



## Anne Arundel County Employees' Retirement Plan

Actuarial Valuation as of January 1, 2021 to  
Determine the County's Contribution for the Fiscal  
Year Ending June 30, 2022

# Bolton

*Submitted by:*

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Employee Benefits, Actuarial & Investment Consulting

May 3, 2021

Anne Budowski  
Acting Personnel Director  
Anne Arundel County Government  
2660 Riva Road  
Annapolis, MD 21401

*Re: Employees' Retirement Plan Valuation*

Dear Anne:

The following sets forth the actuarial valuation of the Anne Arundel County Employees' Retirement Plan as of January 1, 2021. Section I of the report provides a summary while Sections II through VI contain the development of the County's contribution for the 2022 fiscal year along with a summary of the census and asset data, plan provisions, assumptions and actuarial methods. Section VII provides a glossary of many of the terms used in this report. The appendices of the report provide information on plan funding as well as a ten-year projection of benefit payments, a discussion of risk metrics in accordance with ASOP 51, and a summary of major legislative changes.

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, which would impair the objectivity of our work.

Respectfully submitted,

A handwritten signature in black ink that reads "Ann M. Sturner".

Ann M. Sturner, FSA, EA, FCA, MAAA

A handwritten signature in black ink that reads "Jordan McClane".

Jordan McClane, FSA, EA, FCA, MAAA

## Section I. Executive Summary

### Background

Bolton Partners, Inc. has prepared the following report that sets forth the actuarial valuation of the Anne Arundel County Employees' Retirement Plan as of January 1, 2021.

### Actuarially Determined Contributions (ADC)

The actuarially determined contribution (ADC) amount increased as a dollar amount this year and as a percentage of payroll. The increase in ADC is primarily due to the reduction in the discount rate.

	FY2020	FY2021	FY2022
ADC	\$31,314,159	\$33,819,533	\$38,536,810
Percent of Total Payroll	23.2%	24.4%	27.5%

The above amounts assume the County contribution will be made monthly throughout the fiscal year. Details of the determination of the County's contribution for FY2022 are shown in Section II of this report.

### Changes in Contribution Rate

The following table shows the sources of changes in the County's contribution rate.

Description	Contribution Rate
January 1, 2020 Valuation	24.4%
Investment Performance	(0.2%)
Pay Increases	(0.1%)
New Entrants/Change in Normal Cost	0.0%
COLA	(0.4%)
Change in Expenses	0.0%
Demographics and Other Changes	0.6%
Discount Rate Change	3.2%
January 1, 2021 Valuation	27.5%



## Section I. Executive Summary

### Funding Measures

Funding Measures	1/1/2020	1/1/2021	Percent Change
1. Actuarial Accrued Liability			
a. Active	\$ 307,596,959	\$ 337,062,306	9.6%
b. Retirees and Beneficiaries	622,768,200	666,948,246	7.1%
c. Term Vested	23,287,238	24,216,809	4.0%
d. Total	\$ 953,652,397	\$ 1,028,227,361	7.8%
2. Actuarial Value of Assets	\$ 682,574,049	\$ 715,818,072	4.9%
3. Plan Funded Ratio (2. / 1.d.)	71.6%	69.6%	
4. Market Value of Assets	\$ 690,383,355	\$ 718,989,813	4.1%
5. Funded Ratio based on Market Value of Assets (4. / 1.d.)	72.4%	69.9%	

### Risk Measures

The risks that a plan sponsor incurs from a defined benefit plan are primarily the risk of substantial increases in annual contributions. These increases occur most frequently due to variation in the investment returns. This valuation reflects the smoothing of asset returns, which reduces the risk of wide year-by-year contribution changes but does not ultimately reduce the risk inherent in a defined benefit plan. The following table shows four commonly used measures of the relative riskiness of a pension plan, relative to the plan sponsor and the employee group covered by the plan. Additional information is shown in Appendix 3.

Risk Measure	1/1/2019	1/1/2020	1/1/2021	Conservative Measures
Inactive Liability as a Percent of Total Liability	67%	68%	67%	<50%
Assets to Payroll	4.6	5.0	5.1	<5
Liabilities to Payroll	6.8	6.9	7.3	<5
Benefit Payments to Contributions	1.6	1.6	1.5	<3

## Section I. Executive Summary

### Experience Analysis

The following factors affected the County's contribution as a percentage of payroll:

- The reduction in the discount rate from 7.45% to 7.00% increased the actuarial accrued liability as of January 1, 2021 by \$49.1 million and increased the County's actuarially determined contribution by \$4.5 million.
- Retiree COLAs effective July 1, 2020 were less than the assumed annual increases.
- Investment returns during CY2020 were about \$2.1 million lower than expected. A portion of this loss is reflected in this valuation, with the remaining portions to be reflected in future valuations. This was offset by the continued recognition of prior net investment gains. There is a total of \$3.2 million in net deferred investment gains as of January 1, 2021 that will be reflected in future valuations.
- Pay for returning employees increased approximately 3.5% over the prior year; less than what was expected.
- Total participant payroll increased by 1.1% over the prior year; less than the assumption of 3.0% growth per year.

### Changes in Method, Assumptions, and Plan Amendments

There were no method changes or plan amendments adopted that affect benefits since the prior valuation. The discount rate assumption was changed from 7.45% to 7.00% compounded annually, net of investment expenses.

### Projection of Expected Benefit Payments

The projection of expected benefit payments for current participants is shown in Appendix 2.

### Sources of Information

The January 1, 2021 participant data and market value of assets were provided by or at the direction of Anne Arundel County. While we have reviewed this data for consistency and completeness, we have not audited this data.

### Impact of COVID-19

Because the long-term net impact of COVID-19 on mortality, salary increases, and changes in turnover and retirement behavior is difficult to estimate at this time, we have not made any adjustments to the assumptions for the potential impact of the COVID-19 pandemic.

