1763	\$11,483,823
<b>Totals</b>	<b>4,839</b>	<b>\$54,303,845</b>

## Employees' Retirement Legislative

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	0	\$0
45 To 49	0	\$0
50 To 54	0	\$0
55 To 59	3	\$18,953
60 To 64	26	\$334,805
65 To 69	42	\$514,548
70 To 74	44	\$596,536
75 To 79	44	\$449,698
80 & Up	59	\$668,427
<b>Totals</b>	<b>218</b>	<b>\$2,582,967</b>

## Employees' Pension State Regular

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	1	\$12,091
30 To 34	12	\$178,512
35 To 39	63	\$966,560
40 To 44	209	\$2,914,354
45 To 49	396	\$5,349,116
50 To 54	946	\$12,953,820
55 To 59	1,819	\$20,879,842
60 To 64	3,106	\$28,627,800
65 To 69	4,067	\$30,496,276
70 To 74	3,121	\$18,827,506
75 To 79	1,749	\$8,678,941
80 & Up	776	\$3,056,760
<b>Totals</b>	<b>16,265</b>	<b>\$132,941,578</b>

## Employees' Pension Municipal

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	0	\$0
30 To 34	3	\$49,307
35 To 39	35	\$604,999
40 To 44	105	\$1,632,072
45 To 49	170	\$2,554,659
50 To 54	296	\$4,036,103
55 To 59	458	\$5,330,593
60 To 64	986	\$7,477,286
65 To 69	1,454	\$8,172,584
70 To 74	1,155	\$4,957,510
75 To 79	676	\$2,255,565
80 & Up	310	\$805,496
<b>Totals</b>	<b>5,648</b>	<b>\$37,876,174</b>

# APPENDIX B – MEMBERSHIP INFORMATION

## State Police

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	5	\$136,064
30 To 34	14	\$423,418
35 To 39	50	\$1,826,308
40 To 44	85	\$2,967,793
45 To 49	186	\$7,158,750
50 To 54	287	\$10,602,598
55 To 59	372	\$12,764,895
60 To 64	299	\$9,680,064
65 To 69	204	\$5,818,146
70 To 74	140	\$4,152,414
75 To 79	65	\$2,293,409
80 & Up	83	\$4,507,152
<b>Totals</b>	<b>1,790</b>	<b>\$62,331,011</b>

\*104 DROP participants were included.

## Judges

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	0	\$0
30 To 34	0	\$0
35 To 39	0	\$0
40 To 44	0	\$0
45 To 49	0	\$0
50 To 54	1	\$37,417
55 To 59	2	\$63,331
60 To 64	22	\$1,402,317
65 To 69	33	\$2,140,331
70 To 74	68	\$4,347,287
75 To 79	62	\$3,654,790
80 & Up	121	\$5,893,768
<b>Totals</b>	<b>309</b>	<b>\$17,539,241</b>

## LEOPS

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	1	\$33,044
30 To 34	4	\$105,977
35 To 39	6	\$155,539
40 To 44	18	\$484,294
45 To 49	68	\$2,002,247
50 To 54	163	\$4,477,245
55 To 59	140	\$3,556,819
60 To 64	90	\$2,271,992
65 To 69	50	\$1,199,535
70 To 74	31	\$703,945
75 To 79	10	\$164,599
80 & Up	0	\$0
<b>Totals</b>	<b>581</b>	<b>\$15,155,236</b>

\*78 DROP participants were included.

## Local Fire and Police

Age	All Years	
	Count	Benefit
Under 25	0	\$0
25 To 29	0	\$0
30 To 34	1	\$22,060
35 To 39	2	\$49,028
40 To 44	1	\$16,646
45 To 49	4	\$93,965
50 To 54	10	\$192,877
55 To 59	11	\$187,382
60 To 64	7	\$115,662
65 To 69	1	\$16,996
70 To 74	0	\$0
75 To 79	0	\$0
80 & Up	0	\$0
<b>Totals</b>	<b>37</b>	<b>\$694,616</b>

# **APPENDIX C**

## **ACTUARIAL ASSUMPTIONS AND METHODS**

# APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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## A. ACTUARIAL ASSUMPTIONS

	1. Valuation Interest Rate	2. Rate of Increase in Cost of Living
Teachers' Retirement	7.75%	3%
Teachers' Pension	7.75%	3%
Employees' Retirement Regular & Correctional	7.75%	3%
Legislative	7.75%	4%*
Employees' Pension	7.75%	3%**
State Police Retirement	7.75%	3%
Judges Pension	7.75%	4%
LEOPS	7.75%	3%***
Local Fire & Police Retirement	7.75%	3%
Pension	7.75%	3%***

\* A 5% compound rate is applicable for some pre-71 Legislative members.

\*\* A 3% simple rate is applicable for municipal members of these Systems, who do not elect to be covered under the improved plan.

\*\*\* A 3% simple rate is applicable for former EPS members.

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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### A. ACTUARIAL ASSUMPTIONS

#### 3a. Rates of Salary Increase (% for first 10 years of service)

0      1      2      3      4      5      6      7      8      9

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Teachers' Retirement & Pension	10.76	8.37	8.37	8.37	8.37	8.37	8.16	7.90	7.43	7.22
Employees' Retirement										
Regular	9.56	9.56	8.94	8.16	7.64	7.12	6.86	6.39	5.98	5.82
Correctional	9.46	8.94	7.12	6.86	5.25	4.78	4.36	4.36	4.36	4.36
Legislative	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Employees' Pension	9.56	9.56	8.94	8.16	7.64	7.12	6.86	6.39	5.98	5.82
State Police Retirement	15.96	15.96	13.36	11.28	9.72	8.16	7.12	6.08	5.56	5.30
Judges' Pension	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
LEOPS	15.96	15.96	13.36	11.28	9.72	8.16	7.12	6.08	5.56	5.30
Local Fire & Police	15.96	15.96	13.36	11.28	9.72	8.16	7.12	6.08	5.56	5.30



## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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### A. ACTUARIAL ASSUMPTIONS

#### 3b. Rates of Salary Increase (% at selected ages thereafter)

	30	35	40	45	50	55	60	65
Teachers' Retirement & Pension	7.22	6.60	5.35	4.78	4.52	4.31	4.31	4.31
Employees' Retirement								
Regular	5.82	5.82	5.46	5.25	5.14	4.94	4.94	4.94
Correctional	4.36	4.36	4.31	4.26	4.21	4.00	4.00	4.00
Legislative	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Employees' Pension	5.82	5.82	5.46	5.25	5.14	4.94	4.94	4.94
State Police Retirement	5.27	4.98	4.74	4.25	4.25	4.25	4.25	4.25
Judges' Pension	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
LEOPS	5.27	4.98	4.74	4.25	4.25	4.25	4.25	4.25
Local Fire & Police	5.27	4.98	4.74	4.25	4.25	4.25	4.25	4.25

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### A. ACTUARIAL ASSUMPTIONS

#### 4a. Annual Rates of Withdrawal for first 10 Years of Service (number of withdrawals per 1,000 members)

	0	1	2	3	4	5	6	7	8	9
<b>Teachers' Retirement</b>										
Male	149	149	116	99	81	78	56	54	45	39
Female	128	128	106	93	74	70	63	51	49	49
<b>Teachers' Pension</b>										
Male	149	149	116	99	81	78	56	54	45	39
Female	128	128	106	93	74	70	63	51	49	49
<b>Employees' Retirement</b>										
Regular										
Male	161	161	111	99	92	76	76	60	60	53
Female	150	150	106	100	78	78	64	60	51	45
Correctional										
Male	134	134	96	93	63	63	52	39	35	30
Female	151	151	82	82	70	70	53	53	45	45
Legislative	*	*	*	*	*	*	*	*	*	*
<b>Employees' Pension</b>										
Male	161	161	111	99	92	76	76	60	60	53
Female	150	150	106	100	78	78	64	60	51	45
State Police Retirement	86	86	57	29	14	14	8	8	7	7
Judges' Pension	0	0	0	0	0	0	0	0	0	0
LEOPS	86	86	57	29	14	14	8	8	7	7
Local Fire & Police	86	86	57	29	14	14	8	8	7	7

\* 200 withdrawals per 1,000 members are assumed after 8 years of service and each fourth year thereafter.

