

Maryland State Retirement and Pension System

Participating  
Governmental Unit  
Withdrawal Guide

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This guide provides a general summary of certain features of the Maryland State Retirement and Pension System (“SRPS” or “System”). The SRPS is governed by law, including Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland and Title 22 of the Code of Maryland Regulations. If there is a conflict between the law and this guide, the law prevails.

# Withdrawal from the Maryland State Retirement and Pension System

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*Thank you for your request for information about withdrawing from the Maryland State Retirement and Pension System (SRPS) or local retirement pension system. This booklet will provide understanding of the process and the costs of withdrawal.*



A participating governmental unit may withdraw from participation in a State system that is part of the SRPS and transfer to a local pension system or to another State system any of the following groups of employees of the governmental unit who consent to the withdrawal, and who qualify for membership in the other State system or local retirement pension system:

1. **all employees of the participating governmental unit;**
2. **fire fighters;**
3. **law enforcement personnel;**
4. **detention center officers; or**
5. **subject to the approval of the SRPS Board of Trustees, a homogenous unit of at least 10 employees.**

The legislative body of any participating governmental unit must take formal action to withdraw from participation in a State system, and may only withdraw at the end of the State's fiscal year (June 30th). Current employees who are members of the State system must be given the option to remain in the State system or elect to transfer to the new successor plan. The participating governmental unit remains responsible for the employer cost for those individuals who remain in the State system as well as the retirees and former vested members of the governmental unit.

**As a withdrawn participating governmental unit, you will be required to continue paying employer contributions and any applicable surcharge payments for your employees who elect to remain in the State system.**

In addition, the participating governmental unit may be responsible for the payment of a **withdrawal liability** as determined by the System's actuary in accordance with State law. The System's actuary will also determine the amount of any assets that are allocable to the employees of the participating governmental unit who elect to withdraw from the State system to be transferred to the new successor plan.

There are several steps in the withdrawal process that must be completed by the participating governmental unit within the time frames discussed below:

1. **Complete a Withdrawal Application and Request a Cost Estimate for a Preliminary Valuation.** The first step in withdrawing from participation in the State system is to complete the Participating Governmental Unit Withdrawal Application located on page 10 of the Withdrawal Guide. In addition, at least seven months before the withdrawal date, the participating governmental unit must submit a request to the Agency for an estimate of the cost to prepare the actuarial calculation of preliminary withdrawal liability by the System's actuary. The cost of performing the valuation is an expense the governmental unit will bear whether or not it decides to withdraw from the System. The cost of the valuation is determined by the actuary. Typically, a preliminary valuation involves approximately 15 hours of the actuary's services. The governmental unit must request, in writing, that it would like to obtain an estimate. The correspondence should be addressed to the Maryland State Retirement and Pension System. The Retirement Agency will request the estimate from the actuary on the governmental unit's behalf.
  
2. **Request a Preliminary Valuation.** Once the governmental unit has received the estimate for the expense of performing the valuation and if it decides to proceed, the unit would then advise the Retirement Agency, in writing, that it would like to have the preliminary valuation performed. The written request for the preliminary valuation must be received by the Retirement Agency no later than January 1 of the calendar year in which the governmental unit plans to withdraw from a State system. The first valuation is preliminary because it is based on the governmental unit's assumptions regarding who will withdraw from the State system, and it is based on the previous year's actuarial valuation of the System. Please include in your written request for a preliminary valuation, the names, gender, and social security numbers of each of the unit's employees the actuary should assume is withdrawing from participation and transferring to the new plan for the purposes of the preliminary valuation. Unless you state otherwise, the actuary will assume all members are transferring. Membership data on file with the Retirement Agency will be the basis for the preliminary valuation.
  
3. **Receive preliminary withdrawal liability calculations from the System actuary.** The calculation is preliminary because it is based on the assumptions made regarding the current employees who will stay in the State system and those who will leave, and it is based on the previous year's actuarial valuation. A final valuation is performed after the withdrawal takes place, using the actual data certified by the governmental unit regarding employees who chose to stay or transfer and based on the actuarial valuation as of the date of withdrawal.
  
4. **Action by Governing Body.** After the governmental unit has reviewed the preliminary valuation results, if the unit wishes to withdraw, the legislative body of the unit must take formal action to withdraw by passing a formal resolution, in a format approved by the Retirement Agency, authorizing the action. The resolution should be submitted to the Retirement Agency at least

three months prior to the withdrawal date, not later than April 1 prior to the end of the fiscal year.

5. **Employee Election.** Once the decision is made by the legislative body to withdraw, each employee must be given the opportunity and time to make an informed election to remain in the State system or transfer to the new successor plan. It is a one-time irrevocable election. Employees must be given at least two weeks to consider their options and make a decision. The State Retirement Agency will provide sample election forms and a format to follow for plan comparisons to be provided to employees. These materials must be reviewed and approved by the Agency prior to being provided to the employees. (All employee election forms should be completed and submitted to the Retirement Agency at least 2-3 months prior to the withdrawal date; but no later than May 15 prior to the end of the fiscal year.)