### Actuarial Certification

This actuarial valuation sets forth our calculation of an estimate of the liabilities of the Anne Arundel County Employees' Retirement Plan (the Plan), together with a comparison of these liabilities with the value of the plan assets, as submitted by Anne Arundel County Government (the County). This calculation and comparison with assets is applicable for the valuation date only. The future is uncertain, and the plan may become better funded or more poorly funded in the future. This valuation does not provide any guarantee that the plan will be able to provide the promised benefits in the future.



## Section I. Executive Summary

### Actuarial Certification

This is a deterministic valuation in that it is based on a single set of assumptions. This set of assumptions is one possible basis for our calculations. Other assumptions may be equally valid. The future is uncertain and the plan's actual experience will differ from the assumptions; the differences may be significant or material because the results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions. We may consider that some factors are not material to the valuation of the plan and may not provide a specific assumption for those factors. We may have used other assumptions in the past. We will likely consider changes in assumptions at a future date.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward-looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if alternative assumptions within the range of possibilities were substituted for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At the County's request, Bolton Partners, Inc. is available to perform such a sensitivity analysis.

The County is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in this report. The County is solely responsible for communicating to Bolton Partners, Inc. any changes required thereto.

The County could reasonably ask how the valuation would change if we used a different assumption set or if plan experience exhibited variations from our assumptions. This report does not contain such an analysis. That type of analysis would be a separate assignment.

In addition, decisions regarding benefit improvements, benefit changes, the trust's investment policy, and similar issues should not be based on this valuation. These issues are complex and other factors should be considered when making such decisions. Other factors might include the anticipated vitality of the local economy and future growth expectations, as well as other economic and financial factors.

The cost of this plan is determined by the benefits promised by the plan, the plan's participant population, the investment experience of the plan and many other factors. An actuarial valuation is a budgeting tool for the County. It does not affect the cost of the plan. Different funding methods provide for different timing of contributions to the plan. As the experience of the plan evolves, it is normal for the level of contributions to the plan to change. If a contribution is not made for a particular year, either by deliberate choice or because of an error in a calculation, that contribution can be made in later years. We will not be responsible for contributions that are made at a future time rather than an earlier time. The plan sponsor is responsible for funding the cost of the plan.



## Section I. Executive Summary

### Actuarial Certification

We make every effort to ensure that our calculations are accurately performed. These calculations are complex. Despite our best efforts, we may make a mistake. We reserve the right to correct any potential errors by amending the results of this report or by including the corrections in a future valuation report.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

The valuation was completed using both proprietary and third-party models (including software and tools). We have tested these models to ensure they are used for their intended purposes, within their known limitations, and without any known material inconsistencies unless otherwise stated.

This report is based on plan provisions, census data, and asset data submitted by the County. We have relied on this information for purposes of preparing this report but have not performed an audit. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. The County is solely responsible for the validity and completeness of this information.

The County is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Bolton Partners, Inc.'s actuaries have not provided any investment advice to the County.

The information in this report was prepared for the internal use of the County and its auditors in connection with our actuarial valuations of the pension plan. It is neither intended nor necessarily suitable for other purposes. Bolton Partners, Inc. is not responsible for the consequences of any other use or the reliance upon this report by any other party.

The only purpose of this report is to provide the recommended employer contribution for the 2022 fiscal year. This report may not be used for any other purpose; Bolton Partners, Inc. is not responsible for the consequences of any unauthorized use.

The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued) in this report, the County selected an assumption based on the expected long-term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely "correct" level of contributions for the coming plan year.





## Section I. Executive Summary

### Actuarial Certification

This report provides certain financial calculations for use by the auditor. These values have been computed in accordance with our understanding of generally accepted actuarial principles and practices and fairly reflect the actuarial position of the Plan. The various actuarial assumptions and methods which have been used are, in our opinion, appropriate for the purposes of this report.

The report is conditioned on the assumption of an ongoing plan and is not meant to present the actuarial position of the plan in the case of plan termination. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status), and changes in plan provisions or applicable law.

The County should notify Bolton Partners, Inc. promptly after receipt of this report if the County disagrees with anything contained in the report or is aware of any information that would affect the results of the report that has not been communicated to Bolton Partners, Inc. or incorporated therein. The report will be deemed final and acceptable to the County unless the County promptly provides such notice to Bolton Partners, Inc.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services, which could create a conflict of interest that would impair the objectivity of our work.

We are available to answer any questions on the material in this report to provide explanations or further details as appropriate.

Ann M. Sturner, FSA, EA, FCA, MAAA

Jordan McClane, FSA, EA, FCA, MAAA



## Section II. Determination of County Contributions

### Derivation of Liabilities

Below is a summary of the actuarial accrued liability of the future benefits expected to be paid from the plan.

Unfunded Liability	1/1/2020	1/1/2021
1. Participants		
a. Active	2,170	2,158
b. Disabled	102	96
c. Retirees	1,778	1,825
d. Beneficiaries	171	175
e. Terminated Vested	301	295
f. Total	4,522	4,549
2. Active Payroll	\$ 138,428,352	\$ 139,975,356
3. Actuarial Accrued Liability		
a. Active Participants	\$ 307,596,959	\$ 337,062,306
b. Retirees and Beneficiaries	622,768,200	666,948,246
c. Terminated Vested Participants	23,287,238	24,216,809
d. Total	\$ 953,652,397	\$ 1,028,227,361
4. Actuarial Asset Value	\$ 682,574,049	\$ 715,818,072
5. Unfunded Actuarial Liability (3.d.- 4.)	\$ 271,078,348	\$ 312,409,289
6. Funded Ratio (4. ÷ 3.d.)	71.6%	69.6%

## Section II. Determination of County Contributions

### Projection of Unfunded Liability

The projection of the unfunded actuarial liability from January 1, 2021 to July 1, 2021, the beginning of the fiscal year, is shown below.

1.	Unfunded Liability as of January 1, 2021	\$ 312,409,289
2.	Expected County Contributions 1/1/2021 – 6/30/2021	\$ 16,909,767
3.	Expected Employee Contributions 1/1/2021 – 6/30/2021	\$ 2,570,830
4.	Expected Expenses 1/1/2021 – 6/30/2021	\$ 286,000
5.	Total Normal Cost 1/1/2021 – 6/30/2021	\$ 9,408,685
6.	Interest at 7.00%	\$ 10,745,695
7.	Projected Unfunded Liability as of July 1, 2021 (1. – 2. – 3. + 4. + 5. + 6.)	\$ 313,369,072

### Development of County Contributions

The breakdown of the Actuarially Determined Contribution into normal cost, amortization payment, and expected administrative expenses is illustrated below.

