

**Department of Legislative Services**  
Maryland General Assembly  
2023 Session

**FISCAL AND POLICY NOTE**  
**Third Reader - Revised**

Senate Bill 641

(Senator Jackson)

Budget and Taxation

Appropriations

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**Law Enforcement Officers' Pension System – City of Bowie Police Department –  
Transfers and Purchases of Service**

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This bill allows a member of the Law Enforcement Officers' Pension System (LEOPS) employed by the City of Bowie who meets specified criteria to (1) request a transfer of service credit earned during employment with a prior employer to LEOPS and (2) purchase service credit in LEOPS for which the member is not otherwise entitled. **The bill takes effect July 1, 2023, and terminates December 31, 2023.**

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**Fiscal Summary**

**State Effect:** None. The bill affects only participating governmental units (PGUs).

**Local Effect:** As the bill is expected to affect only a limited number of individuals (as discussed below), it is expected to result in only a minimal increase in PGU pension liabilities and likely no discernible effect on PGU employer contributions in LEOPS. No effect on revenues.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The bill applies to an individual who (1) was hired as an employee of the City of Bowie Police Department on or after January 1, 2007, and not later than December 31, 2015, and (2) by December 31, 2023, submits documentation verifying:

- the date the individual ceased employment with a prior employer;
- the date the individual began employment with the City of Bowie Police Department;

- that the City of Bowie Police Department did not provide accurate and complete information regarding eligibility to transfer service credit under State pension law; and
- acknowledgement that the City of Bowie Police Department affirms that it failed to provide accurate and complete information, as specified.

#### *Transfer of Service Credit*

An individual described above who (1) did not incur a break in service prior to employment with the City of Bowie Police Department and (2) *has not* withdrawn member contributions from the prior employer's system may request a transfer of creditable service to LEOPS on a form provided by the State Retirement and Pension System (SRPS). In general, the transfer must be in accordance with provisions of Title 37 of the State Personnel and Pensions Article, except that the transfer is not subject to provisions that (1) require the transfer to occur within one year of becoming a member of a State system and (2) limit benefits payable on the transferred service if the individual retires within five years of the transfer.

#### *Purchase of Service Credit*

An individual described above who (1) has not incurred a break in service prior to employment with the City of Bowie Police Department and (2) *has* withdrawn the individual's member contributions from the prior employer's retirement system may purchase service credit by completing a claim for service on a form provided by SRPS. The individual must pay the SRPS Board of Trustees a single payment consisting of the member contributions the member would have made had the member earned the prior service in LEOPS, plus regular interest.

**Current Law:** The City of Bowie Police Department is a PGU in LEOPS.

#### *Transfer of Service Credit*

In general, service credit is transferrable between local and State retirement and pension systems, subject to the provisions of Title 37 of the State Personnel and Pensions Article, which governs such transfers. Specifically, § 37-203.1 governs transfers from a local contributory system to a State contributory pension system, including LEOPS. Members requesting a transfer from a local contributory system to LEOPS must do so within one year of becoming a member of LEOPS on a form provided by SRPS (the bill waives this requirement). They must also deposit into the LEOPS annuity fund all member contributions that would have been paid for service in the local contributory system after June 30, 2000, including regular interest of 5% per year on those contributions. If the contributions to the local contributory system for that service exceed the amount payable

to LEOPS, the local system must refund the excess amount on request. If an individual retires within five years after transferring to LEOPS, the benefits payable for the transferred service may not be greater than the benefits that would have been payable by the previous system if the individual had remained in that system (the bill waives this provision).

#### *Purchase of Service Credit*

Members of LEOPS may not purchase service credit for past service in a local pension plan. Members of LEOPS may purchase service only for past service in:

- the Employees' Pension System (EPS);
- specified positions for which membership in EPS is optional; or
- LEOPS.

The cost of purchasing credit in LEOPS varies according to the type of past service being purchased.

**Local Expenditures:** The State Retirement Agency advises that it is aware of nine individuals who are employed by the City of Bowie Police Department and currently members of LEOPS. All nine individuals were previously employed by local governments and either (1) did not transfer their service credit to LEOPS within one year of joining LEOPS or (2) withdrew their member contributions from their previous plan and are not eligible to purchase credit for that service.

As a result, the bill increases PGU pension liabilities in LEOPS by (1) allowing some or all affected members to transfer service credit after the deadline for doing so has passed; (2) requiring LEOPS to pay full benefits to affected members who retire within five years of transferring their service credit; and (3) allowing some or all affected members to purchase service credit to which they are not otherwise entitled (and only paying the member cost instead of the full cost). PGU liabilities are pooled for each plan, so liabilities increase for all PGUs who participate in LEOPS.

The bill is anticipated to affect only a limited number of individuals. Moreover, although the bill allows transfers and purchases of service credit that would not otherwise be allowed, the terms of those transfers and purchases are generally consistent with current law. For these reasons, the bill is expected to have only a minimal effect on PGU liabilities for LEOPS and likely no discernible effect on PGU employer contributions.

## **Additional Information**

**Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 1, 2023  
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