6. **Withdrawal Agreements.** On or about June 1, the participating governmental unit and the State system will enter into a written Working Agreement for withdrawal which sets forth the preliminary calculation of the cost of withdrawal and the responsibilities of the participating governmental unit.

A Final Withdrawal Agreement and Release will be prepared and executed several months after the effective date of withdrawal upon the completion of the Final Valuation of the withdrawing governmental unit.

7. **Final Valuation** The final valuation will be performed by the actuary several months after the effective date of participation to adjust and finalize the costs of participation. The participating governmental unit will also be responsible for the cost of that final valuation.

To assist governmental units in making a decision about whether to withdraw from the System, this guide and the links below provide basic information on the operation of the System and the benefits offered to members:

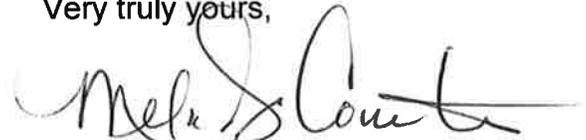
- Links to applicable sections of the State Personnel and Pensions Article of the Annotated Code of Maryland that relate to withdrawal from the System (page 6)
- A link to the Participating Governmental Unit Withdrawal Application (page 7)
- A link to the Maryland Municipal Corporation Valuation (page 7)
- A link to handbooks that summarize the benefits earned by members of the Employees' and Teachers' Pension Systems, Law Enforcement Officers' Pension System and Correctional Officers' Retirement System (page 7).

In summary, if a governmental unit determines that it does not wish to continue participation in the State system, the unit is required to go through a formal withdrawal process. The governmental unit's employees, who are members of the State system at that time, would be eligible to remain in the State system, and the governmental unit would continue to have a

financial obligation for the costs of those employees' continued participation as well as the vested former members and retirees of the unit.

I understand that this is a considerable amount of information to absorb and you may have other questions related to a governmental unit's possible withdrawal from the State system. Please email any additional questions to Melody Countess at [mcountess@sra.state.md.us](mailto:mcountess@sra.state.md.us). You can also reach me by telephone at 410-625-5650.

Very truly yours,

A handwritten signature in black ink, appearing to read "Melody Countess". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Melody Countess  
Chief Operating Officer

# Selected Sections of the State Personnel and Pensions Article, Annotated Code of Maryland

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The Maryland State Retirement and Pension System is governed by law, including Division II of the State Personnel and Pensions Article of the Annotated Code of Maryland. The Annotated Codes listed below provide a detailed description of the benefits provided by each retirement system.

- [Employees' and Teachers' Pension System – Title 23.](#)
- [State Police Retirement System – Title 24.](#)
- [Correctional Officers' Retirement System – Title 25.](#)
- [Law Enforcement Officers' Pension System – Title 26.](#)
- [Judges' Retirement System – Title 27.](#)

Excerpts of the Annotated Code of particular interest to participating governmental units considering withdrawing from the State system are provided here. Click on the links to access the corresponding sections.

[§ 21-301 - Funds for Several Systems](#)

[§ 21-302 - State Guaranty](#)

[§ 21-303 - Accumulation Funds](#)

[§ 21-304 - Employer Contributions - State](#)

[§ 21-305 - Employer Contributions – Participating governmental units](#)

[§ 21-305.1 - Employer Contributions – Normal contributions](#)

[§ 21-305.2 - Employer Contributions – Accrued liability contributions](#)

[§ 21-305.3 - Employer Contributions – Special accrued liability contributions](#)

[§ 21-305.4 - Employer Contributions – Required employer contributions](#)

[§ 21-305.5 Employer contributions -- Withdrawal Liability Contribution](#)

[§ 21-305.6 Employer contributions -- Partial Withdrawal](#)

[§ 21-306 - Employer Contributions – Local Fire and Police](#)

[§ 21-306.1 - Employer Contributions – Law Enforcement Officers' Pension System](#)

[§ 21-306.2 - Employer Contributions – Correctional Officers' Retirement System](#)

[§31-301 - Definitions](#)

[§31-302 – Withdrawal](#)

[§31-303 – Date Withdrawal Takes Effect](#)

[§31-304 – Transfer of Accumulated Contributions](#)

[§31-305 – Transfer of Assets](#)

[§31-306 – Payment of Administrative Costs](#)

### **Participating Governmental Unit Withdrawal Application**

[http://sra.maryland.gov/Employers/Downloads/Forms/Employer Withdrawal Application.pdf](http://sra.maryland.gov/Employers/Downloads/Forms/Employer_Withdrawal_Application.pdf)

### **Maryland Municipal Corporation Valuation Report**

Click on the link below to access the Maryland Municipal Corporation Valuation Report.

[http://sra.maryland.gov/Agency/Downloads/Valuation/Municipal Valuation-2015.pdf](http://sra.maryland.gov/Agency/Downloads/Valuation/Municipal_Valuation-2015.pdf)

### **Benefits Handbooks**

Click on the link below to access the benefits handbooks for each retirement system.