Actuarially Determined Contribution		FY2022
1.	County Normal Cost as of July 1	\$ 13,879,330
2.	Amortization Amount as of July 1	\$ 22,795,093
3.	Expected Expenses as of July 1	\$ 580,517
4.	County's Contribution (1. + 2. + 3.)	\$ 37,254,940
5.	County's Contribution Adjusted for Timing of Payment (4. x 1.07 ^ 0.5)	\$ 38,536,810
6.	County's Contribution as a Percentage of Participant Payroll	27.5%



## Section II. Determination of County Contributions

### Schedule of Amortization Bases

Below is a schedule of the amortization bases as of July 1, 2021.

Description	Date Established	Remaining Years		Amount to be Amortized	Payment / (Credit)
Unfunded Accrued Liability	1/1/2004	13	\$	(220,012)	\$ (21,056)
Actuarial (Gain)/Loss	1/1/2005	14	\$	10,320,837	\$ 933,318
Actuarial (Gain)/Loss	1/1/2006	15	\$	7,586,730	\$ 651,510
Actuarial (Gain)/Loss	1/1/2007	16	\$	8,605,216	\$ 704,796
Assumption Change	1/1/2008	17	\$	14,478,633	\$ 1,135,305
Actuarial (Gain)/Loss	1/1/2008	17	\$	(6,031,614)	\$ (472,953)
Actuarial (Gain)/Loss	1/1/2009	18	\$	49,699,777	\$ 3,743,487
Actuarial (Gain)/Loss	1/1/2010	19	\$	(2,102,808)	\$ (152,598)
Asset Method Change	1/1/2011	20	\$	31,022,846	\$ 2,174,771
Actuarial (Gain)/Loss	1/1/2011	20	\$	(4,332,027)	\$ (303,685)
Actuarial (Gain)/Loss	1/1/2012	21	\$	33,402,074	\$ 2,267,374
Assumption Change	1/1/2013	22	\$	13,051,775	\$ 859,750
Actuarial (Gain)/Loss	1/1/2013	22	\$	36,098,142	\$ 2,377,866
Assumption Change	1/1/2014	13	\$	18,566,093	\$ 1,776,857
Actuarial (Gain)/Loss	1/1/2014	13	\$	(16,788,170)	\$ (1,606,702)
Actuarial (Gain)/Loss	1/1/2015	14	\$	6,460,005	\$ 584,181
Actuarial (Gain)/Loss	1/1/2016	15	\$	(17,783,482)	\$ (1,527,156)
Actuarial (Gain)/Loss	1/1/2017	16	\$	3,918,672	\$ 320,952
Actuarial (Gain)/Loss	1/1/2018	17	\$	11,632,784	\$ 912,155
Actuarial (Gain)/Loss	1/1/2019	18	\$	35,224,503	\$ 2,653,180
Assumption Changes	1/1/2019	18	\$	14,467,894	\$ 1,089,751
Method Change	7/1/2019	18	\$	1,272,108	\$ 95,818
Actuarial (Gain)/Loss	7/1/2020	19	\$	21,977,010	\$ 1,594,846
Actuarial (Gain)/Loss	7/1/2021	20	\$	(8,115,416)	\$ (568,909)
Assumption Change	7/1/2021	20	\$	50,957,502	\$ 3,572,235
<b>Totals</b>			<b>\$</b>	<b>313,369,072</b>	<b>\$ 22,795,093</b>

Bases are amortized as an equal percent of payroll each year with total payroll expected to increase 3.0% annually. The July 1, 2021 amortization payment of \$22,795,093 is sufficient to cover the interest on the plan's unfunded liability.

Bases established prior to July 1, 2019 were reported as of the date of the valuation, resulting in a difference between the date established and the remaining years. This difference does not have a material effect on the funding of the plan.



## Section III. Valuation of Assets

### Reconciliation of Assets

Below is a reconciliation of assets (unaudited) from January 1, 2019 through December 31, 2020.

		CY2019		CY2020
1. Beginning of Year Assets	\$	617,862,328	\$	687,376,413
2. Receipts				
a. Employer Contributions	\$	29,357,873	\$	32,358,061
b. Employee Contributions		5,508,591		5,540,148
c. Investment Income & Dividends		12,314,823		11,468,206
d. Realized and Unrealized Gain/(Loss)		77,007,627		37,792,912
e. Stock Loan Income		78,125		36,885
f. Other		4,700,407		2,903,424
g. Total Receipts	\$	128,967,446	\$	90,099,636
3. Deductions				
a. Benefit Payments	\$	55,080,867	\$	57,779,072
b. Administrative Expenses		609,225		535,390
c. Investment Expenses		3,763,269		3,611,717
d. Total Disbursements	\$	59,453,361	\$	61,926,179
4. Net Increase (2.g. – 3.d.)	\$	69,514,085	\$	28,173,457
5. Preliminary Ending Value (1. + 4.)	\$	687,376,413	\$	715,549,870
6. Contribution Receivable	\$	3,006,942	\$	3,439,943
7. End of Year Assets	\$	690,383,355	\$	718,989,813
8. Rate of Return Net of Investment Fees (2I / [A + B – I] Method)		14.83%		7.16%



## Section III. Valuation of Assets

### Calculation of Actuarial Asset Value

The actuarial asset value as of January 1, 2021 is determined by spreading the asset gain or loss for each year over a five-year period. The asset gain or loss is the amount by which the actual asset return differs from the expected asset return.

