

# SENATE BILL 550

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By: **Senator McFadden (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 4, 2010

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System – Eligible Governmental Units**

3 FOR the purpose of providing that the effective date of certain eligible governmental  
4 units to join the State Retirement and Pension System shall be postponed to a  
5 certain date if the Board of Trustees for the State Retirement and Pension  
6 System does not receive certain documents on or before a certain date from the  
7 eligible governmental unit; making certain technical and clarifying changes to  
8 the State Personnel and Pensions Article; deleting certain obsolete provisions in  
9 the State Personnel and Pensions Article; defining certain terms; and generally  
10 relating to eligible governmental units participating in the State Retirement  
11 and Pension System.

12 BY repealing

13 Article – State Personnel and Pensions  
14 Section 31–201 through 31–205 and the subtitle “Subtitle 2. Participation in the  
15 Local Fire and Police System”  
16 Annotated Code of Maryland  
17 (2009 Replacement Volume and 2009 Supplement)

18 BY repealing and reenacting, without amendments,

19 Article – State Personnel and Pensions  
20 Section 31–101(a), 31–2A–01(a), and 31–2B–01(a)  
21 Annotated Code of Maryland  
22 (2009 Replacement Volume and 2009 Supplement)

23 BY repealing and reenacting, with amendments,

24 Article – State Personnel and Pensions  
25 Section 31–101(e) and (h), 31–109.1, 31–2A–01(f), 31–2A–03, 31–2A–03.1,  
26 31–2A–05, 31–2B–01(e), 31–2B–03, 31–2B–05, 31–301, 31–302, 31–304,  
27 31–305, and 31–306  
28 Annotated Code of Maryland

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (2009 Replacement Volume and 2009 Supplement)

2 BY adding to

3 Article – State Personnel and Pensions

4 Section 31–2A–01(g), 31–2B–01(f), and 31–2B–03.1

5 Annotated Code of Maryland

6 (2009 Replacement Volume and 2009 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
8 MARYLAND, That Section(s) 31–201 through 31–205 and the subtitle “Subtitle 2.  
9 Participation in the Local Fire and Police System” of Article – State Personnel and  
10 Pensions of the Annotated Code of Maryland be repealed.

11 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
12 read as follows:

13 **Article – State Personnel and Pensions**

14 31–101.

15 (a) In this subtitle the following words have the meanings indicated.

16 (e) (1) “Employee” means [an] A **REGULAR** employee of an eligible  
17 governmental unit.

18 (2) “Employee” includes an officer of an eligible governmental unit.

19 **(3) “EMPLOYEE” DOES NOT INCLUDE A CONTRACTUAL,  
20 EMERGENCY, OR TEMPORARY EXTRA EMPLOYEE.**

21 (h) “Local pension system” means a retirement or pension system  
22 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit [that  
23 exists before participation by the governmental unit in the employees’ systems].

24 31–109.1.

25 **(A) [The] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION,  
26 THE** effective date of participation for an eligible governmental unit is July 1 of the  
27 year following the fiscal year in which the eligible governmental unit elects to  
28 participate in the Employees’ Pension System.

29 **(B) IF AN ELIGIBLE GOVERNMENTAL UNIT DOES NOT PROVIDE THE  
30 BOARD OF TRUSTEES WITH THE NECESSARY DOCUMENTATION TO JOIN THE  
31 EMPLOYEES’ PENSION SYSTEM ON OR BEFORE THE EFFECTIVE DATE FOR THE  
32 ELIGIBLE GOVERNMENTAL UNIT, THE EFFECTIVE DATE SHALL BE POSTPONED  
33 UNTIL JULY 1 OF THE SECOND YEAR FOLLOWING THE FISCAL YEAR IN WHICH**

1 **THE ELIGIBLE GOVERNMENTAL UNIT ELECTS TO PARTICIPATE IN THE**  
2 **EMPLOYEES' PENSION SYSTEM.**

3 31-2A-01.

