

annual credit that increases each year based on the actuarial assumptions adopted by the Board of Trustees on the recommendation of the actuary.

(4) Each fiscal year, a participating governmental unit's required employer contribution shall be reduced by the annual credit of the participating governmental unit, but not below zero.

(c) (1) The actuary shall determine the deficit allocable to a participating governmental unit as of June 30, 1995, based on an actuarial valuation.

(2) (i) Except as provided in subparagraph (ii) of this paragraph, the annual deficit payment of a participating governmental unit shall be the payment that is sufficient to liquidate over a 25 year term beginning as of July 1, 1995, the deficit allocated to the participating governmental unit by means of annual payments that increase each year based on the actuarial assumptions adopted by the Board of Trustees on the recommendation of the actuary.

(ii) If, as of July 1, 1995, the annual deficit payment of a participating governmental unit increases the participating governmental unit's required contribution by more than 2% of the aggregate annual earnable compensation of the participating governmental unit as of July 1, 1995, the participating governmental unit may liquidate the deficit over a 40-year term beginning as of July 1, 1995.

(3) (i) Subject to subparagraph (ii) of this paragraph, with the concurrence of the Board of Trustees, a participating governmental unit may prepay all or a portion of the deficit.

(ii) A participating governmental unit that elects to prepay a portion of the deficit:

1. may not prepay less than the greater of \$100,000 or 10% of the outstanding balance of the deficit as of the payment date;
2. may not make more than 2 additional payments during any fiscal year; and
3. shall be liable for payment of the expenses incurred by the agency for the actuary to recalculate the annual deficit payments required under § 21-305(b)(2)(iv) of this subtitle.

(d) On the recommendation of the actuary, the Board of Trustees shall adopt regulations that are necessary to carry out this section, and that set forth the amount of any surplus or deficit allocable to a participating governmental unit as of June 30, 1995.

SECTION 2. AND BE IT FURTHER ENACTED, That, to preserve the integrity of the accumulation funds of the Employees' Retirement System and the Employees' Pension System for the participating governmental units as a result of the creation of the limit on the amount of the deficit of any participating governmental unit under § 21-305.4(a)(2) of the State Personnel and Pensions Article as enacted by Section 1 of this Act, the State Retirement Agency shall transfer up to \$3.85 million from the accumulation funds of the Employees' Retirement System and the Employees' Pension