

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 754

(Senator Guzzone)

Budget and Taxation

Appropriations

Law Enforcement Officers' Pension System - Membership

This bill transfers an employee of the Warrant Apprehension Unit (WAU) in the Department of Public Safety and Correctional Services who meets specified criteria and who did not submit an application to become a member of the Law Enforcement Officers' Pension System (LEOPS) before January 1, 2016, to LEOPS. An individual who is transferred to LEOPS under the bill must pay the difference in contribution rates as required by statute, and the State Retirement and Pension System (SRPS) must transfer relevant employer and employee contributions from the Employees' Pension System (EPS) to LEOPS.

The bill takes effect July 1, 2017, and terminates December 31, 2017.

Fiscal Summary

State Effect: As the bill is believed to apply to one individual, and all relevant employer and employee contributions are transferred from EPS to LEOPS, there is no discernible effect on State pension liabilities or contribution rates. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 268 of 2015 gave WAU employees, who at the time were members of EPS, six months to elect to transfer to LEOPS under specified conditions. For every WAU employee who elected to transfer to LEOPS, SRPS was required to transfer to

LEOPS any employer contributions made on behalf of the employee to EPS. In addition, the employee had to pay to LEOPS the member contribution rate in effect for each year for which the member was transferring service credit, plus 5.0% annual interest, reduced by the amount of a member's accumulated contributions transferred from EPS to LEOPS.

Law Enforcement Officers' Pension System

Membership in LEOPS is a condition of employment for 21 classifications of law enforcement officers employed by the State, as specified in statute. LEOPS members pay contributions of 7.0% of earnable compensation. They are eligible for retirement with at least 25 years of service or at age 50. Upon retirement, they earn a retirement allowance equal to 2.0% of average final compensation (AFC) for each year of service.

Warrant Apprehension Unit

Chapter 366 of 2011 codified WAU in statute and authorized its employees to:

- execute warrants for the retaking of offenders;
- execute warrants for the arrest of probationers for whom a warrant is issued for an alleged violation of probation;
- obtain and execute search warrants as authorized by statute; and
- arrest offenders in the State's home detention program as authorized by statute.

WAU employees who are authorized to make arrests must meet minimum qualifications required by the Maryland Police Training Commission and satisfactorily complete training prescribed by the commission. They are authorized to make arrests and to exercise the powers of a peace officer and a police officer.

Pension Transfers

Title 37 of the State Personnel and Pensions Article governs the conditions under which members of one State or local pension system can transfer service credit to another State or local pension system. In general, transfers of service credit must occur within one year of the change in employment that prompted a change in membership. However, the State Retirement Agency (SRA) executive director may waive the one-year requirement under specified circumstances. In most cases, an individual who transfers service credit receives the same amount of service credit in the "new" system as was earned in the "old" system. However, under Title 37, if an individual retires less than five years after transferring to a "new" system, the retirement benefits paid to the individual may not be greater than those provided by the "old" system. SRA advises that its policy is not to apply this provision in cases where a group of individuals transfers from one plan to another without changing jobs.

Under Title 37, transfers from EPS to LEOPS require the individual to deposit into LEOPS member contributions of 4.0% of earnable compensation for each year of membership in EPS since June 30, 2000, plus annual interest of 5.0% on those contributions.

In the event that payments are not made in full, at the time of retirement, the member's allowance is reduced by the actuarial equivalent of the unpaid amounts.

Background: SRA advises that it is aware of one WAU employee who did not file a timely application to transfer from EPS to LEOPS and who is, therefore, transferred under the bill.

Membership in EPS is a condition of employment for most State employees who are not public safety officers or judges. EPS members hired before July 1, 2011, are eligible for retirement at age 62 or after 30 years of service. Upon retirement, they earn a retirement allowance equal to 1.2% of AFC for each year of service prior to July 1, 1998, and 1.8% for each year of service after then. EPS members hired on or after July 1, 2011, are eligible for retirement at age 62 or when their age and years of service add to 90. Upon retirement, they earn a retirement allowance equal to 1.5% of AFC for each year of service. All EPS members currently pay member contributions of 7.0% of earnable compensation. Member contributions for both EPS and LEOPS have changed over the years. **Exhibit 1** summarizes the changes for both plans.

Exhibit 1
EPS and LEOPS Member Contribution Rates

<u>Fiscal Year</u>	<u>EPS</u>	<u>LEOPS</u>
1998-2000	2.0%	0.0%
2001-2006	2.0%	4.0%
2007	3.0%	4.0%
2008	4.0%	4.0%
2009-2011	5.0%	4.0%
2012	7.0%	6.0%
2013-present	7.0%	7.0%

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: HB 1110 (Delegate B. Barnes) - Appropriations.

Information Source(s): Department of Public Safety and Correctional Services; State Retirement Agency; Department of Legislative Services

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Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510