4 (a) In this subtitle the following words have the meanings indicated.

5 (f) [(1)] "Local pension system" means a retirement or pension system  
6 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit.

7 [(2)] "Local pension system" includes the Employees' Retirement  
8 System and the Employees' Pension System if the eligible governmental unit  
9 participates under Subtitle 1 of this title.]

10 (g) **"STATE SYSTEM" HAS THE MEANING STATED IN § 20-101(P) OF**  
11 **THIS ARTICLE.**

12 31-2A-03.

13 (a) If at least 60% of the law enforcement officers of an eligible governmental  
14 unit who are members of a local pension system **OR STATE SYSTEM** petition to  
15 become members of the Law Enforcement Officers' Pension System, the legislative  
16 body of the eligible governmental unit may approve the participation of these law  
17 enforcement officers in the Law Enforcement Officers' Pension System as though the  
18 local pension system were not in operation.

19 (b) If at least 60% of the firefighters and paramedics employed by the  
20 Salisbury Fire Department petition to become members of the Law Enforcement  
21 Officers' Pension System, the legislative body of the City of Salisbury, as an eligible  
22 governmental unit, may approve the participation of these firefighters and paramedics  
23 in the Law Enforcement Officers' Pension System.

24 (c) If at least 60% of the firefighters of an eligible governmental unit who are  
25 members of a local pension system **OR STATE SYSTEM** petition to become members of  
26 the Law Enforcement Officers' Pension System, the legislative body of the eligible  
27 governmental unit may approve the participation of these firefighters in the Law  
28 Enforcement Officers' Pension System as though the local pension system were not in  
29 operation.

30 31-2A-03.1.

31 (A) [The] **EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION,**  
32 **THE** effective date of participation for an eligible governmental unit is July 1 of the  
33 year following the fiscal year in which the eligible governmental unit elects to  
34 participate in the Law Enforcement Officers' Pension System.

1           **(B) IF AN ELIGIBLE GOVERNMENTAL UNIT DOES NOT PROVIDE THE**  
2 **BOARD OF TRUSTEES WITH THE NECESSARY DOCUMENTATION TO JOIN THE**  
3 **LAW ENFORCEMENT OFFICERS’ PENSION SYSTEM ON OR BEFORE THE**  
4 **EFFECTIVE DATE FOR THE ELIGIBLE GOVERNMENTAL UNIT, THE EFFECTIVE**  
5 **DATE SHALL BE POSTPONED UNTIL JULY 1 OF THE SECOND YEAR FOLLOWING**  
6 **THE FISCAL YEAR IN WHICH THE ELIGIBLE GOVERNMENTAL UNIT ELECTS TO**  
7 **PARTICIPATE IN THE LAW ENFORCEMENT OFFICERS’ PENSION SYSTEM.**

8 31–2A–05.

9           (a) If an eligible governmental unit approves participation in the Law  
10 Enforcement Officers’ Pension System, the operation of the local pension system **OR**  
11 **STATE SYSTEM** with respect to the law enforcement officers, firefighters, or  
12 paramedics terminates on the effective date.

13           (b) (1) On the effective date:

14                   (i) the assets to the credit of the local pension system **OR**  
15 **STATE SYSTEM** that relate to the law enforcement officers, firefighters, or paramedics  
16 who elect to become members shall be transferred to the Law Enforcement Officers’  
17 Pension System; and

18                   (ii) the trustee or other administrative head of the local pension  
19 system shall certify the proportion of the funds of the local pension system **OR STATE**  
20 **SYSTEM** that represents the accumulated contributions of the members as of that  
21 date.

22           (2) The accumulated contributions shall be credited to the respective  
23 annuity savings accounts of the members in the Law Enforcement Officers’ Pension  
24 System.

25           (3) The balance of the funds transferred to the Law Enforcement  
26 Officers’ Pension System shall be offset against the special accrued liability to be  
27 funded by the participating governmental unit as provided by § 21–306.1(d) of this  
28 article.