1/1/2021				
1.	Market Value of Assets		\$	718,989,813
2.	Spreading of Investment (Gain)/Loss			
	Calendar Year	(Gain)/Loss	% Deferred	Amount Deferred
	2020	\$ 2,099,475	80%	\$ 1,679,580
	2019	(44,869,163)	60%	(26,921,498)
	2018	80,740,230	40%	32,296,092
	2017	(51,129,575)	20%	(10,225,915)
	a. Total Deferred			(3,171,741)
3.	Actuarial Value of Assets (1. + 2.a.)		\$	715,818,072
4.	Rate of Return Net of Investment Fees (2I / [A + B – I] Method)			7.9%



## Section IV. Participant Information

### Participant Summary

The following table summarizes the counts, ages and benefit information for plan participants used in this valuation.

	1/1/2020	1/1/2021
1. Actives – Tier I		
a. Number	1,938	1,932
b. Average Age	47.9	48.2
c. Average Service	12.0	12.1
d. Average Salary	\$ 65,580	\$ 66,533
2. Actives – Tier II		
a. Number	232	226
b. Average Age	50.9	50.9
c. Average Service	8.9	9.5
d. Average Salary	\$ 48,855	\$ 50,592
3. Actives - Total		
a. Number	2,170	2,158
b. Average Age	48.2	48.4
c. Average Service	11.7	11.8
d. Average Salary	\$ 63,792	\$ 64,863
4. Service Retirements and Beneficiaries		
a. Number	2,051	2,096
b. Average Age	69.8	70.3
c. Total Annual Benefits	\$ 55,638,442	\$ 58,663,697
5. Vested Terminations		
a. Number	301	295
b. Average Age	49.7	49.9
c. Total Annual Benefits	\$ 3,111,243	\$ 3,003,610



## Section IV. Participant Information

### Active Age/Service Distribution Including Compensation

Shown below is the distribution of active participants based on age and service. The compensation shown is the average rate of pay as of January 1, 2021.

Age	Years of Service as of 01/01/2021										Total
	Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & Up	
Under 25	15	37	0	0	0	0	0	0	0	0	52
	38,374	41,210	0	0	0	0	0	0	0	0	40,392
25 - 29	12	103	20	0	0	0	0	0	0	0	135
	42,668	46,462	47,044	0	0	0	0	0	0	0	46,211
30 - 34	20	87	67	21	3	0	0	0	0	0	198
	56,174	51,386	56,902	61,586	60,832	0	0	0	0	0	54,961
35 - 39	21	79	54	41	13	2	0	0	0	0	210
	53,814	58,801	65,221	66,399	65,794	69,446	0	0	0	0	61,971
40 - 44	14	62	64	47	37	16	1	0	0	0	241
	62,872	54,543	72,293	68,020	70,821	74,318	85,738	0	0	0	66,310
45 - 49	11	56	41	47	54	39	17	0	0	0	265
	60,900	54,810	68,830	73,470	78,587	81,816	84,193	0	0	0	71,246
50 - 54	5	60	46	57	46	43	18	15	0	0	290
	44,823	53,775	69,780	67,502	77,842	74,381	85,328	82,441	0	0	69,172
55 - 59	13	62	46	48	52	59	31	30	16	1	358
	45,347	54,570	56,455	71,572	72,923	78,806	90,032	93,449	89,827	63,315	71,346
60 - 64	5	37	38	38	38	32	24	22	12	11	257
	40,999	42,226	67,962	66,141	79,145	83,462	83,755	87,766	83,294	90,524	71,898
65 - 69	0	16	17	14	11	10	8	4	4	14	98
	0	29,391	52,046	62,999	78,693	81,593	76,397	93,674	82,488	91,836	66,532
70 & Up	0	17	10	4	8	4	4	2	4	1	54
	0	16,652	22,557	51,951	83,249	54,739	60,995	68,749	55,785	73,932	42,221
Totals	116	616	403	317	262	205	103	73	36	27	2,158
	50,948	50,005	62,590	67,987	75,625	78,402	84,555	88,810	83,051	89,582	64,863
Averages											
Age						48.4					
Service						11.8					



## Section IV. Participant Information

### Participant Reconciliation

Shown below is the reconciliation of participants between the prior and current valuation date.

	Active Participants	Inactive Participants With Deferred Benefits	Receiving Benefits	Total
Participants in Last Valuation	2,170	301	2,051	4,522
Retired	(73)	(18)	91	0
Vested Termination	(16)	16	0	0
Nonvested Termination/ Lump Sum Paid	(59)	(2)	(4)	(65)
Disabled	0	0	0	0
Deceased	(2)	0	(59)	(61)
Beneficiary	0	0	13	13
Rehired	2	(2)	0	0
QDRO Put in Pay	0	0	3	3
Transfer In	4	0	0	4
Transfer Out	(1)	0	0	(1)
New Hires	133	0	0	133
Data Adjustment	0	0	1	1
Participants in This Valuation	2,158	295	2,096	4,549



## Section V. Summary of Plan Provisions

### Members in Tier 1

#### Plan Year

January 1 – December 31.

#### Normal Retirement Age

Age 60 and vested, or if earlier, when the participant has reached 30 years of service.

#### Early Retirement Age

Age 50 and the completion of 20 years of service.

#### Normal Form of Benefit

Monthly life annuity with modified cash refund.

#### Post Retirement Cost of Living Increases

##### Simple for Benefits Accrued as of 1/31/1997

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit plus base benefit multiplied by increase in current CPI from CPI for prior year, or
- Benefit increased by 3% of original benefit.

##### Compound for Benefits Accrued after 1/31/1997

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit multiplied by 60% of the increase in the current March CPI from March CPI for prior year, or
- Benefit increased by 2.5%.

#### Employee Contributions

4% of compensation.

#### Compensation

Regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses, and commissions.

#### Final Earnings

The average of the highest 3 years of annual basic pay.

#### Normal Retirement Benefit Formula

2% of final earnings for each year of service, maximum 60%.

## Section V. Summary of Plan Provisions

### Early Retirement Benefit Formula

Same as normal retirement, but reduced by the following factors:

Years Early	Reduction Factor
1	2%
2	5%
3	9%
4	14%
5	20%
6	28%
7	36%
8	44%
9	52%
10	60%

### Termination Prior to Retirement

#### Vesting Date

**Hired before July 1, 2015:** 5 years of service

**Hired on or after July 1, 2015:** 10 years of service

**County Council member whose first term begins on or after December 1, 2014:** 10 years of service

**County Executive and appointed exempt members hired on or after December 1, 2014:** 8 years of service

#### Termination prior to Vesting Date

Return of employee contributions with 4.25% interest.

