

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1047
Appropriations

(Prince George's County Delegation)

Budget and Taxation

Employees' Pension System - Prince George's County Officials - Membership
PG 418-14

This bill makes membership in the Employees' Pension System (EPS) optional for specified employees of Prince George's County government hired on or after July 1, 2014, but requires them to elect to join or not to join EPS within one year of being hired. Their decision is a one-time irrevocable decision. Employees serving in those same positions who were hired on or after July 1, 2004, and do not elect to join EPS before the bill's effective date are prohibited from joining EPS; the prohibition applies even if the individual changes employment to a different position specified by the bill in Prince George's County government, regardless of whether a break in service occurs. The Board of Trustees of the State Retirement and Pension System must adopt regulations to implement the bill, and the State Retirement Agency (SRA) must conduct a study regarding the membership of elected and appointed officials in EPS. SRA must report its findings and recommendations to the Joint Committee on Pensions by December 1, 2014.

The bill takes effect July 1, 2014.

Fiscal Summary

State Effect: None. The SRPS board can develop regulations and SRA can conduct the study with existing budgeted resources. No effect on revenues.

Local Effect: Future pension liabilities and costs for Prince George's County may decrease to the extent that individuals hired into the specified positions after June 30, 2014, elect not to join EPS. No effect on Prince George's County revenues.

Small Business Effect: None.

Analysis

Bill Summary: Membership in EPS is optional for employees of Prince George's County who begin serving in one of the positions listed below on or after July 1, 2014:

- chief administrative officer;
- deputy chief administrative officer;
- director of a county office or department;
- county council administrator;
- deputy director of a county office or department; or
- executive director.

However, they have one year from the date of employment to elect to join EPS; failure to elect to join EPS within that period is a one-time, irrevocable decision.

Likewise, a decision to join EPS is irrevocable, and membership becomes mandatory for those individuals who had already elected to join EPS before the bill.

Current Law: In general, an individual who becomes an employee of a participating governmental unit (PGU) is a member of EPS as a condition of employment. Subject to limited exceptions, however, membership in EPS is optional for employees of PGUs who (1) were employed by a PGU on June 30, 2004, and (2) were employed by the PGU on the effective date of its participation in the State system. However, membership is optional only as long as the individual is employed by the PGU.

Background: Prince George's County government is one of only a handful of PGUs that participates in noncontributory EPS. Based on the June 30, 2013 actuarial valuation, the fiscal 2015 employer contribution rate for noncontributory EPS is 6.2% of compensation.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Prince George's County, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2014
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