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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### A. ACTUARIAL ASSUMPTIONS

#### 4b. Annual Rates of Withdrawal at Selected Ages (number of withdrawals per 1,000 members)

30      35      40      45      50      55

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Teachers' Retirement						
Male	39	27	16	11	14	24
Female	49	36	16	13	15	26
Teachers' Pension						
Male	39	27	16	11	14	24
Female	49	36	16	13	15	26
Employees' Retirement						
Regular						
Male	52	46	34	27	28	33
Female	44	34	25	22	21	28
Correctional						
Male	29	27	24	12	12	12
Female	45	33	32	27	27	27
Legislative	*	*	*	*	*	*
Employees' Pension						
Male	52	46	34	27	28	33
Female	44	34	25	22	21	28
State Police Retirement	7	7	7	7	7	7
Judges' Pension	0	0	0	0	0	0
LEOPS	7	7	7	7	7	7
Local Fire & Police	7	7	7	7	7	7

\* 200 withdrawals per 1,000 members are assumed after 8 years of service and each fourth year thereafter.

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### A. ACTUARIAL ASSUMPTIONS

#### 5a. Annual Rates of Mortality at Selected Ages - Active Members (number of deaths per 10,000 members)

	25	30	35	40	45	50	55	60	65	69
Teachers' Retirement										
Active Members										
Male	4	6	10	15	24	34	48	65	85	117
Female	3	3	4	6	11	17	23	32	40	48
Teachers' Pension										
Active Members										
Male	4	6	10	15	24	34	48	65	85	117
Female	3	3	4	6	11	17	23	32	40	48
Employees' Retirement										
Active Members										
Male Regular	8	10	14	22	32	46	67	96	141	185
Female Regular	7	8	11	16	23	33	49	72	103	152
Correctional	9	12	17	26	38	55	80	--	--	--
Legislative	7	10	16	24	39	61	97	140	--	--
Employees' Pension										
Active Members										
Male Active Members	8	10	14	22	32	46	67	96	141	185
Female Active Members	7	8	11	16	23	33	49	72	103	152
State Police Retirement										
Active Members										
Ordinary Death	6	9	13	20	30	46	71	103	--	--
Accidental Death	2	3	3	3	4	6	2	1	--	--
Judges' Pension										
Active Members										
	4	6	9	13	19	28	40	58	85	134
LEOPS										
Active Members										
Ordinary Death	6	9	13	20	30	46	71	103	--	--
Accidental Death	2	3	3	3	4	6	2	1	--	--
Local Fire & Police Systems										
Active Members										
Ordinary	6	9	13	20	30	46	71	103	--	--
Accidental	2	3	3	3	4	6	2	1	--	--

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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### A. ACTUARIAL ASSUMPTIONS

#### 5b. Annual Rates of Mortality at Selected Ages - Retired Members (number of deaths per 10,000 members)

45      50      55      60      65      70      75      80

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#### Teachers' Retirement & Pension Inactive Members

Male	13	18	31	57	108	189	322	547
Female	10	14	23	43	83	142	239	390

#### Inactive Disabled Members

Male	432	496	784	992	1168	1424	1696	2304
Female	162	186	294	372	438	534	636	864

#### Employees' Retirement & Pension Inactive Members

Male	19	31	53	96	174	285	447	744
Female	11	17	27	51	97	167	281	459

#### Inactive Disabled Members

Male	226	290	354	420	502	626	821	1094
Female	202	231	266	298	333	370	443	671

#### State Police Retirement Inactive Members

Male	17	24	40	74	140	244	416	708
Female	13	19	31	58	112	193	323	528

#### Inactive Disabled Members

Male	81	93	147	186	219	267	318	432
Female	95	109	171	217	255	312	371	504

#### Judges' Pension

#### Inactive Members

Male	13	18	31	57	108	189	322	547
Female	10	14	23	43	83	142	239	390

#### Inactive Disabled Members

Male	432	496	784	992	1168	1424	1696	2304
Female	162	186	294	372	438	534	636	864

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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5b. Annual Rates of Mortality at Selected Ages -  
Retired Members  
(number of deaths per 10,000 members)  
(continued)

45    50    55    60    65    70    75    80

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LEOPS

Inactive Members

Male                    17    24    40    74    140    244    416    708

Female                  13    19    31    58    112    193    323    528

Inactive Disabled Members

Male                    81    93    147    186    219    267    318    432

Female                  95    109    171    217    255    312    371    504

Local Fire & Police Systems

Inactive Members

Male                    17    24    40    74    140    244    416    708

Female                  13    19    31    58    112    193    323    528

Inactive Disabled Members

Male                    81    93    147    186    219    267    318    432

Female                  95    109    171    217    255    312    371    504

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### A. ACTUARIAL ASSUMPTIONS

#### 6. Annual Rates of Disablement at Selected Ages (number becoming disabled per 10,000 members)

25      30      35      40      45      50      55

#### Teachers' Retirement\*

Male	1	1	1	4	9	13	18
Female	2	2	4	8	14	21	36

#### Teachers' Pension\*

Male	3	3	3	10	20	31	41
Female	3	3	6	13	22	32	56

#### Employees' Retirement

##### Ordinary Disability

##### Regular

Male	8	8	14	27	34	41	54
Female	5	5	9	16	24	34	47

##### Correctional

Male	30	36	45	57	71	101	131
Female	46	46	46	51	59	77	117

##### Legislative

Male	0	0	0	0	0	0	0
------	---	---	---	---	---	---	---

##### Accidental Disability

##### Regular

Male	2	2	3	4	3	3	3
Female	1	1	2	2	2	2	2

##### Correctional

Male	5	6	8	10	13	18	23
Female	8	8	8	9	10	14	21

##### Legislative

Male	0	0	0	0	0	0	0
------	---	---	---	---	---	---	---

#### Employees' Pension

##### Ordinary Disability

Male	12	12	21	40	51	61	82
Female	9	9	15	27	41	58	81

##### Accidental Disability

Male	3	3	4	6	5	4	4
Female	2	2	3	4	4	4	4

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

---

6. Annual Rates of Disablement at Selected Ages (number becoming disabled per 10,000 members)  
(continued)

	25	30	35	40	45	50	55
<b>State Police Retirement</b>							
Ordinary Disability							
Male	35	44	56	74	99	142	182
Female	108	116	117	136	165	217	332
Accidental Disability							
Male	23	25	30	35	39	54	71
Female	72	64	63	64	65	83	128
<b>Judges' Pension</b>							
Male	3	3	3	10	21	31	41
Female	3	3	6	13	22	32	55
<b>LEOPS</b>							
Ordinary Disability							
Male	34	43	54	71	96	137	176
Female	55	59	60	70	85	111	170
Accidental Disability							
Male	22	24	29	34	37	52	68
Female	37	33	32	33	33	43	66
<b>Local Fire &amp; Police Systems</b>							
Ordinary Disability							
Male	29	37	47	62	83	119	154
Female	22	23	23	27	33	43	66
Accidental Disability							
Male	20	21	26	30	33	46	59
Female	14	13	13	13	13	17	26

\* It is assumed that 1% of disability retirements is due to accidents in the performance of duty.



## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### A. ACTUARIAL ASSUMPTIONS

#### 7. Annual Rates of Retirement at Selected Ages (number retiring per 1,000 members)

	45	50	55	60	65	70
--	----	----	----	----	----	----

#### Teachers' Retirement

##### Early

##### First Year Eligible

Male

	30	35	70	--	--	--
--	----	----	----	----	----	----

Female

	10	30	100	--	--	--
--	----	----	-----	----	----	----

##### Subsequent Years

Male

	10	20	30	--	--	--
--	----	----	----	----	----	----

Female

	10	20	50	--	--	--
--	----	----	----	----	----	----

##### Normal

##### First Year Eligible

Male

	300	300	300	300	300	300
--	-----	-----	-----	-----	-----	-----

Female

	350	350	350	350	350	350
--	-----	-----	-----	-----	-----	-----

##### Subsequent Years

Male

	170	170	170	200	300	250
--	-----	-----	-----	-----	-----	-----

Female

	150	150	200	220	350	250
--	-----	-----	-----	-----	-----	-----

#### Teachers' Pension

##### Early

##### First Year Eligible

Male

	--	--	30	100	--	--
--	----	----	----	-----	----	----

Female

	--	--	50	150	--	--
--	----	----	----	-----	----	----

##### Subsequent Years

Male

	--	--	--	40	--	--
--	----	----	----	----	----	----

Female

	--	--	--	80	--	--
--	----	----	----	----	----	----

##### Normal

##### First Year Eligible

Male

	150	150	250	300	300	300
--	-----	-----	-----	-----	-----	-----

Female

	150	150	250	400	200	200
--	-----	-----	-----	-----	-----	-----

##### Subsequent Years

Male

	120	120	120	200	220	220
--	-----	-----	-----	-----	-----	-----

Female

	100	100	150	200	250	220
--	-----	-----	-----	-----	-----	-----

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### 7. Annual Rates of Retirement at Selected Ages (number retiring per 1,000 members) (continued)

45      50      55      60      65      70

#### Employees' Retirement

##### Early

##### First Year Eligible

Male                    55      80      80      --      --      --

Female                80      100    100    --      --      --

##### Subsequent Years

Male                    30      30      40      --      --      --

Female                40      50      50      --      --      --

##### Normal

##### First Year Eligible

Male                    270    270    270    270    270    270

Female                300    300    300    300    300    300

##### Subsequent Years

Male                    50      50      100    150    300    200

Female                100    100    120    250    450    250

##### Correctional

Early                    --      --      --      --      --      --

##### Normal

    First Eligible    400    400    400    500    1000    1000

    Subsequent      120    150    150    200    500    1000

##### Legislative

Early                    --      --      --      --      --      --

Normal                --      --      --    1000    1000    1000

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

### 7. Annual Rates of Retirement at Selected Ages (number retiring per 1,000 members) (continued)

45      50      55      60      65      70

<b>Employees' Pension</b>						
<b>Early</b>						
First Year Eligible						
Male	--	--	60	60	--	--
Female	--	--	40	100	--	--
Subsequent Years						
Male	--	--	--	40	--	--
Female	--	--	--	60	--	--
<b>Normal</b>						
First Year Eligible						
Male	150	150	250	250	250	250
Female	150	150	250	300	300	300
Subsequent Years						
Male	50	50	70	120	250	200
Female	50	50	70	100	250	220
<b>State Police Retirement</b>						
First Year Eligible						
	200	200	200	1000	1000	1000
Subsequent Years						
	200	200	400	1000	1000	1000
<b>Judges' Pension</b>						
First Year Eligible						
Male	100	100	100	100	100	100
Female	300	300	300	300	300	300
Subsequent Years						
Male	100	100	100	100	100	1000
Female	200	200	200	200	200	1000
<b>LEOPS</b>						
First Year Eligible						
	350	150	150	150	150	150
Subsequent Years						
	150	150	200	300	1000	1000
<b>Local Fire &amp; Police Retirement</b>						
First Year Eligible						
	350	150	150	150	150	150
Subsequent Years						
	150	150	200	300	1000	1000

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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### A. ACTUARIAL ASSUMPTIONS

#### 8. Social Security Covered Compensation

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Teachers' Retirement	Not applicable
Teachers' Pension	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2004 Social Security Maximum Wage Base.
Employees' Retirement	Not applicable
Employees' Pension	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2004 Social Security Maximum Wage Base.
State Police Retirement	Not applicable
Judges' Pension	Not applicable
LEOPS	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2004 Social Security Maximum Wage Base.
Local F&P Retirement	Not applicable
Local F&P Pension	Future covered compensation levels, used to estimate member contributions and retirement allowances, were calculated using a 4% per annum compounded increase in the 2004 Social Security Maximum Wage Base.

# APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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## C. ACTUARIAL PROCEDURES

### 1. Asset Valuation Method

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Teachers' Retirement & Pension	<p>All six Systems use a method based on the principle that the difference between actual and expected investment returns should be subject to partial recognition to smooth out fluctuations in the total return achieved by the fund from year to year. Under this method, the actuarial value of the assets is one-fifth of the market value plus four-fifths of the expected value, where the expected value is last year's actuarial value and subsequent cashflows into and out of the fund accumulated with interest at last year's valuation rate (7.75%). This is equivalent to smoothing the <b>difference</b> between the experienced return and the assumed return. If the fund earns the actuarially assumed rate in any year no investment returns will be deferred.</p>
Employees' Retirement & Pension	
State Police	
Judges	
LEOPS	
Local F&P Retirement & Pension	

For the Employees' Retirement & Pension System and for LEOPS, assets must be allocated between State and Municipal Corporation members. Beginning July 1, 1984, this allocation is based upon actual cash flows and shared investment results.

# APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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## C. ACTUARIAL PROCEDURES

### 2. Funding Method

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Teachers' Retirement & Pension	All six Systems use the aggregate entry age normal method with projection to determine costs. Under this funding method, a total contribution rate is determined which consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.
Employees' Retirement & Pension	
State Police	
Judges	
LEOPS	For the Teachers' Pension, Employees' Pension, State Police, Judges, LEOPS and Local Fire & Police Systems an Individual Entry Age Normal cost rate is determined for a typical new entrant of each respective system. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary.
Local F&P Retirement & Pension	For members of the Teachers' and Employees' Retirement Systems, the new entrant normal cost rate is set at the same rate developed for the Teachers' and Employees' Pension Systems, respectively.

## APPENDIX C – ACTUARIAL ASSUMPTIONS AND METHODS

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### C. ACTUARIAL PROCEDURES

#### 2. Funding Method (Continued)

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Teachers' Retirement & Pension	In addition to contributions required to meet the System's normal cost, contributions will be required to fund the System's unfunded actuarial liability. Actuarial liability is defined as the present value of future benefits less the present value of future normal costs. The unfunded actuarial liability is the total of the actuarial liability for all members less the actuarial value of the System's assets.
Employees' Retirement & Pension	
State Police	
Judges	
LEOPS	
Local F&P Retirement & Pension	If the System's unfunded actuarial liability is increased by plan changes or actuarial losses or decreased by actuarial gains, these amounts will be included as part of the unfunded actuarial liability and funded over a 25-year amortization period.