#### Termination on or after Vesting Date

At the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.

## Section V. Summary of Plan Provisions

### Disability

Must be totally and permanently disabled (except as the result of activities specified in the County code) regardless of length of service.

### Line of Duty Disability

The greater of the accrued benefit or 66 2/3% of final earnings, payable immediately, unreduced.

### Non-Line of Duty Disability

Five years of service are required to receive non-duty benefits. The greater of the accrued benefit or 25% of final earnings, payable immediately, unreduced.

### Pre-Retirement Spouse's Benefit (Non-line of duty)

#### Married and Vested

Elect one of the following:

- Other Pre-Retirement Death Benefit
- The accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor form.
- The benefit is payable immediately if the member was eligible for retirement or deferred to early or normal retirement date, as elected, if not eligible to receive an immediate benefit.

### Other Pre-Retirement Death Benefits

Return of employee contributions with 4.25% interest plus a lump sum of 50% of final earnings.

### Changes Since Prior Valuation

None.

## Members in Tier 2

### Plan Year

January 1 – December 31.

### Normal Retirement Age

Age 60 and vested, or if earlier, when the participant has reached 30 years of service.

### Early Retirement Age

Age 50 and the completion of 20 years of service.

### Normal Form of Benefit

Monthly life annuity.

## Section V. Summary of Plan Provisions

### Post Retirement Cost of Living Increases

#### Compound for Benefits Accrued after 1/31/1997

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit multiplied by 60% of the increase in the current March CPI from March CPI for prior year, or
- Benefit increased by 2.5%.

### Employee Contributions

No employee contributions required or allowed.

### Compensation

Regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses, and commissions.

### Final Earnings

The average of the highest 3 years of the last 5 years of annual basic pay.

### Normal Retirement Benefit Formula

1.0% of final earnings for each year of service.

### Early Retirement Benefit Formula

Same as normal retirement but reduced for early commencement (using the same factors as Tier 1).

### Termination Prior to Retirement

#### Vesting Date

**Hired before July 1, 2015:** 5 years of service

**Hired on or after July 1, 2015:** 10 years of service

**County Council member whose first term begins on or after December 1, 2014:** 10 years of service

**County Executive and appointed exempt members hired on or after December 1, 2014:** 8 years of service

#### Termination prior to Vesting Date

No benefit is payable.

#### Termination on or after Vesting Date

The accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.

## Section V. Summary of Plan Provisions

### Disability

Must be totally and permanently disabled (except as the result of activities specified in the County code) regardless of length of service.

#### Line of Duty Disability

The greater of the accrued benefit or 66 2/3% of final earnings, payable immediately, unreduced.

#### Non-Line of Duty Disability

Five years of service are required to receive non-duty benefits. The greater of the accrued benefit or 25% of final earnings, payable immediately, unreduced.

### Pre-Retirement Spouse's Benefit (Non-line of duty)

#### Married and Vested

Elect one of the following:

- A lump sum of 50% of the final earnings
- The accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor form.
- The benefit is payable immediately if the member was eligible for retirement or deferred to early or normal retirement date, as elected, if not eligible to receive an immediate benefit.

#### Unmarried or not Vested

A lump sum of 50% of final earnings.

### Changes Since Prior Valuation

None.

## Section VI. Actuarial Methods and Assumptions

### Funding Method

Projected Unit Credit Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liabilities and any actuarial gains or losses over a period of years. Amortization payments increase 3.0% per year.

### Amortization Policy

The unfunded actuarial accrued liability (UAAL) is amortized as a level percentage of payroll as follows:

- Gains and losses over 20 years
- Assumption changes over 20 years
- Post-2018 plan improvements over the average expected future working period
- Early retirement incentives over 5 years or less
- Surplus, when reached, over 30 years (open)

Different amortization periods were utilized prior to 1/1/2014.

### Asset Method

Asset smoothing method which spreads the investment gains or losses in excess of the assumed return over a five-year period. The Actuarial Value of Assets can be no less than 50% of market value of assets and no more than 150% of market value of assets.

### Discount Rate and Investment Rate of Return

7.00% compounded annually, net of investment expenses. This assumption is based on the plan's investment policy and the long-term expectation of each investment class, based upon the recommendations of the plan's investment advisor.

### Post Retirement COLA Increases

Benefits accrued before Bill 88-96 are assumed to increase by 3.0% of the original benefit each year from retirement.

Benefits accrued after Bill 88-96 are assumed to increase by 1.8% of the current benefit each year from retirement.

## Section VI. Actuarial Methods and Assumptions

### Salary Increases

The following graded schedule is used:

Age	Rate
20	6.75%
25	6.25%
30	5.75%
35	5.25%
40	4.75%
45	4.25%
50	3.75%
55	3.75%

Rates are based on the results of the most recent experience study.

### Mortality

#### Healthy

RP-2014 Blue Collar Mortality Table for males and females with the 2006 base rates projected generationally from 2006 using scale MP-2018. Projections from 2006 to the valuation date represent current mortality and projections beyond the valuation date represent future mortality improvement.

#### Disabled

RP-2014 Blue Collar Mortality Table for males and females set forward nine years with the 2006 base rates then projected generationally from 2006 using scale MP-2018. Projections from 2006 to the valuation date represent current mortality and projections beyond the valuation date represent future mortality improvement.

100% of pre-retirement deaths are assumed to be non-duty related.

### Disability

Sample rates are:

Age	Rate
30	0.0178%
35	0.0267%
40	0.0546%
45	0.0903%
50	0.1460%
55	0.2395%
60	0.3576%
64	0.4867%

10% of disablements are assumed to be duty-related.



