

SENATE BILL 550

K4

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CF HB 1134

By: **Senator McFadden (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 4, 2010

Assigned to: Budget and Taxation

Committee Report: Favorable

Senate action: Adopted

Read second time: March 10, 2010

CHAPTER _____

1 AN ACT concerning

2 **State Retirement and Pension System – Eligible Governmental Units**

3 FOR the purpose of providing that the effective date of certain eligible governmental
4 units to join the State Retirement and Pension System shall be postponed to a
5 certain date if the Board of Trustees for the State Retirement and Pension
6 System does not receive certain documents on or before a certain date from the
7 eligible governmental unit; making certain technical and clarifying changes to
8 the State Personnel and Pensions Article; deleting certain obsolete provisions in
9 the State Personnel and Pensions Article; defining certain terms; and generally
10 relating to eligible governmental units participating in the State Retirement
11 and Pension System.

12 BY repealing

13 Article – State Personnel and Pensions

14 Section 31–201 through 31–205 and the subtitle “Subtitle 2. Participation in the
15 Local Fire and Police System”

16 Annotated Code of Maryland

17 (2009 Replacement Volume and 2009 Supplement)

18 BY repealing and reenacting, without amendments,

19 Article – State Personnel and Pensions

20 Section 31–101(a), 31–2A–01(a), and 31–2B–01(a)

21 Annotated Code of Maryland

22 (2009 Replacement Volume and 2009 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike-out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 BY repealing and reenacting, with amendments,
 2 Article – State Personnel and Pensions
 3 Section 31–101(e) and (h), 31–109.1, 31–2A–01(f), 31–2A–03, 31–2A–03.1,
 4 31–2A–05, 31–2B–01(e), 31–2B–03, 31–2B–05, 31–301, 31–302, 31–304,
 5 31–305, and 31–306
 6 Annotated Code of Maryland
 7 (2009 Replacement Volume and 2009 Supplement)

8 BY adding to
 9 Article – State Personnel and Pensions
 10 Section 31–2A–01(g), 31–2B–01(f), and 31–2B–03.1
 11 Annotated Code of Maryland
 12 (2009 Replacement Volume and 2009 Supplement)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 14 MARYLAND, That Section(s) 31–201 through 31–205 and the subtitle “Subtitle 2.
 15 Participation in the Local Fire and Police System” of Article – State Personnel and
 16 Pensions of the Annotated Code of Maryland be repealed.

17 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
 18 read as follows:

19 **Article – State Personnel and Pensions**

20 31–101.

21 (a) In this subtitle the following words have the meanings indicated.

22 (e) (1) “Employee” means [an] A **REGULAR** employee of an eligible
 23 governmental unit.

24 (2) “Employee” includes an officer of an eligible governmental unit.

25 **(3) “EMPLOYEE” DOES NOT INCLUDE A CONTRACTUAL,**
 26 **EMERGENCY, OR TEMPORARY EXTRA EMPLOYEE.**

27 (h) “Local pension system” means a retirement or pension system
 28 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit [that
 29 exists before participation by the governmental unit in the employees’ systems].

30 31–109.1.

31 **(A) [The] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION,**
 32 **THE** effective date of participation for an eligible governmental unit is July 1 of the
 33 year following the fiscal year in which the eligible governmental unit elects to
 34 participate in the Employees’ Pension System.

1 **(B) IF AN ELIGIBLE GOVERNMENTAL UNIT DOES NOT PROVIDE THE**
2 **BOARD OF TRUSTEES WITH THE NECESSARY DOCUMENTATION TO JOIN THE**
3 **EMPLOYEES' PENSION SYSTEM ON OR BEFORE THE EFFECTIVE DATE FOR THE**
4 **ELIGIBLE GOVERNMENTAL UNIT, THE EFFECTIVE DATE SHALL BE POSTPONED**
5 **UNTIL JULY 1 OF THE SECOND YEAR FOLLOWING THE FISCAL YEAR IN WHICH**
6 **THE ELIGIBLE GOVERNMENTAL UNIT ELECTS TO PARTICIPATE IN THE**
7 **EMPLOYEES' PENSION SYSTEM.**

8 31-2A-01.

9 (a) In this subtitle the following words have the meanings indicated.

10 (f) [(1)] "Local pension system" means a retirement or pension system
11 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit.

12 [(2) "Local pension system" includes the Employees' Retirement
13 System and the Employees' Pension System if the eligible governmental unit
14 participates under Subtitle 1 of this title.]

15 **(G) "STATE SYSTEM" HAS THE MEANING STATED IN § 20-101(P) OF**
16 **THIS ARTICLE.**

17 31-2A-03.

18 (a) If at least 60% of the law enforcement officers of an eligible governmental
19 unit who are members of a local pension system **OR STATE SYSTEM** petition to
20 become members of the Law Enforcement Officers' Pension System, the legislative
21 body of the eligible governmental unit may approve the participation of these law
22 enforcement officers in the Law Enforcement Officers' Pension System as though the
23 local pension system were not in operation.