# **APPENDIX D**

## **SUMMARY OF PLAN PROVISIONS**



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# APPENDIX D - SUMMARY OF PLAN PROVISIONS

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## TEACHERS' RETIREMENT SYSTEM OF THE STATE OF MARYLAND Established August 1, 1927

### 1. Membership

Membership was a condition of employment for teachers. Employees of various libraries and educational facilities were eligible to join. Certain eligible teachers elect to join an optional retirement program. Effective July 1, 1971 teachers and retired teachers of the City of Baltimore are included.

Members on December 31, 1979 continue to be members on January 1, 1980 and after, unless they elect to join the Pension System at which time they are eligible for the return of a portion of their accumulated contributions with interest. No new members were accepted after December 31, 1979.

### 2. Member Contributions (See item 6 for contributions effective July 1, 1984)

Members entering the System on or after July 1, 1973 are required to contribute 5% of earnable compensation; members in the System before that date contribute the lesser of 5% of earnable compensation or the percentage they were contributing prior to July 1, 1973.

### 3. Service Retirement Allowance (See item 6 for Allowances after July 1, 1984)

Eligibility - 30 years of eligibility service or attainment of age 60.

Allowance -  $\frac{1}{55}$  of average compensation for the three highest years as an employee for each year of eligibility service. Eligibility service is given based on a full normal working time in one year (equal to ten months).

### 4. Early Retirement Allowance

Eligibility - 25 years of eligibility service.

Allowance - service retirement allowance, reduced by  $\frac{1}{2}\%$  for each month that date of retirement precedes the earlier of age 60 or the date the member would have completed 30 years of eligibility service had he remained in employment.

## APPENDIX D - SUMMARY OF PLAN PROVISIONS

---

### 5. Disability Retirement Allowance

#### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - The benefit is  $1/55$  of average compensation for the three highest years as an employee for each year of eligibility service, with a minimum of 25% of average compensation, and a maximum of  $1/55$  of average compensation for each year of eligibility service the member would have had if he continued in employment until age 60.

#### Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus  $66 \frac{2}{3}\%$  of average compensation for the three highest years as an employee with a maximum of average compensation.

### 6. Retirement Allowances after July 1, 1984

A member who was in service on July 1, 1984 (or an inactive member who returns to service on or after July 1, 1984) will have his benefit determined under one of the optional formulas described below, as elected by the member on or before January 1, 1985 (or within 90 days of return to service, for inactive members on July 1, 1984).

Bifurcated benefit - for eligibility service before election date, the amount determined by the Service Retirement Allowance formula described in item 3; for eligibility service on and after election date, the amount determined by the Service Retirement Allowance formula of the Teachers' Pension System. Eligibility for Early Retirement is based on Retirement System criteria (25 years of service). The early retirement reduction factors are based on the Pension System provisions. Since the Retirement System plan allows participants to retire before age 55 if they have 25 years of service, the early retirement reduction factor is limited to the reduction the participant would receive at age 55 under the Pension System. Therefore the benefit can be reduced no more than 42%. This is the benefit which is payable absent an alternative election by the member. Effective on the election date, the rate of member contributions is determined under the terms of the Teachers' Pension System.

## APPENDIX D - SUMMARY OF PLAN PROVISIONS

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5% contribution/5% CPI option - the amount determined by the Service Retirement Allowance formula described in item 3. The Cost-of-Living Adjustments described in item 9 are limited to 5% annually.

7% contribution/unlimited COLA option - the amount determined under the Service Retirement Allowance formula described in item 3. Effective July 1, 1984 the rate of member contributions is 7% of earnable compensation. The cost-of-living adjustments described in item 9 are unlimited.

Members subject to this provision who transfer to the Teachers' Pension System are eligible to receive a return of a portion of their accumulated contributions with the average rate of interest earned on Systems' assets over the five years preceding transfer.

### 7. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one-time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of the one time payment, a surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2 if member was eligible to retire or was age 55 and had 15 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

### 8. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 60. Member may elect to withdraw accumulated contributions, or transfer to the Pension System, in lieu of receiving the vested retirement allowance in the Retirement System. If member does not withdraw contributions, and dies before attaining age 60, the accumulated contributions are returned.

### 9. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

## APPENDIX D - SUMMARY OF PLAN PROVISIONS

---

### 10. Optional Forms of Payment

- Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.
- Option 2: 100% joint and survivor annuity.
- Option 3: 50% joint and survivor annuity.
- Option 4: This option guarantees a return of accumulated member contributions.
- Option 5: 100% "pop-up" joint and survivor annuity.
- Option 6: 50% "pop-up" joint and survivor annuity.
- Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

### 11. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

# APPENDIX D – SUMMARY OF PLAN PROVISIONS

---

## TEACHERS' PENSION SYSTEM OF THE STATE OF MARYLAND Established January 1, 1980

### 1. Membership

Membership is a condition of employment for all teachers hired on or after January 1, 1980. Certain eligible teachers may elect to join an optional program provided by the State. Included in the definition of teacher is any teacher, helping teacher, principal, supervisor, superintendent, or clerk employed in public day school within the State of Maryland, or controlled by the State; any faculty employee of an educational institution supported or controlled by the State; any librarian or clerical employee of a library established or operated under the Education Article; any professional or clerical employee of a community college established or operated under the Education Article.

### 2. Member Contributions

Effective July 1, 1998, members are required to make contributions of 2% of earnable compensation.

### 3. Service Retirement Allowance

Eligibility - 30 years of eligibility service or attainment of one of the following:

- Age 62 and 5 years of eligibility service.
- Age 63 and 4 years of eligibility service.
- Age 64 and 3 years of eligibility service.
- Age 65 and 2 years of eligibility service.

Allowance - The larger of (i) or (ii), plus (iii), as described below:

- (i) 1.2% of average compensation for the three highest consecutive years as an employee for each year of eligibility service on or before June 30, 1998;
- (ii) 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service on or before June 30, 1998;
- (iii) 1.4% of average compensation for the three highest consecutive years as an employee for each year of eligibility service after June 30, 1998.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

---

The Social Security integration level is the average annual earnings for which Social Security benefits are provided to an employee attaining age 65 in the year of termination of employment, who earned the maximum Social Security covered earnings in each year. Eligibility service is given based on a full normal working time in one year equal to ten months.

The pre-1998 formula (still applicable for those current and former Retirement System members who on or after April 1, 1998 elected to transfer to the Pension System) is 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service.

#### 4. Early Retirement Allowance

Eligibility - attainment of age 55 and 15 years of eligibility service.

Allowance - service retirement allowance computed as of early retirement date, reduced by 1/2% for each month that early retirement date precedes age 62.

#### 5. Disability Retirement Allowance

##### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - The benefit is the service retirement allowance computed on the basis that service continued until age 62 without any change in rate of earnable compensation.

##### Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest consecutive years as an employee with a maximum of average compensation.

Any member who applies for disability retirement within 2 years of transfer from the Retirement System shall receive benefits as provided under the Retirement System, reduced by any contributions refunded.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

---

### 6. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one-time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of one-time payment, a surviving spouse named as sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2, determined as if the member were eligible to retire and retired 30 days before death, if member was age 62, was age 55 and had 15 years of eligibility service, or had at least 25 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

### 7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 62. A member who has completed 15 years of eligibility service may begin to receive benefit payments at any time after attainment of age 55, reduced by 1/2% for each month that benefit commencement date precedes age 62.

If member does not commence to receive benefit payments, and dies before attaining age 62, the member's accumulated contributions are returned.

If member does not have 5 years of eligibility service at termination of employment, the member's accumulated contributions are returned.

### 8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Effective July 1, 1998, the annual adjustment is limited to 3%, and is applied to all benefits which have been in payment for one year. All increases are effective July 1.