## Section VI. Actuarial Methods and Assumptions

### Turnover<sup>1</sup>

Sample rates are:

Age	Male	Female
20	12.47%	21.57%
25	9.97%	18.12%
30	6.78%	13.34%
35	4.37%	9.05%
40	3.48%	7.48%
45	2.40%	5.95%
50	0.95%	2.34%
55	0.65%	1.61%
60	0.00%	0.00%

### Retirement

Sample rates are:

Age	Years of Service			
	<20	20 - 29	30	31+
50 - 54	N/A	4%	50%	25%
55 - 59	N/A	9%	40%	5%
60	15%	15%	15%	15%
61	12%	12%	12%	12%
62	20%	20%	20%	20%
63 - 64	12%	12%	12%	12%
65	25%	25%	40%	25%
66 - 69	15%	15%	25%	15%
70	100%	100%	100%	100%

### Disability Leave

Active liabilities (which depend on credited service) are loaded by 1.5% to account for future crediting of disability service.

<sup>1</sup> Tier 1 terminations prior to age 40 are assumed to elect a refund of employee contributions with interest.

## Section VI. Actuarial Methods and Assumptions

### Military Service

Active liabilities (which depend on credited service) are loaded by 1% to account for future crediting of military service.

### Transferred Service

Transferred service is included in the calculation of a participant's benefit starting at the time the service is originally transferred to the County.

### Marriage

It is assumed that 70% of employees are married. Husbands are assumed to be 4 years older than wives.

### Administrative Expenses

A load for estimated administrative expenses is included in the Actuarially Determined Contribution. The load is equal to the average of actual expenses for the two years preceding the valuation date, rounded to the nearest thousand.

### Other Methods and Assumptions

The Tier 1 service cap of 60% is valued as 62% to account for Disability and Military service credit not being limited by the 30-year cap on service. Actual military service information for actives is not available.

Members are assumed to stay in their current tier.

### Rationale for Assumptions

The rationale for the demographic assumptions is based on the results of the December 2018 Experience Study. The economic assumptions are based on future expectations with an underlying 3.0% inflation assumption.

### Changes Since Prior Valuation

The discount rate assumption changed from 7.45% to 7.00%.

## Section VII. Glossary

### Actuarial Accrued Liability (AAL)

The difference between the Actuarial Present Value of Future Benefits and the Actuarial Present Value of Future Normal Costs or the portion of the present value of future benefits allocated to service before the valuation date in accordance with the actuarial cost method. Represents the present value of benefits expected to be paid from the plan in the future allocated to service prior to the date of the measurement.

### Actuarial Asset Valuation Method

The method of determining the value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially determined contribution (ADC).

### Actuarial Cost Method

A procedure for allocating the Actuarial Present Value of Future Benefits and the actuarial Present Value of Future Normal costs and the Actuarial Accrued Liability. Also known as the “funding method”. Examples of actuarial cost methods include Aggregate, Entry Age Normal, Projected Unit Credit, and Pay-as-you-go.

### Actuarial Present Value of Future Benefits (APVFB)

The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

### Aggregate Cost Method

An actuarial cost method that spreads the cost of all future benefits in excess of plan assets as a level percentage of future salary or service. The actuarial accrued liability is set to the value of assets in this method.

### Annual Determined Contributions of the Employer(s) (ADC)

The employer’s periodic determined contributions to a pension plan, calculated in accordance with the assumptions and methods used by the plan actuary. The ADC replaced the actuarially required contribution (ARC), with the replacement of GASB 27 with GASB 68.

### Cost-of-Living Adjustment (COLA)

An annual increase in the amount of a retired participant’s benefit intended to adjust the benefit for inflation.

### Covered Group

Plan members included in actuarial valuation.

## Section VII. Glossary

### Deferred Retirement Option Program (DROP)

A program allowing a participant eligible to retire to continue working for a fixed period of time, while accumulating the benefit payments he would have received if he had retired on his entry to DROP.

### Demographic Assumption

Assumptions regarding the future population of pension participants, including retirement, termination, disability and mortality assumptions.

### Economic Assumption

Assumptions regarding future economic factors, including COLA, salary improvement, change in average wages, changes in Social Security benefits and investment returns.

### Employer's Contributions

Contributions made in relation to the actuarially determined contributions of the employer (ADC). An employer has made a contribution in relation to the ADC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

### Entry Age Normal (EAN) Cost Method

An actuarial cost method that spreads the cost for each individual's expected benefits over their career, either as a level percentage of pay or service. The actuarial accrued liability is the accumulated value of all past normal cost, and the unfunded accrued liability (surplus) is the excess of the AAL over the value of assets.

### Expenses

Plan expenses paid by the plan are divided into administrative and investment related expenses.

### Funded Ratio

The actuarial value of assets expressed as a percentage of the plan's actuarial accrued liability.

### GASB

Government Accounting Standards Board.

### GASB No. 25 and GASB No. 27

These are the government accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems while Statement No. 25 sets the rules for the systems themselves.

## Section VII. Glossary

### **GASB No. 67 and GASB No. 68**

These are the government standards that replace GASB 25 and 27. They are effective for plan years beginning after June 14, 2013 and employer fiscal years beginning after June 14, 2014.

### **Investment Return Assumption or Investment Rate of Return (Discount Rate)**

The rate used to adjust a series of future payments to reflect the time value of money.

### **Level Percentage of Projected Payroll Amortization Method**

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

### **Normal Cost or Normal Actuarial Cost**

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

### **Pay-as-you-go (PAYG)**

A method of financing a benefits plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

### **Payroll Growth Rate**

An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

### **Plan Liabilities**

Obligations payable by the plan at the reporting date, including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date.

### **Plan Members**

The individuals covered by the terms of a Pension or OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

### **Post-Employment**

The period between termination of employment and retirement as well as the period after retirement.

## Section VII. Glossary

### Projected Unit Credit (PUC) Funding Method

An actuarial cost method that spreads the employee's benefit over their career, as a level percentage of service. The normal cost is the present value of the portion of the benefit assigned to the current year. The actuarial accrued liability is the accumulated value of all past normal cost, and the unfunded accrued liability (surplus) is the excess of the AAL over the value of assets.

### Salary Improvement

An actuarial assumption regarding the increase in employees' salaries, reflecting cost-of-living, merit and longevity increases.

