

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 845

(Senator Mathias)

Budget and Taxation

**Employees' Pension System - Optional Membership - Concurrent Membership
Prohibition**

This bill terminates membership in the Employees' Pension System (EPS) with respect to membership as an elected official for any elected official who has two active membership accounts in EPS. The elected official maintains membership in EPS with respect to employment that requires membership in EPS other than as an elected official. Any individual affected by the bill may receive a return of employee contributions for the terminated membership; the individual may retire from EPS based on employment unrelated to service as an elected official if the individual otherwise meets EPS retirement eligibility requirements.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Negligible increase in State pension liabilities due to the bill allowing specified members to retire earlier than they could under current law. Any such increase is not expected to have a material effect on State pension contribution rates.

Local Effect: Negligible increase in local pension liabilities for participating governmental units (PGUs) to the extent that the elected officials affected by the bill participate in EPS as elected officials of PGUs. Any such increase is not expected to have a material effect on local pension contributions.

Small Business Effect: None.

Analysis

Current Law: Chapter 182 of 2015 made membership in EPS *optional* for:

- an official who is elected or appointed for a fixed term, including an official who does not receive an annual salary;
- an employee of the Governor's Office;
- an employee of the Senate or House of Delegates;
- a member of the Prince George's County Board of License Commissioners;
- an employee of Dorchester County who is not a member of the county's general pension and retirement programs; and
- an employee of a PGU who is employed by the PGU before the effective date of participation *and* who remains an employee of the PGU through the effective date of participation, except as provided below.

An individual mentioned above who elects to participate in EPS must file a written application at the start of employment. An employee of a PGU for whom membership is optional and who elects to participate in EPS must make the election in writing prior to the PGU's effective date of participation. If an individual fails to provide the written application in the time specified, the individual is not eligible to participate in EPS. In the case of an individual for whom membership in EPS is optional, an election to join EPS is a one-time, irrevocable decision.

Membership in EPS is *not optional* for an individual who was employed in a position on or before June 30, 2015, that required the individual to be a member of EPS, while the individual remains in that position.

Prior to the enactment of Chapter 182, subject to limited exceptions, membership in EPS was a condition of employment for State employees and elected and appointed officials of the State (except members of the General Assembly, who are required to join the Legislative Pension Plan). It was also generally a condition of employment for an individual who became an employee of a PGU. However, membership in EPS was optional for an individual who, on June 30, 2004, was employed by a PGU and had been employed by the PGU since its effective date of participation. Various statutes over the years have also made membership optional for individuals employed by some local governments before they became PGUs. EPS membership was also optional for an individual who was in any of the following positions on June 30, 2004, and who remained in the same position after that date:

- an elected or appointed official;
- an employee of the Governor’s Office;
- an employee of the Senate or House of Delegates;
- a member of the Prince George’s County Board of License Commissioners; and
- an employee of Dorchester County who is not a member of the county’s general pension and retirement programs.

Elected and appointed officials had to elect to join EPS within one year of employment or by July 1, 2008, whichever was later.

Background: The State Retirement Agency (SRA) is *aware* of two individuals who are elected officials who currently have concurrent accounts by virtue of being employed in a position that requires membership in EPS. However, SRA notes that 600 members have dual EPS accounts, so the agency needs to review each account separately to determine if any of those members are also elected officials.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Retirement Agency; Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2017
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