## APPENDIX D – SUMMARY OF PLAN PROVISIONS

---

### 9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

### 10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

# APPENDIX D – SUMMARY OF PLAN PROVISIONS

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## EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF MARYLAND Established October 1, 1941

### 1. Membership

Membership was a condition of employment for all classified and unclassified regular employees of the State of Maryland excluding those eligible for the Teachers' Retirement System, State Police Retirement System, Correctional Officers Retirement System, and certain judges. Certain municipal corporations have joined the System.

Members on December 31, 1979 continue to be members on January 1, 1980 and after, unless they elect to join the Pension System, at which time they are eligible for the return of a portion of their accumulated contributions with interest. No new members are accepted after December 31, 1979 except correctional officers, or members of the General Assembly.

### 2. Member Contributions (See item 6 for contributions effective July 1, 1984)

Members entering the System on or after July 1, 1973 are required to contribute 5% of earnable compensation; members in the System before that date contribute the lesser of 5% of earnable compensation or the percentage they were contributing prior to July 1, 1973.

### 3. Service Retirement Allowance (See item 6 for Allowances after July 1, 1984)

Eligibility - 30 years of eligibility service or attainment of age 60.

Allowance - 1/55 of average compensation for the three highest years as an employee for each year of eligibility service.

### 4. Early Retirement Allowance

Eligibility - 25 years of eligibility service.

Allowance - service retirement allowance, reduced by 1/2% for each month that date of retirement precedes the earlier of age 60 or the date the member would have completed 30 years of eligibility service had the member remained in employment.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

---

### 5. Disability Retirement Allowance

#### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

Allowance - The benefit is 1/55 of average compensation for the three highest years as an employee for each year of eligibility service, with a minimum of 25% of average compensation, and a maximum of 1/55 of average compensation for each year of eligibility service the member would have had if the member continued in employment until age 60.

#### Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee with a maximum of average compensation.

### 6. Retirement Allowances after July 1, 1984

A member who was in service on July 1, 1984 (or an inactive member who returns to service on or after July 1, 1984) will have the benefit determined under one of the optional formulas described below, as elected by the member.

Bifurcated benefit - for eligibility service before election date, the amount determined by the Service Retirement Allowance formula described in item 3; for eligibility service on and after election date, the amount determined by the Service Retirement Allowance formula of the Employees' Pension System. Eligibility for Early Retirement is based on Retirement System criteria (25 years of service). The early retirement reduction factors are based on the Pension System provisions. Since the Retirement System plan allows participants to retire before age 55 if they have 25 years of service, the early retirement reduction factor is limited to the reduction the participant would receive at age 55 under the Pension System. Therefore the benefit can be reduced no more than 42%. This is the benefit which is payable absent an alternative election by the member. Effective at the election date, the rate of member contributions is determined under the terms of the Employees' Pension System.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

---

5% contribution/5% COLA option - The amount determined by the Service Retirement Allowance formula described in item 3. The Cost-of-Living Adjustments described in item 9 are limited to 5% annually.

7% contribution/unlimited COLA option - the amount determined under the Service Retirement Allowance formula described in item 3. Effective July 1, 1984, the rate of member contributions is 7% of earnable compensation.

Members subject to this provision who transfer to the Employees' Pension System are eligible to receive a return of a portion of their accumulated contributions with the average rate of interest earned on the Systems' assets over the five years preceding transfer.

### **7. Death Benefits**

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of the one time payments a surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2 if member was eligible to retire or was age 55 with 15 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

### **8. Vested Retirement Allowance**

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 60. Member may elect to withdraw accumulated contributions or transfer to the Pension System, in lieu of receiving the vested retirement allowance in the Retirement System. If member does not withdraw contributions, and dies before attaining age 60, the accumulated contributions are returned.

### **9. Cost-of-Living Adjustments**

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### 10. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

### 11. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

### 12. Miscellaneous Provisions

#### For Members of the General Assembly

The retirement allowance is equal to 3.00% of highest earnable compensation for each year of eligibility service (maximum 22 years 3 months) upon attainment of age 60 and eight years of eligibility service. Reduced benefits are payable upon attainment of age 50 and completion of 8 years of eligibility service. The benefit is reduced by 0.5% for each month between ages 50 and 60 that the early retirement date precedes age 60. A member with eight years of eligibility service who has not attained age 60 may leave contributions in and receive a retirement allowance at age 60 or a reduced benefit after age 50. If termination occurs before the completion of eight years of eligibility service, the member may make contributions equal to the member's and the State's required amount until the former member would have completed eight years of eligibility service,

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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and receive 24% of last earnable compensation at age 60 or a reduced benefit after age 50. Members contribute 5% of their earnable compensation during their first 22 years 3 months of service. A member who is certified as disabled after completing at least 8 years of eligibility service may resign and immediately receive a retirement allowance equal to 3.00% of highest earnable compensation for each year of eligibility service (maximum 22 years 3 months). The member's surviving spouse receives 1/2 of the member's entitlement if the member i) is retired, ii) is eligible for a deferred benefit, or iii) is active and has eight years of eligibility service. The surviving spouse of a member who had accrued less than eight years of eligibility service and dies in office shall receive a lump sum death benefit of accumulated contribution plus an amount equal to the deceased's annual earnable compensation at the time of death.

All retirement allowances are adjusted each year based on the increase in salaries of current members of the General Assembly.

### **For Correctional Officers**

Correctional officers serving in the first six job classifications, or any security attendants at Clifton T. Perkins Hospital Center participate under this System. An immediate service retirement allowance is payable to a correctional officer if on or before the retirement, the officer has completed 20 years of eligibility service and served either at least 5 years as a security attendant at Clifton T. Perkins Hospital Center, or as a correctional officer in one of the first six job classifications, or a combination thereof immediately preceding retirement. The vested retirement allowance of a correctional officer who was in the first six job classifications for at least 5 years preceding retirement commences at age 55; for the security attendant it commences at age 60.

### **For Retirees Under the Workforce Reduction Act of 1996**

Eligible members who applied to retire between July 1 and August 31, 1996 received one month of additional service credit for each year of eligibility service. In addition to the extra service, up to 18% of the reduction for early retirement was eliminated.

# APPENDIX D – SUMMARY OF PLAN PROVISIONS

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## EMPLOYEES' PENSION SYSTEM OF THE STATE OF MARYLAND Established January 1, 1980

### 1. Membership

Membership is a condition of employment for all classified and unclassified regular employees of the State of Maryland hired on or after January 1, 1980, excluding those eligible for the Teachers' Retirement System, Teachers' Pension System, State Police Retirement System, certain judges, correctional officers, members of the General Assembly. Members of the Employees' Retirement System may elect to join any time on or after January 1, 1980. Certain municipal corporations have joined the System.

### 2. Member Contributions

Effective July 1, 1998, members are required to make contributions of 2% of earnable compensation.

Note: Non-Contributory Pension System members make contributions of 5% when salary exceeds SSTWB.

### 3. Service Retirement Allowance

Eligibility - 30 years of eligibility service or attainment of one of the following:

- Age 62 and 5 years of eligibility service
- Age 63 and 4 years of eligibility service
- Age 64 and 3 years of eligibility service
- Age 65 and 2 years of eligibility service

Allowance - The larger of (i) or (ii), plus (iii), as described below:

- (i) 1.2% of average compensation for the three highest consecutive years as an employee for each year of eligibility service on or before June 30, 1998;

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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- (ii) 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service on or before June 30, 1998;
- (iii) 1.4% of average compensation for the three highest consecutive years as an employee for each year of eligibility service after June 30, 1998.