### Select and Ultimate Rates

Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8 percent for year 2020, 7.5 percent for 2021, and 7 percent for 2022 and thereafter, then 8 percent and 7.5 percent are select rates, and 7 percent is the ultimate rate.

### Unfunded Actuarial Accrued Liabilities

The excess of the present value of prospective pension benefits, as of the date of a pension plan valuation, over the sum of (1) the actuarial value of the assets of the plan and (2) the present value of future normal costs determined by any of several actuarial cost methods. For plans that define an accrued liability, this amount equals the excess of the accrued liability over plan assets.

### Vested Plan Benefits

All benefits to which current participants have a vested right based on pay and service through the valuation date. A participant has a vested right to a benefit if he/she would still be eligible to receive that benefit if employment terminated on the valuation date.

## Appendix 1

### Summary of Funding Progress

Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1) / (2)	(4) Unfunded Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
1/1/2011	\$522,165,144	\$627,269,587	83.2%	\$105,104,443	\$123,498,129	85.1%
1/1/2012	\$516,070,401	\$653,653,058	79.0%	\$137,582,657	\$120,415,534	114.3%
1/1/2013	\$508,232,321	\$693,580,675	73.3%	\$185,348,354	\$116,024,717	159.7%
1/1/2014	\$545,812,384	\$735,729,033	74.2%	\$189,916,649	\$115,809,426	164.0%
1/1/2015	\$582,795,438	\$781,105,960	74.6%	\$198,310,522	\$127,090,869	156.0%
1/1/2016	\$604,433,282	\$785,306,609	77.0%	\$180,873,327	\$127,827,040	141.5%
1/1/2017	\$627,147,521	\$812,995,392	77.1%	\$185,847,871	\$130,312,665	142.6%
1/1/2018	\$653,155,048	\$851,463,872	76.7%	\$198,308,824	\$138,239,224	143.5%
1/1/2019	\$665,037,621	\$913,734,834	72.8%	\$248,697,213	\$134,891,500	184.4%
1/1/2020	\$682,574,049	\$953,652,397	71.6%	\$271,078,348	\$138,428,352	195.8%
1/1/2021	\$715,818,072	\$1,028,227,361	69.6%	\$312,409,289	\$139,975,356	223.2%

Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Anne Arundel County's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

## Appendix 1

### Summary of Contributions

Year Ended December 31	Actuarially Determined Contribution	Percentage Contributed
2014	\$24,426,165	100.1%
2015	\$25,654,839	99.9%
2016	\$25,809,828	100.0%
2017	\$25,654,218	100.0%
2018	\$27,032,514	100.0%
2019	\$29,637,342	100.0%
2020	\$32,566,842	100.0%

The contributions shown in this table have been adjusted to reflect accrued contributions.



## Appendix 2

### Benefit Payment Projection

The following table shows the estimated benefit payments from January 1, 2021 through December 31, 2030 based on existing members of the plan.

Calendar Year	Benefits
2021	\$62,159,000
2022	65,230,000
2023	68,027,000
2024	70,844,000
2025	73,560,000
2026	76,329,000
2027	79,066,000
2028	81,636,000
2029	84,170,000
2030	86,584,000

## Appendix 3

### ASOP 51 Disclosure

Actuarial Standard of Practice No. 51 *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions* is effective for actuarial valuations after November 2018. The standard requires actuaries to provide information so that users of the report can better understand the potential for future results to vary from the results presented in this report and identify risks on the plan's future financial condition. This standard does not require the assessment to be based on numerical calculations.

Examples of risk common to most public plans include the following (generally listed from greatest to least risk):

- **Investment risk:** The potential that investment returns will be different than expected. The Trustees are well aware of this risk.
- **Contribution risk:** Most commonly this is associated with the potential that actual future contributions are not made in accordance with the plan's actuarially based funding policy. When this occurs, it can create negative long-term problems.
- **Longevity and other demographic risks:** The potential that mortality or other demographic experience will be different than expected.
- **Asset/liability mismatch risk:** The potential that changes in asset values are not matched by changes in the value of liabilities.
- **Cash flow risks:** The potential that contributions coming into the plan will not cover benefit payments. While common in well-funded plans, this still requires the use of interest, dividends or principal to cover benefit payments. When assets need to be sold (or more cash held) it can be an issue. Poorly funded plans with DROP lump sum payments can be a particular issue.

One item left off this list is "interest rate risk" (i.e., the potential that interest rates will be different than expected). This risk is common in corporate ERISA plans where funding is based on bond rates. Interest rates on bonds are still an important consideration when setting an expected return assumption and can change over time.

There are some plan maturity measures that are significant to understanding the risks associated with the plan. The following table shows four commonly used measures of the relative riskiness of a pension plan, relative to the plan sponsor and the employee group covered by the plan.

## Appendix 3

### ASOP 51 Disclosure

Risk Measure	1/1/2019	1/1/2020	1/1/2021	Conservative Measures
Inactive Liability as a Percent of Total Liability	67%	68%	67%	<50%
Assets to Payroll	4.6	5.0	5.1	<5
Liabilities to Payroll	6.8	6.9	7.3	<5
Benefit Payments to Contributions	1.6	1.6	1.5	<3

The Asset Volatility Ratio (AVR) is equal to the market value of assets (MVA) divided by payroll. A higher AVR implies that the plan is exposed to greater contribution volatility. The current AVR of 5.1 indicates that a 1% asset gain/loss can be related to about 5.1% of the annual payroll. The plan currently amortizes asset gains/losses over a period of 20 years. This would result in a change in the County's contribution of about 0.4% of payroll for each 1.0% change in market assets.

The Liability Volatility Ratio (LVR) is equal to the Actuarial Accrued Liability (AAL) divided by payroll. A higher LVR implies that the plan is exposed to greater contribution volatility due to changes in liability measurements. The current LVR of 7.3 indicates that a 1% liability gain/loss can be related to about 7.3% of the annual payroll. The plan currently amortizes liability gains/losses over a period of 20 years. This would result in a change in the County's contribution of about 0.5% of payroll for each 1.0% change in AAL. As the plan approaches a 100% funded level, the AVR will converge to the LVR.