29 31–2B–01.

30           (a) In this subtitle the following words have the meanings indicated.

31           (e) [(1)] “Local pension system” means a retirement or pension system  
32 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit.

33                   [(2)] “Local pension system” includes the Employees’ Retirement  
34 System and the Employees’ Pension System if the eligible governmental unit  
35 participates under Subtitle 1 of this title.]

1           **(F) “STATE SYSTEM” HAS THE MEANING STATED IN § 20-101(P) OF**  
2 **THIS ARTICLE.**

3 31-2B-03.

4           If at least 60% of the local detention center officers of an eligible governmental  
5 unit who are members of a local pension system **OR STATE SYSTEM** petition to  
6 become members of the Correctional Officers’ Retirement System, the legislative body  
7 of the eligible governmental unit may approve the participation of these local  
8 detention center officers in the Correctional Officers’ Retirement System as though the  
9 local pension system were not in operation.

10 **31-2B-03.1.**

11           **(A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THE**  
12 **EFFECTIVE DATE OF PARTICIPATION FOR AN ELIGIBLE GOVERNMENTAL UNIT IS**  
13 **JULY 1 OF THE YEAR FOLLOWING THE FISCAL YEAR IN WHICH THE ELIGIBLE**  
14 **GOVERNMENTAL UNIT ELECTS TO PARTICIPATE IN THE CORRECTIONAL**  
15 **OFFICERS’ RETIREMENT SYSTEM.**

16           **(B) IF AN ELIGIBLE GOVERNMENTAL UNIT DOES NOT PROVIDE THE**  
17 **BOARD OF TRUSTEES WITH THE NECESSARY DOCUMENTATION TO JOIN THE**  
18 **CORRECTIONAL OFFICERS’ RETIREMENT SYSTEM ON OR BEFORE THE**  
19 **EFFECTIVE DATE FOR THE ELIGIBLE GOVERNMENTAL UNIT, THE EFFECTIVE**  
20 **DATE SHALL BE POSTPONED UNTIL JULY 1 OF THE SECOND YEAR FOLLOWING**  
21 **THE FISCAL YEAR IN WHICH THE ELIGIBLE GOVERNMENTAL UNIT ELECTS TO**  
22 **PARTICIPATE IN THE CORRECTIONAL OFFICERS’ RETIREMENT SYSTEM.**

23 31-2B-05.

24           (a) If an eligible governmental unit approves participation in the  
25 Correctional Officers’ Retirement System, the operation of the local pension system **OR**  
26 **STATE SYSTEM** with respect to the local detention center officers terminates on the  
27 effective date.

28           (b) (1) On the effective date:

29                   (i) the assets to the credit of the local pension system **OR**  
30 **STATE SYSTEM** that relate to the local detention center officers who elect to become  
31 members shall be transferred to the Correctional Officers’ Retirement System; and

32                   (ii) the trustee or other administrative head of the local pension  
33 system **OR STATE SYSTEM** shall certify the proportion of the funds of the local

1 pension system that represents the accumulated contributions of the members as of  
2 that date.

3 (2) The accumulated contributions shall be credited to the respective  
4 annuity savings accounts of the members in the Correctional Officers' Retirement  
5 System.

6 (3) The balance of the funds transferred to the Correctional Officers'  
7 Retirement System shall be offset against the special accrued liability to be funded by  
8 the participating governmental unit as provided by § 21–306.1(d) of this article.

9 31–301.

10 (a) In this subtitle the following words have the meanings indicated.

11 (b) “Employees’ system” has the meaning stated in § 31–101 of this title.

12 (c) “Legislative body” has the meaning stated in § 31–101 of this title.

13 (d) [(1)] “Local pension system” means a retirement or pension system  
14 **ESTABLISHED BY THE LEGISLATIVE BODY** of an eligible governmental unit.

