

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 761

(Senator Elfreth)

Budget and Taxation

Appropriations

State Retirement and Pension System - Executive Directors - Membership and Vesting

This bill requires that the Executive Director of the Alcohol and Tobacco Commission be (1) a sworn police officer with specified powers and (2) a member of the Law Enforcement Officers Pension System (LEOPS) as a condition of employment. It also transfers any service credit (and any applicable member and employer contributions) earned by the current Executive Director of the commission in the Employees' Pension System (EPS) between December 1, 2020, and the bill's effective date to LEOPS. The bill also establishes that an individual who commences employment as the Executive Director of the State Retirement Agency (SRA) on or after January 1, 2021, has immediate vesting rights in EPS. Finally, it requires SRA to report to the Joint Committee on Pensions, by December 1, 2021, on relevant positions that are eligible and ineligible for immediate vesting. **The bill takes effect June 1, 2021.**

Fiscal Summary

State Effect: As the bill pertains only to two individuals at any given time, it has no discernible effect on State pension liabilities or contribution rates. SRA can complete the required report with existing budgeted resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Alcohol and Tobacco Commission

The Alcohol and Tobacco Commission must (1) educate the public on a variety of topics related to the lawful consumption of alcohol and tobacco and (2) subject to federal approval, ensure that all alcoholic beverages sold in the State with an alcohol content of at least 4.5% have a large and conspicuous label with their alcohol content. The commission's Field Enforcement Division consists of sworn police officers with the powers, duties, and responsibilities of peace officers with regard to the enforcement of provisions related to:

- the unlawful importation of alcoholic beverages and tobacco into the State;
- the unlawful manufacture of alcoholic beverages in the State;
- the transportation and distribution of alcoholic beverages and tobacco that are manufactured illegally and on which taxes are due and unpaid; and
- the manufacture, sale, barter, transportation, distribution, or other form of owning, handling, or dispersing alcoholic beverages or tobacco by an unlicensed individual.

The Executive Director of the commission must have the training and experience needed to direct the work of the commission and devote full time to the duties of the office.

Law Enforcement Officers' Pension System

LEOPS was established on July 1, 1990, with participation a condition of employment for 21 specified categories of public safety officers. The most recent group added was employees of the Warrant Apprehension Unit of the Division of Parole and Probation within the Department of Public Safety and Correctional Services (Chapter 268 of 2015). In addition, members include specified law enforcement officers employed by participating governmental units that elect to participate in LEOPS.

Members of LEOPS earn 2% of their average final compensation (AFC) for each year of creditable service. The member contribution is 7% of earnable compensation, up to 32.5 years of service, when contributions are no longer required. Vested members qualify for a normal service retirement benefit at age 50 or with at least 25 years of creditable service. However, the normal service allowance is capped at 65% of AFC, meaning that members stop accruing benefits after 32.5 years of service ($2\% \times 32.5 = 65\%$).

Vesting

In general, members of EPS hired after June 30, 2011, vest in the system after 10 years of service. However, an individual who is a Secretary of a principal department or a head of a department, office, or other unit of State government serving at the Governor's pleasure has immediate vesting rights. As the SRA Executive Director serves at the pleasure of the State Retirement and Pension System Board of Trustees, he or she is not eligible for immediate vesting rights.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1336 (Delegate Proctor) - Appropriations.

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

Fiscal Note History: First Reader - March 3, 2021
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