The use of payroll in these risk measures is an easily available substitute for the employer's revenue and often reflects the employer's ability to afford the plan. As shown in the table above, the plan is not considered "low risk". Each of these measures are a measure of plan maturity. Some ratios are outside of the "conservative" range because the plan is becoming more mature. Mature plans present more risk to plan sponsors because changes to the liability or assets will result in large changes in the unfunded liability as compared to the overall size of the employer as measured by payroll.

## Appendix 3

### ASOP 51 Disclosure

If the plan or employer were interested in doing more quantitative assessment of risks, the following are example of tests that could be performed:

**Scenario Test**—A process for assessing the impact of one possible event, or several simultaneously or sequentially occurring possible events, on a plan's financial condition. A scenario test could show, for example, the effect of a layoff or reduction in workforce, or early retirement program.

**Sensitivity Test**—A process for assessing the impact of a change in an actuarial assumption on an actuarial measurement. A sensitivity analysis could demonstrate, for example, the impact of a decrease in the valuation discount rate or a change in future life expectancies.

**Stochastic Modeling**—A process for generating numerous potential outcomes by allowing for random variations in one or more inputs over time for the purpose of assessing the distribution of those outcomes. This type of analysis could show, for example, a range of potential future contribution levels and the likelihood of contributions increasing to a certain level.

**Stress Test**—A process for assessing the impact of adverse changes in one or relatively few factors affecting a plan's financial condition. A stress test could show, for example, the impact of a single year or period of several years with significant investment losses.

## Appendix 4

### Summary of Major Legislative Changes

#### County Council Bill No. 36-89

Effective 7/1/1989.

Pension benefits and vesting provisions were improved. The accrual percentage per year of service was increased from 1.8% to 2.0%, permitting accrual of the maximum 60% benefit in 30 years instead of 33-1/3.

Full vesting was granted after 5 years of service. The old provisions used a graded scale granting 75% vesting after 10 years, climbing to 100% vesting after 15 years.

#### County Council Bill No. 34-92

Effective 6/1/1992 through 8/31/1992.

Participants age 50 or older with at least 20 years of service could elect to retire with an additional pension equal to 1/12 of 2% for each year of credited service. The additional amount could be taken as a pension increase, a lump sum, or as a temporary supplement to age 62. Appropriate actuarial adjustments apply.

#### State House Bill No. 687

Effective 7/1/1990.

County employees were given the opportunity to apply for credit under the County's plan for previous service with the State of Maryland (or a political subdivision of the State).

#### County Council Bill 90-93

Effective 12/22/1993.

Plan participants are required to pay the full actuarial value for service purchases. Purchases can only be made at retirement. To be eligible, an employee must have 60 months of County service. Existing plan participants must be notified of their right to purchase service under existing law.

#### County Council Bill No. 82-94

Effective 10/31/1994.

Transfers assets from general employees plan to A&E plan for participants who have transferred between these two plans.

## Appendix 4

### Summary of Major Legislative Changes

#### County Council Bill No. 88-96

Effective 12/4/1996.

The previous method of calculating cost of living increases will only apply to benefits accrued as of 1/31/1997. The cost of living increase for future benefits is a compound increase equal to 60% of the annual change in the CPI, not to exceed 2.5%. Employees hired, or rehired, on or after 12/4/1996 will be Tier Two employees and will have different benefits than current employees.

#### County Council Bill No. 41-99

Effective 6/15/1999.

Employees paid under the deputy sheriff employees pay schedule become Tier Two members of the Detention Center Plan effective as of January 1, 1999. Service credited under the Employees' Plan will count as credited service in the Detention Center Plan and no future benefit will be paid from the Employees' Plan. Assets are transferred from the Employees' Plan to the Detention Center Plan in an amount equal to the projected unit credit accrued liability in the Employees' Plan.

#### Recodification

Effective 2/25/2002.

Allows a benefit based on disability leave service and pre-plan military service to be paid over the 60% cap. Normal Retirement was changed to the earlier of 30 years of service or age 60.

#### County Council Bill No. 74-09

Effective 12/11/2009.

For non-represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 3% for determining the final average basic pay.

#### County Council Bill No. 6-10

Effective 4/18/2010.

Provides for a disability benefit for those participants who are totally and permanently disabled as a result of qualified military service.

#### County Council Bill No. 98-12

Effective 5/13/2013.

Changed the definition of "final average basic pay" from highest 3 out of the last 5 years basic pays to higher 3 of all basic pays.

## Appendix 4

### Summary of Major Legislative Changes

#### County Council Bill No. 97-13

Effective 4/14/2014.

Members of the Employees' Plan and Category II members of the Detention and Deputy Sheriffs' Plan hired on or after July 1, 2015 will be subject to 10 year vesting and 10 year normal retirement provisions. The 10 year requirement also affects the ability to purchase service or get credit for pre-plan military service. The 10 year requirement extends to County Council members hired on or after December 1, 2014.

#### County Council Bill No. 86-16

Effective 1/1/2017.

To ensure compliance with IRS regulations, members of the Employees' Plan have 30 days from date of hire to make an irrevocable election between Tier 1 and Tier 2; and effective January 1, 2017 members of Tier 2 the Employees' Plan can no longer later elect to transfer to Tier 1. Employees hired before December 31, 2016 who elect Tier 2 may still be allowed to transfer to Tier 1 before their 5th year anniversary.

#### County Council Bill No. 95-17

Effective 3/23/2018.

Created the Employee Retirement Savings Plan and allowed certain non-vested members of the Employees' Plan a one-time opportunity to transfer the present value of their Employees' Plan accrued benefit to it.

#### County Council Bill No. 70-20

Effective: 11/22/2020.

Each of the pension plans provide pension benefits for an employee who is or becomes totally and permanently disabled and meets certain criteria. To be eligible for a disability pension, the plan requires that the disability prevent the participant from performing the duties of the participant's regular duties. The purpose of the bill is to eliminate the participant's ability to perform any other assignment within their Department as a disqualifying factor for a service connected disability.