15 [(2)] “Local pension system” includes the Employees’ Retirement  
16 System, Employees’ Pension System, Law Enforcement Officers’ Pension System, or  
17 Correctional Officers’ Retirement System if the eligible governmental unit participates  
18 under this title.]

19 **(E) “STATE SYSTEM” HAS THE MEANING STATED IN § 20–101(P) OF**  
20 **THIS ARTICLE.**

21 [(e)] **(F)** “Withdrawal date” means the date that a withdrawal by a  
22 participating governmental unit from [the employees’ systems, the Local Fire and  
23 Police System, the Law Enforcement Officers’ Pension System, or the Correctional  
24 Officers’ Retirement System] **A STATE SYSTEM** takes effect.

25 31–302.

26 [(a)] The legislative body of a participating governmental unit may withdraw  
27 from participation in [the employees’ systems] **A STATE SYSTEM** and transfer to a  
28 local pension system **OR ANOTHER STATE SYSTEM** any of the following groups of  
29 employees of the governmental unit who consent to the withdrawal, **AND WHO**  
30 **QUALIFY FOR MEMBERSHIP IN THE STATE SYSTEM OR LOCAL PENSION SYSTEM:**

31 (1) all employees of the participating governmental unit;

32 (2) fire fighters;

1 (3) law enforcement personnel; [or]

2 (4) **DETENTION CENTER OFFICERS; OR**

3 **[(4)] (5)** subject to the approval of the Board of Trustees, a  
4 homogeneous unit of at least 10 employees.

5 (b) The legislative body of a participating governmental unit may withdraw  
6 from participation in the Local Fire and Police System and shall transfer to a local  
7 pension system all employees of the participating governmental unit.

8 (c) The legislative body of a participating governmental unit may withdraw  
9 from participation in the Law Enforcement Officers' Pension System and transfer to a  
10 local pension system the law enforcement officers of the participating governmental  
11 unit who consent to the withdrawal.

12 (d) The legislative body of a participating governmental unit may withdraw  
13 from participation in the Correctional Officers' Retirement System and transfer to a  
14 local pension system the detention center officers of the participating governmental  
15 unit who consent to the withdrawal.]

16 31-304.

17 If a participating governmental unit withdraws from [the employees' systems,  
18 the Local Fire and Police System, the Law Enforcement Officers' Pension System, or  
19 the Correctional Officers' Retirement System] **A STATE SYSTEM**, the accumulated  
20 contributions of the withdrawn employees shall be transferred on the withdrawal date  
21 to the administrative board of the local pension system **OR NEW STATE SYSTEM** and  
22 credited to the account of those employees.

23 31-305.

24 (a) As of the effective date of withdrawal of a participating governmental  
25 unit, the Board of Trustees shall transfer to the administrative board of the local  
26 pension system **OR NEW STATE SYSTEM** the portion of the assets that are allocable to  
27 the withdrawn employees as determined under § 21-305.5, § 21-305.6, § 21-306, §  
28 21-306.1, or § 26-306.2 of this article.

29 (b) The administrative board of the local pension system **OR NEW STATE**  
30 **SYSTEM** shall hold the transferred assets in trust to provide retirement benefits for  
31 the withdrawn employees.

32 31-306.

1 A participating governmental unit shall pay all administrative costs involved in  
2 the withdrawal or reentry if the participating governmental unit:

3 (1) withdraws **ALL OR SOME OF** its employees from [the employees'  
4 systems, Local Fire and Police System, Law Enforcement Officers' Pension System, or  
5 the Correctional Officers' Retirement System] **A STATE SYSTEM**; or

6 (2) elects to participate in [the employees' systems, Local Fire and  
7 Police System, Law Enforcement Officers' Pension System, or the Correctional  
8 Officers' Retirement System] **A STATE SYSTEM** for employees who were previously  
9 withdrawn.

10 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
11 July 1, 2010.