The Social Security integration level is the average annual earnings for which Social Security benefits are provided to an employee attaining age 65 in the year of termination of employment, who earned the maximum Social Security covered earnings in each year.

The pre-1998 formula (still applicable for those either current and former Retirement System members who on or after April 1, 1998 elected to transfer to the Pension System, and for members employed by certain Municipal Corporations) is 0.8% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service.

#### 4. Early Retirement Allowance

Eligibility - attainment of age 55 and 15 years of eligibility service.

Allowance - service retirement allowance computed as of early retirement date, reduced by 1/2% for each month that early retirement date precedes age 62.

#### 5. Disability Retirement Allowance

##### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - The benefit is the service retirement allowance computed on the basis that service continued until age 62 without any change in rate of earnable compensation.

##### Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from accident occurring in the performance of duty.



## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest consecutive years as an employee with a maximum of average compensation.

Any member who applies for disability retirement within 2 years of transfer from the Retirement System shall receive benefits as provided under the Retirement System, reduced by any contributions refunded.

### 6. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit – one-time payment of member's annual earnable compensation at time of death plus accumulated contributions. In lieu of one-time payment, a surviving spouse named as sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2, determined as if the member were eligible to retire and retired 30 days before death, if member was age 62, was age 55 and had 15 years of eligibility service, or had at least 25 years of eligibility service.

Regardless of length of service, member's accumulated contributions are paid.

### 7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 62. A member who has completed 15 years of eligibility service may begin to receive benefit payments at any time after attainment of age 55, reduced by 1/2% for each month that benefit commencement date precedes age 62.

If member does not commence to receive benefit payments, and dies before attaining age 62, the accumulated contributions are returned.

If member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

### 8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Effective July 1, 1998, the annual adjustment is limited to 3%, and is applied to all benefits which have been in payment for one year. However, members employed by a non-electing Municipal Corporation will receive annual

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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adjustments limited to 3% of the initial benefit amount. Their retirement allowance payable is the sum of their initial retirement allowance and all adjustments. All increases are effective July 1.

### 9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

### 10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

### 11. Miscellaneous Provision

#### For Constitutional Officers

Constitutional officers who participate in the System are immediately vested upon taking office and will receive a benefit of not less than ten percent (10%) of their highest salary if they serve at least one full term. Cabinet members who participate in the System are immediately vested.

## **APPENDIX D – SUMMARY OF PLAN PROVISIONS**

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### **For Retirees Under the Workforce Reduction Act of 1996**

Eligible members who applied to retire between July 1 and August 31, 1996 received one month of additional service credit for each year of eligibility service. In addition to the extra service, up to 18% of the reduction for early retirement was eliminated.

# APPENDIX D – SUMMARY OF PLAN PROVISIONS

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## STATE POLICE RETIREMENT SYSTEM OF THE STATE OF MARYLAND Established July 1, 1949

### 1. Membership

Membership is a condition of employment (with limited exception) for all uniformed officers and employees of the Maryland State Police. The Superintendent of the Maryland State Police may elect membership in this System or the Employees' Pension System.

### 2. Member Contributions

Members are required to contribute 8% of earnable compensation.

### 3. Service Retirement Allowance

Eligibility - 22 years of eligibility service or attainment of age 50 (age 60 for the physician of the Department). Retirement at age 60 is mandatory for all but the Superintendent.

Allowance - 2.55% of average compensation for the three highest years as an employee for each of the first 28 years of eligibility service.

### 4. Early Retirement Allowance

Not applicable to this System.

### 5. Disability Retirement Allowance

#### Ordinary

Eligibility - 5 years of eligibility service and the certification of the medical board designated by the Board of Trustees that member is incapacitated for the performance of duty, and that the incapacity is permanent.

Allowance - 2.55% of average compensation for the three highest years as an employee for each of the first 28 years of eligibility service. Minimum payable is 35% of average compensation.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### Special

Eligibility - total and permanent disability as certified by the medical board arising out of or in the course of the actual performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions plus 66 2/3% of average compensation with a maximum of average compensation.

### 6. Death Benefits

#### For Retired Members

Eligibility - retired on service retirement allowance or ordinary disability retirement allowance, or retired on special disability retirement allowance. Also, beneficiaries are not eligible to receive survivor benefits from Social Security.

Benefits - lump sum and survivor benefits according to Title II of the Social Security Act, excluding any cost of living adjustments. For purposes of computing this benefit, the average monthly wage is the lesser of 1/12 of the member's average compensation and the maximum average monthly wage in effect as of date of death under the Social Security Act.

#### For Members in Service

##### i) Ordinary Death Benefit

Eligibility – One to two years of eligibility service and not eligible for special death benefit.

Benefit – One-time payment of member's annual earnable compensation at time of death plus accumulated contributions.

Regardless of length of service, members' accumulated contributions are paid.

##### ii) Special Death Benefit

Eligibility - two or more years of eligibility service or death in the performance of duty.

Benefit - accumulated contributions plus an allowance of two-thirds of the member's average compensation to the surviving spouse; if no surviving

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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spouse or spouse dies before youngest child reaches age 18, an allowance of one-half of average compensation continues until the youngest child reaches age 18; if no surviving spouse or children, an allowance of one-half of the member's average compensation to his or her dependent mother or father. If none of the above conditions are met, the ordinary death benefit is paid.

### 7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - service retirement allowance payable at age 50. Member may elect to withdraw the accumulated contributions in lieu of receiving a vested retirement allowance. If member does not withdraw contributions and dies before attaining age 50, the accumulated contributions are returned.

### 8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

### 9. Optional Forms of Payment

Normal form is 50% joint and survivor annuity with spouse. If no spouse at time of retirement, member may select an optional allowance.

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

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### 10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

### 11. Deferred Retirement Option Program (DROP)

Members with 22 years of service may elect to enter the DROP program for a maximum of the lesser of four years or the number of years until they would have accrued 28 years of service. During this period, they will cease making member contributions and cease accruing additional benefits. Their accrued service retirement allowance, with annual COLA adjustments, will be credited to an account along with interest at the rate of 6% per annum, compounded monthly. At any time up to four years later the member may cease working and have the service retirement allowance paid to him along with the balance of the DROP account.

### 12. Special Death Benefits – Current Survivors

The monthly allowance payable to a current survivor of a deceased State Police member who was killed in the line of duty is increased from 50% to 66.67% of the deceased member's average final compensation (applied retroactively July 1, 1972 – December 31, 2001).

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### PENSION PLAN OF JUDGES AND THEIR SURVIVING SPOUSES OF THE STATE OF MARYLAND\* Established June 30, 1969

#### 1. Membership

Membership is automatic for an employee qualifying as a judge and workers' compensation commissioners.

#### 2. Member Contributions

Members are required to make contributions of 6% of salary until they have served for 16 years.

#### 3. Service Retirement Allowance (Immediate Service Pension)

Eligibility - attainment of age 60 or retired by order of the Court of Appeals. Retirement is mandatory at age 70.

Pension - if former judge served at least 16 years, 2/3 of current fiscal year salary earned by a judge holding the same level judicial position as that held by the former judge on termination of service. If the judge did not serve 16 years, the benefit is multiplied by the ratio of years of service to 16.

#### 4. Early Retirement Allowance

Not applicable to this System.

#### 5. Disability Retirement Allowance (Disability Pension)

Eligibility - retirement for disability before attainment of age 60.

Pension - same as immediate service pension, payable immediately. However, if a judge has at least three years of eligibility service, the pension will not be less than 1/3 of salary.

\* *This summary includes provisions of the contributory plan only, as all members currently belong to that plan.*



## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### 6. Death Benefits

#### Spouse Pension

Eligibility - death of a judge or former judge at any age, leaving a surviving spouse.