24 (b) If at least 60% of the firefighters and paramedics employed by the
25 Salisbury Fire Department petition to become members of the Law Enforcement
26 Officers' Pension System, the legislative body of the City of Salisbury, as an eligible
27 governmental unit, may approve the participation of these firefighters and paramedics
28 in the Law Enforcement Officers' Pension System.

29 (c) If at least 60% of the firefighters of an eligible governmental unit who are
30 members of a local pension system **OR STATE SYSTEM** petition to become members of
31 the Law Enforcement Officers' Pension System, the legislative body of the eligible
32 governmental unit may approve the participation of these firefighters in the Law
33 Enforcement Officers' Pension System as though the local pension system were not in
34 operation.

35 31-2A-03.1.

1 **(A) [The] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION,**
2 **THE** effective date of participation for an eligible governmental unit is July 1 of the
3 year following the fiscal year in which the eligible governmental unit elects to
4 participate in the Law Enforcement Officers' Pension System.

5 **(B) IF AN ELIGIBLE GOVERNMENTAL UNIT DOES NOT PROVIDE THE**
6 **BOARD OF TRUSTEES WITH THE NECESSARY DOCUMENTATION TO JOIN THE**
7 **LAW ENFORCEMENT OFFICERS' PENSION SYSTEM ON OR BEFORE THE**
8 **EFFECTIVE DATE FOR THE ELIGIBLE GOVERNMENTAL UNIT, THE EFFECTIVE**
9 **DATE SHALL BE POSTPONED UNTIL JULY 1 OF THE SECOND YEAR FOLLOWING**
10 **THE FISCAL YEAR IN WHICH THE ELIGIBLE GOVERNMENTAL UNIT ELECTS TO**
11 **PARTICIPATE IN THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM.**

12 31-2A-05.

13 (a) If an eligible governmental unit approves participation in the Law
14 Enforcement Officers' Pension System, the operation of the local pension system **OR**
15 **STATE SYSTEM** with respect to the law enforcement officers, firefighters, or
16 paramedics terminates on the effective date.

17 (b) (1) On the effective date:

18 (i) the assets to the credit of the local pension system **OR**
19 **STATE SYSTEM** that relate to the law enforcement officers, firefighters, or paramedics
20 who elect to become members shall be transferred to the Law Enforcement Officers'
21 Pension System; and

22 (ii) the trustee or other administrative head of the local pension
23 system shall certify the proportion of the funds of the local pension system **OR STATE**
24 **SYSTEM** that represents the accumulated contributions of the members as of that
25 date.

26 (2) The accumulated contributions shall be credited to the respective
27 annuity savings accounts of the members in the Law Enforcement Officers' Pension
28 System.

29 (3) The balance of the funds transferred to the Law Enforcement
30 Officers' Pension System shall be offset against the special accrued liability to be
31 funded by the participating governmental unit as provided by § 21-306.1(d) of this
32 article.

33 31-2B-01.

34 (a) In this subtitle the following words have the meanings indicated.

1 (e) [(1)] “Local pension system” means a retirement or pension system
2 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit.

3 [(2)] “Local pension system” includes the Employees’ Retirement
4 System and the Employees’ Pension System if the eligible governmental unit
5 participates under Subtitle 1 of this title.]

6 **(F) “STATE SYSTEM” HAS THE MEANING STATED IN § 20–101(PP) OF**
7 **THIS ARTICLE.**

8 31–2B–03.

9 If at least 60% of the local detention center officers of an eligible governmental
10 unit who are members of a local pension system **OR STATE SYSTEM** petition to
11 become members of the Correctional Officers’ Retirement System, the legislative body
12 of the eligible governmental unit may approve the participation of these local
13 detention center officers in the Correctional Officers’ Retirement System as though the
14 local pension system were not in operation.

15 **31–2B–03.1.**

16 **(A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THE**
17 **EFFECTIVE DATE OF PARTICIPATION FOR AN ELIGIBLE GOVERNMENTAL UNIT IS**
18 **JULY 1 OF THE YEAR FOLLOWING THE FISCAL YEAR IN WHICH THE ELIGIBLE**
19 **GOVERNMENTAL UNIT ELECTS TO PARTICIPATE IN THE CORRECTIONAL**
20 **OFFICERS’ RETIREMENT SYSTEM.**

21 **(B) IF AN ELIGIBLE GOVERNMENTAL UNIT DOES NOT PROVIDE THE**
22 **BOARD OF TRUSTEES WITH THE NECESSARY DOCUMENTATION TO JOIN THE**
23 **CORRECTIONAL OFFICERS’ RETIREMENT SYSTEM ON OR BEFORE THE**
24 **EFFECTIVE DATE FOR THE ELIGIBLE GOVERNMENTAL UNIT, THE EFFECTIVE**
25 **DATE SHALL BE POSTPONED UNTIL JULY 1 OF THE SECOND YEAR FOLLOWING**
26 **THE FISCAL YEAR IN WHICH THE ELIGIBLE GOVERNMENTAL UNIT ELECTS TO**
27 **PARTICIPATE IN THE CORRECTIONAL OFFICERS’ RETIREMENT SYSTEM.**

28 31–2B–05.

