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By: **Delegate Proctor (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 3, 2000

Assigned to: Appropriations

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Committee Report: Favorable

House action: Adopted

Read second time: March 21, 2000

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CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Employees' Pension System - Participating Governmental Units - Local**  
3 **Pension System**

4 FOR the purpose of deleting from the definition of "special accrued liability" of the  
5 Employees' Pension System for participating governmental units the portion of  
6 the liability associated with the retirees of the certain participating  
7 governmental units; providing that an eligible governmental unit may elect to  
8 continue to operate a local pension system after the effective date of  
9 participation in the Employees' Pension System under certain circumstances;  
10 providing that a person may not be enrolled in the local pension system of a  
11 participating governmental unit electing to continue to operate its system under  
12 certain circumstances; and generally relating to the participating governmental  
13 units and the Employees' Pension System.

14 BY repealing and reenacting, with amendments,  
15 Article - State Personnel and Pensions  
16 Section 21-305.3 and 31-113  
17 Annotated Code of Maryland  
18 (1997 Replacement Volume and 1999 Supplement)

19 BY repealing and reenacting, without amendments,  
20 Article - State Personnel and Pensions  
21 Section 23-204(b)  
22 Annotated Code of Maryland  
23 (1997 Replacement Volume and 1999 Supplement)

1 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
2 MARYLAND, That the Laws of Maryland read as follows:

3 **Article - State Personnel and Pensions**

4 21-305.3.

5 (a) (1) In this section the following words have the meanings indicated.

6 (2) "Employees' systems" means the Employees' Pension System and the  
7 Employees' Retirement System.

8 (3) "Special accrued liability" means, as to any participating  
9 governmental unit, the liability of the employees' systems on account of[:

10 (i)] the employees of the participating governmental unit who elect  
11 to become members under § 23-204(b) of this article[; and

12 (ii) the retirees of the participating governmental unit who were  
13 being paid pensions under a local pension system on the date of approval of  
14 participation by the legislative body of the participating governmental unit].

15 (b) Each participating governmental unit shall make a special accrued  
16 liability contribution on account of its participation in the employees' systems.

17 (c) The special accrued liability contribution shall be determined by an  
18 actuarial valuation of the special accrued liability as of the date of approval of  
19 participation by the legislative body of the participating governmental unit.

20 (d) Except as provided in subsection (e) of this section, the annual special  
21 accrued liability contribution of each participating governmental unit shall be the  
22 level annual payment that is sufficient to liquidate, over 25 years beginning on the  
23 date of approval by the legislative body of the participating governmental unit, the  
24 amount by which the special accrued liability of the participating governmental unit  
25 exceeds the sum of:

26 (1) the present value, as of the date of approval, of future normal  
27 contributions, future accrued liability contributions, future contributions for members  
28 of the Employees' Retirement System required under § 21-305(b)(2)(iii) of this  
29 subtitle, future member contributions on behalf of or by members who are employees  
30 of the participating governmental unit; and

31 (2) any cash and securities transferred to the employees' system in  
32 accordance with § 31-113(d) of this article.

33 (e) Subject to the approval of the Board of Trustees, a participating  
34 governmental unit may liquidate its unfunded special accrued liability:

35 (1) over a period not to exceed 40 years; or

1 (2) subject to the actuary's concurrence, by means of annual payments  
2 other than level annual payments.

3 (f) A participating governmental unit may prepay the special accrued liability  
4 in whole or in part at any time with interest at the annual rate established by the  
5 Board of Trustees as of the date of payment.

6 (g) The expense of making the initial special accrued liability actuarial  
7 valuation shall be assessed against and paid by the participating governmental unit  
8 on whose account it is necessary.

9 23-204.

10 (b) Membership in the Employees' Pension System is optional for the  
11 employees of a participating governmental unit who are employed by the  
12 participating governmental unit on the effective date of participation in the State  
13 systems.

14 31-113.

15 (a) [The] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THE  
16 operation of the local pension system of an eligible governmental unit terminates on  
17 the effective date.

18 (b) [The Employees' Pension System shall continue to pay benefits at the  
19 existing benefit rate to a person who is receiving benefits from a local pension system  
20 on the effective date.]

21 (1) AN ELIGIBLE GOVERNMENTAL UNIT MAY ELECT TO CONTINUE TO  
22 OPERATE A LOCAL PENSION SYSTEM AFTER THE EFFECTIVE DATE OF  
23 PARTICIPATION IN THE EMPLOYEES' PENSION SYSTEM TO PROVIDE BENEFITS TO A  
24 PERSON WHO:

25 (I) IS RECEIVING BENEFITS FROM THE LOCAL PENSION SYSTEM;

26 (II) IS ELIGIBLE TO RECEIVE BENEFITS FROM THE LOCAL PENSION  
27 SYSTEM ON ACCOUNT OF THE PERSON'S PREVIOUS EMPLOYMENT BY THE ELIGIBLE  
28 GOVERNMENTAL UNIT; OR

29 (III) DID NOT ELECT TO JOIN THE EMPLOYEES' PENSION SYSTEM  
30 UNDER § 23-204(B) OF THIS ARTICLE.

31 (2) A PERSON MAY NOT BE ENROLLED IN THE LOCAL PENSION SYSTEM  
32 OF A PARTICIPATING GOVERNMENTAL UNIT ELECTING TO CONTINUE TO OPERATE  
33 ITS SYSTEM UNDER PARAGRAPH (1) OF THIS SUBSECTION IF THE PERSON BECOMES  
34 EMPLOYED OR IS REHIRED BY THE PARTICIPATING GOVERNMENTAL UNIT ON OR  
35 AFTER THE EFFECTIVE DATE OF PARTICIPATION OF THE PARTICIPATING  
36 GOVERNMENTAL UNIT IN THE EMPLOYEES' PENSION SYSTEM.

1 (c) The liability for the continuation of benefits under subsection (b) of this  
2 section shall be included in the computation of the special accrued liability as  
3 provided by § 21-305.3 of this article.

4 (d) (1) On the effective date:

5 (i) the assets to the credit of the local pension system of the  
6 participating governmental unit THAT ARE ATTRIBUTABLE TO THE EMPLOYEES OF  
7 THE PARTICIPATING GOVERNMENTAL UNIT WHO ELECT TO BECOME MEMBERS OF  
8 THE EMPLOYEES' PENSION SYSTEM UNDER § 23-204(B) OF THIS ARTICLE shall be  
9 transferred to the Employees' Pension System; and

10 (ii) the trustee or other administrative head of the local pension  
11 system shall certify the proportion of the funds of the local pension system that  
12 represents the accumulated contributions of the members as of that date.

13 (2) The accumulated contributions shall be credited to the respective  
14 annuity savings accounts of the members in the Employees' Pension System.

15 (3) Any balance of the funds transferred to the Employees' Pension  
16 System shall be offset against the special accrued liability to be funded by the  
17 participating governmental unit as provided by § 21-305.3 of this article.

18 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
19 July 1, 2000.