<http://sra.maryland.gov/Participants/Members/Downloads/BenefitHandbooks.aspx>

SAMPLE RESOLUTION  
WITHDRAWAL FROM LEOPS  
MAYOR AND TOWN COUNCIL  
OF XYZ TOWN, MARYLAND

Resolution \_\_\_\_\_

WHEREAS, the Mayor and Town Council of (XYZ TOWN), Maryland have determined that it is in the best interest of the Town to withdraw from the Law Enforcement Officers Pension System (“LEOPS”) in accordance with State Personnel and Pensions Article (“SPP”), Title 31, Subtitle 3; and

WHEREAS, on or after the effective date of the withdrawal, all new employees of the (XYZ TOWN) Police Department and any other law enforcement officers hired by the Town shall become members of the Employees’ Pension System – Reformed Contributory Pension Benefit instead of LEOPS.

NOW THEREFORE BE IT RESOLVED, that the Town Council of (XYZ TOWN) does hereby agree to withdraw from the LEOPS and pay the withdrawal liability determined to be due to LEOPS; and

BE IT FURTHER RESOLVED, that the Mayor and Council President are authorized and empowered to execute any and all documents required for withdrawal from LEOPS.

DULY ADOPTED BY A MAJORITY VOTE OF THE MAYOR AND TOWN COUNCIL OF (XYZ TOWN), MARYLAND, THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 20XX.

**MARYLAND STATE RETIREMENT AGENCY  
TRANSFER ELECTION FORM  
CITY OF (ABC)  
LAW ENFORCEMENT OFFICERS PENSION SYSTEM (LEOPS)**

Employee Name: \_\_\_\_\_  
(Please Print)

SSN: \_\_\_\_\_ Job Classification: \_\_\_\_\_

This is to certify that I have been fully informed of the plan provisions of LEOPS. I have been provided with a summary for LEOPS and a comparison of benefits and features of the Employees' Pension System and those of LEOPS. I understand the main differences between (1) being a Participant in the Employees' Pension System and (2) being a Participant in LEOPS, as stated in the comparison.

**Please check one option:**

- I elect the option to become a participant in LEOPS as of July 1, 2016. I hereby apply to transfer membership from the Employees' Pension System to LEOPS and, if applicable, my contributions, with interest. I fully understand that, effective July 1, 2016, I will no longer be able to participate in the Employees' Pension System and will not be due any future benefits from that system. I **fully understand that, effective July 1, 2016, I will be paying XX% of my annual base compensation to participate in LEOPS.** I also understand that I must be employed by City of (ABC) on June 30, 2016 for this election to be valid and enforceable. In the event that (1) I am no longer employed by City of (ABC) on June 30, 2016 or (2) I die on or before June 30, 2016, I will remain a Participant in the Employees' Pension System.*
- I elect to waive the option to become a participant of LEOPS. I fully understand that this election is irrevocable. I fully understand that by choosing to continue participation in the Employees' Pension System, I forfeit the option to become a Participant in LEOPS, as long as I am employed by the City of (ABC), Maryland.*

\_\_\_\_\_  
Participant's Signature

\_\_\_\_\_  
Date signed

\_\_\_\_\_  
Administrator's Signature

\_\_\_\_\_  
Date signed

Sworn to and subscribed before me this \_\_\_\_ day of \_\_\_\_\_, 20--. My Commission expires \_\_\_\_\_

\_\_\_\_\_  
(Signature of Notary Public)

\_\_\_\_\_  
(Official Seal)

MARYLAND STATE RETIREMENT AGENCY  
120 EAST BALTIMORE STREET  
BALTIMORE, MARYLAND 21202

Clear fields

Print

**PARTICIPATING GOVERNMENTAL UNIT  
WITHDRAWAL APPLICATION**

IMPORTANT: An electronic version of this form is available at [sra.maryland.gov](http://sra.maryland.gov).

(REV. 12/15)

Organization Name

Address

Phone

Fax

Primary Contact

Title

Phone

Email

Secondary Contact

Title

Phone

Email

**Tentative Withdrawal Date:** What is the proposed date of withdrawal? June 30, 2016

(Note: Withdrawals and transfers take effect at the end of the state's fiscal year.)

**Please select the Plan from which you are applying to withdraw:**

Employees

Law Enforcement

Correctional Officers

**Please describe the group of employees who will be affected by this withdrawal:**

**New Plan Information**

1. Are you transferring to another State system or establishing a local pension system?

Another State system

Local system

Please identify the name of the system:

(Note: Service credit and accrued assets in the existing state defined benefit plan cannot be transferred to a defined contribution plan.)

**Related Professionals**

a. Please provide the name, contact person and phone number of your legal counsel:

Legal Counsel / Law Firm

Legal Counsel Contact Person

Legal Counsel Phone

- b. If you employ the services of an actuary, please provide the name of the actuarial firm, contact person and phone number.

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Actuary (if applicable)

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Actuary Contact Person

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Actuary Phone

- c. If you are working with a third party plan administrator, please provide the name of the plan administrator, contact person and phone number.

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Third Party Administrator (if applicable)

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Third Party Administrator Contact Person

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Third Party Administrator Phone