Pension - 1/2 of the pension that would have been payable to the judge or former judge at the date of death if the judge were then eligible to receive a pension, payable immediately to the spouse. If no spouse, pension paid to children under age 18.

#### Lump Sum

Eligibility - termination of service by death of a judge leaving no spouse, or children under age 18.

Benefit - return of contributions accumulated with interest at a rate of 4% per annum plus an allowance of the member's annual compensation.

### 7. Vested Retirement Allowance (Deferred Service Pension)

Eligibility - termination of service prior to eligibility for an immediate pension.

Pension - same as immediate service pension based on service at termination, payable at age 60.

In lieu of a deferred retirement pension, a former judge may elect to withdraw his contribution accumulated with interest at 4% per annum, within six months following his termination of service.

### 8. Cost-of-Living Adjustments

None except as provided through the pension formula.

### 9. Optional Forms of Payment

Not applicable to this System; normal form is joint and 50% annuity with spouse. However, a judge or former judge, who at the time of retirement, does not have a spouse or eligible minor child may elect one of the following optional forms of payment:

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

### **10. Reduction for Benefits Payable Under Workmen's Compensation**

Not applicable to this System.

# APPENDIX D – SUMMARY OF PLAN PROVISIONS

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## LAW ENFORCEMENT OFFICERS PENSION SYSTEM - RETIREMENT SYSTEM OF THE STATE OF MARYLAND Established July 1, 1990

### A. Retirement System Provisions

#### 1. Membership

Retirement System provisions are applicable only to those law enforcement officers who are employed by the following employers as authorized in Section 26-201 of the Annotated Code of Maryland: Department of Natural Resources police and law enforcement officers, Maryland Investigative Services Unit, Maryland Transportation Authority Police force, Baltimore City Sheriff's Department deputy sheriffs, University of Maryland Police force, State Fire Marshall or a Deputy Fire Marshall, Morgan State University Police force, Martin State Airport Firefighters, or a participating governmental unit who elects to have their law enforcement officers included in the Plan. Eligible employees, as of the date they elect to participate in this System, are members of the Employees' Retirement System of the State of Maryland. This includes Retirement System members who had elected the 5% contribution/5% COLA option and the 7% contribution/full COLA option.

#### 2. Member Contributions

Members are required to contribute 7% of earnable compensation, except that any member who had previously elected the 5% contribution/5% COLA option shall continue to contribute 5% of earnable compensation.

#### 3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 50.

Allowance – 2.3% of average compensation for the three highest years as an employee for each of the first 30 years of eligibility service, plus 1.0% of average compensation for each additional year.

#### 4. Early Retirement Allowance

Not applicable to this System.

#### 5. Disability Retirement Allowance

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

Allowance – 2.3% of average compensation for the three highest years as an employee for each of the first 30 years of eligibility service, plus 1.0% of average compensation for each additional year, with a minimum of 25% of average compensation.

### Accidental

Eligibility - total and permanent disability as certified by the medical board arising out of or in the course of the actual performance of duty.

Allowance - the benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee, with a maximum of average compensation.

## 6. Death Benefits

### Ordinary

Eligibility - one year of eligibility service.

Benefit – one-time payment of member's annual earnable compensation at time of death plus accumulated contributions.

### Special

Eligibility - two or more years of eligibility service or death in the performance of duty.

Allowance - the ordinary death retirement allowance or two-thirds of average compensation to the surviving spouse, if any; or if there is no surviving spouse, to any children of the deceased under the age of 18 years, divided in a manner as the Board of Trustees determines.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### 7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 50.

The member may elect to withdraw accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement allowance in the Retirement System. However, by doing so, the member forfeits all benefits accruing to the member on account of the previous membership.

If the member does not withdraw member contributions, and dies before attaining age 50, the accumulated contributions are returned.

If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

### 8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year. For members contributing 5% of earnable compensation, the cost-of-living adjustment is limited to 5% annually.

### 9. Optional Forms of Payment

The normal form is a 50% joint and survivor annuity with spouse, if any; or if there is no surviving spouse or upon the death of the surviving spouse, to any children of the deceased under the age of 18 years, until every child dies or becomes 18 years, divided in a manner as the Board of Trustees determines.

Other forms of payment may be elected if there is no spouse at time of retirement.

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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- Option 4: This option guarantees a return of accumulated member contributions.
- Option 5: 100% "pop-up" joint and survivor annuity.
- Option 6: 50% "pop-up" joint and survivor annuity.
- Option 7: Any other benefit which is actuarial equivalent to the retirement allowance and is approved by the Board of Trustees.

### 10. Reduction for Benefits Payable under Workmen's Compensation

Disability retirement allowances, excluding the annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment with the Department of Natural Resources police and law enforcement officers, Maryland Investigative Services Unit, Maryland Transportation Authority Police force, Baltimore City Sheriff's Department deputy sheriffs, University of Maryland Police force, State Fire Marshall or a Deputy Fire Marshall, Morgan State University Police force, Martin State Airport Firefighters, or a participating governmental unit who elects to have their law enforcement officers included in the Plan, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

### 11. Deferred Retirement Option Program (DROP)

Members with 25 years of service may elect to enter the DROP program for a maximum of the lesser of five years or the number of years until they would have accrued 30 years of service. During this period, they will cease making member contributions and cease accruing additional benefits. Their accrued service retirement allowance, with annual COLA adjustments, will be credited to an account along with interest at the rate of 6% per annum, compounded monthly. At any time up to five years later the member may cease working and have the service retirement allowance paid to him along with the balance of the DROP account.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### B. Pension System Provisions

#### 1. Membership

Membership is a condition of employment for all law enforcement officers who are employees of the Department of Natural Resources police and law enforcement officers, Maryland Investigative Services Unit, Maryland Transportation Authority Police force, Baltimore City Sheriff's Department deputy sheriffs, University of Maryland Police force, State Fire Marshall or a Deputy Fire Marshall, Morgan State University Police force, Martin State Airport Firefighters, or a participating governmental unit who elects to have their law enforcement officers included in the Plan, and were hired after July 1, 1990. Pension System provisions are also applicable to those Natural Resources Law Enforcement Officers' Pension System members who, as of the date they elect to participate in this System, are members of the Employees' Pension System of the State of Maryland or members of the Employees' Retirement System who had previously elected the bifurcated benefit option.

#### 2. Member Contributions

Members are required to make contributions of 4% of earnable compensation.

#### 3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 50.

Allowance - 2.0% of average compensation for the three highest consecutive years as an employee for each of the first 30 years of eligibility service.

#### 4. Early Retirement Allowance

Not applicable to this System.

#### 5. Disability Retirement Allowance

##### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

Allowance - The benefit is the service retirement allowance computed on the basis that service continued until age 50 without any change in the rate of earnable compensation.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### **Accidental**

Eligibility - total and permanent disability as certified by the medical board arising out of or in the course of the actual performance of duty.

Allowance - the benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee, with a maximum of average compensation.

### **6. Death Benefits**

#### **Ordinary**

Eligibility - one year of eligibility service.

Benefit – One-time payment of member's annual earnable compensation at time of death plus accumulated contributions.

#### **Special**

Eligibility - two or more years of eligibility service or death in the performance of duty.

Allowance - the ordinary death retirement allowance or 50% of the ordinary disability retirement allowance to the surviving spouse, if any; or if there is no surviving spouse, to any children of the deceased under the age of 18 years, divided in a manner as the Board of Trustees determines.

### **7. Vested Retirement Allowance**

Eligibility - Five years of eligibility service.