29 (a) If an eligible governmental unit approves participation in the
30 Correctional Officers’ Retirement System, the operation of the local pension system **OR**
31 **STATE SYSTEM** with respect to the local detention center officers terminates on the
32 effective date.

33 (b) (1) On the effective date:

1 (i) the assets to the credit of the local pension system **OR**
2 **STATE SYSTEM** that relate to the local detention center officers who elect to become
3 members shall be transferred to the Correctional Officers' Retirement System; and

4 (ii) the trustee or other administrative head of the local pension
5 system **OR STATE SYSTEM** shall certify the proportion of the funds of the local
6 pension system that represents the accumulated contributions of the members as of
7 that date.

8 (2) The accumulated contributions shall be credited to the respective
9 annuity savings accounts of the members in the Correctional Officers' Retirement
10 System.

11 (3) The balance of the funds transferred to the Correctional Officers'
12 Retirement System shall be offset against the special accrued liability to be funded by
13 the participating governmental unit as provided by § 21-306.1(d) of this article.

14 31-301.

15 (a) In this subtitle the following words have the meanings indicated.

16 (b) "Employees' system" has the meaning stated in § 31-101 of this title.

17 (c) "Legislative body" has the meaning stated in § 31-101 of this title.

18 (d) [(1)] "Local pension system" means a retirement or pension system
19 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit.

20 [(2)] "Local pension system" includes the Employees' Retirement
21 System, Employees' Pension System, Law Enforcement Officers' Pension System, or
22 Correctional Officers' Retirement System if the eligible governmental unit participates
23 under this title.]

24 **(E) "STATE SYSTEM" HAS THE MEANING STATED IN § 20-101(P) OF**
25 **THIS ARTICLE.**

26 [(e)] **(F)** "Withdrawal date" means the date that a withdrawal by a
27 participating governmental unit from [the employees' systems, the Local Fire and
28 Police System, the Law Enforcement Officers' Pension System, or the Correctional
29 Officers' Retirement System] **A STATE SYSTEM** takes effect.

30 31-302.

31 [(a)] The legislative body of a participating governmental unit may withdraw
32 from participation in [the employees' systems] **A STATE SYSTEM** and transfer to a
33 local pension system **OR ANOTHER STATE SYSTEM** any of the following groups of

1 employees of the governmental unit who consent to the withdrawal, AND WHO
2 **QUALIFY FOR MEMBERSHIP IN THE STATE SYSTEM OR LOCAL PENSION SYSTEM:**

3 (1) all employees of the participating governmental unit;

4 (2) fire fighters;

5 (3) law enforcement personnel; [or]

6 **(4) DETENTION CENTER OFFICERS; OR**

7 **[(4)] (5)** subject to the approval of the Board of Trustees, a
8 homogeneous unit of at least 10 employees.

9 (b) The legislative body of a participating governmental unit may withdraw
10 from participation in the Local Fire and Police System and shall transfer to a local
11 pension system all employees of the participating governmental unit.

12 (c) The legislative body of a participating governmental unit may withdraw
13 from participation in the Law Enforcement Officers' Pension System and transfer to a
14 local pension system the law enforcement officers of the participating governmental
15 unit who consent to the withdrawal.

16 (d) The legislative body of a participating governmental unit may withdraw
17 from participation in the Correctional Officers' Retirement System and transfer to a
18 local pension system the detention center officers of the participating governmental
19 unit who consent to the withdrawal.]

20 31-304.

21 If a participating governmental unit withdraws from [the employees' systems,
22 the Local Fire and Police System, the Law Enforcement Officers' Pension System, or
23 the Correctional Officers' Retirement System] **A STATE SYSTEM**, the accumulated
24 contributions of the withdrawn employees shall be transferred on the withdrawal date
25 to the administrative board of the local pension system **OR NEW STATE SYSTEM** and
26 credited to the account of those employees.

27 31-305.

28 (a) As of the effective date of withdrawal of a participating governmental
29 unit, the Board of Trustees shall transfer to the administrative board of the local
30 pension system **OR NEW STATE SYSTEM** the portion of the assets that are allocable to
31 the withdrawn employees as determined under § 21-305.5, § 21-305.6, § 21-306, §
32 21-306.1, or § 26-306.2 of this article.

1 (b) The administrative board of the local pension system **OR NEW STATE**
2 **SYSTEM** shall hold the transferred assets in trust to provide retirement benefits for
3 the withdrawn employees.

4 31–306.

5 A participating governmental unit shall pay all administrative costs involved in
6 the withdrawal or reentry if the participating governmental unit:

7 (1) withdraws **ALL OR SOME OF** its employees from [the employees’
8 systems, Local Fire and Police System, Law Enforcement Officers’ Pension System, or
9 the Correctional Officers’ Retirement System] **A STATE SYSTEM**; or

10 (2) elects to participate in [the employees’ systems, Local Fire and
11 Police System, Law Enforcement Officers’ Pension System, or the Correctional
12 Officers’ Retirement System] **A STATE SYSTEM** for employees who were previously
13 withdrawn.

14 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
15 July 1, 2010.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.