Allowance - accrued retirement allowance payable at age 50.

The member may elect to withdraw the member's accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement allowance in the Pension System. However, by doing so, the member forfeits all benefits accruing to the member on account of the previous membership.

If the member does not withdraw contributions, and dies before attaining age 50, the accumulated contributions are returned.



## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned upon request.

### 8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. The annual adjustment is limited to 3% of the current benefit amount, and is applied to all benefits which have been in payment for one year.

### 9. Optional Forms of Payment

The normal form is a 50% joint and survivor annuity with spouse, if any; or if there is no surviving spouse or upon the death of the surviving spouse, to any children of the deceased under the age of 18 years, until every child dies or becomes 18 years, divided in a manner as the Board of Trustees determines.

Other forms of payment may be elected if there is no spouse at time of retirement.

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarial equivalent to the retirement allowance and is approved by the Board of Trustees.

### 10. Reduction for Benefits Payable under Workmen's Compensation

Disability retirement allowances, excluding the annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### 11. Deferred Retirement Option Plan (DROP)

Members with 25 years of service may elect to enter the DROP program for a maximum of the lesser of five years and the number of years until they would have accrued 30 years of service. During this period, they will cease making member contributions and cease accruing additional benefits. Their accrued service retirement allowance, with annual COLA adjustments, will be credited to an account along with interest at the rate of 6% per annum, compounded monthly. At any time up to five years later the member may cease working and have the service retirement allowance paid to him along with the balance of the DROP account.

# APPENDIX D – SUMMARY OF PLAN PROVISIONS

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## LOCAL FIRE & POLICE - RETIREMENT Established July 1, 1990

### 1. Membership

Retirement System provisions are applicable only to those Local Fire & Police participants who, as of the Municipal Corporation's date of participation in this plan, are members of the Employees' Retirement System of the State of Maryland, and elect to participate in this plan. This includes Retirement System members who had elected the bifurcated benefit option, the 5% contribution/5% COLA option and the 7% contribution/full COLA option.

### 2. Member Contributions

Members are required to contribute 7% of earnable compensation. Any member who had previously elected either the bifurcated benefit option or the 5% contribution/5% COLA option does not have to make up the difference between 7% of past compensation and actual contributions to receive full benefits from this plan.

### 3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 60.

Allowance - 1/50 of average compensation for the three highest years as an employee for each of the first 30 years of eligibility service, plus 1/100 of average compensation for each additional year.

### 4. Early Retirement Allowance

Not applicable to this System.

### 5. Disability Retirement Allowance

#### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty and that the incapacity is permanent.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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Allowance - the benefit is 1/50 of average compensation for the three highest years as an employee for each year of eligibility service plus 1/100 of average compensation for each additional year, with a minimum of 25% of average compensation.

### Accidental

Eligibility - total and permanent disability as certified by the medical board resulting from an accident occurring in the performance of duty.

Allowance - The benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest years as an employee, with a maximum of average compensation.

### 6. Death Benefits

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit - member's annual earnable compensation at time of death plus accumulated contributions. A surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2 if member was eligible to retire or was at least age 55 and had at least 15 years of eligibility service.

### 7. Vested Retirement Allowance

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 60.

The member may elect to withdraw the member's accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement allowance. However, by doing so, the member forfeits all benefits incurring on account of the previous membership.

If the member does not withdraw the contributions, and dies before attaining age 60, the accumulated contributions are returned.

If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### 8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments are effective July 1 and are applied to all benefits which have been in payment for one year.

### 9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

### 10. Reduction for Benefits Payable under Workmen's Compensation

Disability retirement allowances, excluding the annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.

# APPENDIX D – SUMMARY OF PLAN PROVISIONS

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## LOCAL FIRE & POLICE - PENSION Established July 1, 1990

### 1. Membership

Membership and the associated Pension System Provisions are applicable, as a condition of employment, for all Local Fire & Police employed after the Municipal Corporation begins to participate in this System. Pension System Provisions are also applicable to those Local Fire & Police participants who, as of the Municipal Corporation's date of participation in this plan are members of the Employees' Pension System of the State of Maryland, and elect to participant in this plan.

### 2. Member Contributions

Members are required to make contributions of 5% of earnable compensation in excess of the Social Security taxable wage base.

### 3. Service Retirement Allowance

Eligibility - 25 years of eligibility service or attainment of age 62.

Allowance - 1.0% of average compensation for the three highest consecutive years as an employee up to the Social Security integration level plus 1.5% of average compensation over the integration level for each year of eligibility service. The Social Security integration level is the average annual earnings for which Social Security benefits are provided to an employee attaining age 65 in the year of a termination of employment, who earned the maximum Social Security covered earnings in each year.

If the member is employed by a Municipality that does not contribute to Social Security, then the service retirement allowance is 1.5% of average compensation for each year of eligibility service.

### 4. Early Retirement Allowance

Not applicable to this System.

### 5. Disability Retirement Allowance

#### Ordinary

Eligibility - 5 years of eligibility service and certification of the medical board designated by the Board of Trustees that the member is incapacitated for the performance of duty, and that the incapacity is permanent.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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Allowance - the benefit is the service retirement allowance computed on the basis that service continued until age 62 without any change in the rate of earnable compensation.

### **Accidental**

Eligibility - total and permanent disability as certified by the medical board resulting from an accident occurring in the performance of duty.

Allowance - the benefit is the annuity provided by accumulated contributions, plus 66 2/3% of average compensation for the three highest consecutive years as an employee, with a maximum of average compensation.

### **6. Death Benefits**

Eligibility - one year of eligibility service or death in the performance of duty.

Benefit - member's annual earnable compensation at time of death plus accumulated contributions. A surviving spouse who was named sole primary beneficiary may elect to receive the monthly allowance the beneficiary would have received under Option 2, determined as if the member were eligible to retire and retired 30 days before death if member was at least age 62, was at least age 55 and had at least 15 years of eligibility service, or had at least 25 years of eligibility service.

### **7. Vested Retirement Allowance**

Eligibility - 5 years of eligibility service.

Allowance - accrued retirement allowance payable at age 62.

The member may elect to withdraw the member's accumulated contributions at any time after termination of employment, in lieu of receiving the vested retirement allowance in the Pension System. However, by doing so, the member forfeits all benefits incurring on account of the previous membership.

If the member does not withdraw the contributions, and dies before attaining age 62, the accumulated contributions are returned.

If the member does not have 5 years of eligibility service at termination of employment, the accumulated contributions are returned.

## APPENDIX D – SUMMARY OF PLAN PROVISIONS

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### 8. Cost-of-Living Adjustments

All retirement allowances are adjusted each year based on the Consumer Price Index. The annual adjustment is limited to 3% of the initial benefit amount, and is applied to all benefits which have been in payment for one year. The retirement allowance payable is the sum of the initial retirement allowance and all adjustments. Increases are effective July 1.

### 9. Optional Forms of Payment

Option 1: Cash refund equal to excess of present value of retirement allowance at date of retirement over total amount of payments made to date of death.

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: This option guarantees a return of accumulated member contributions.

Option 5: 100% "pop-up" joint and survivor annuity.

Option 6: 50% "pop-up" joint and survivor annuity.

Option 7: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board of Trustees.

### 10. Reduction for Benefits Payable Under Workmen's Compensation

Disability retirement allowances, excluding annuity reserves, are reduced for workmen's compensation benefits payable after retirement from injury occurring during employment by the State or participating employer, if the workmen's compensation benefits are for the same injury for which retirement was granted and are paid for the same period of time for which the retirement benefits are paid.