Senate Bill 403

State and Local Retirement and Pension Systems – Assignment of Benefits to Trust for Disabled Individuals

MACo Position: **OPPOSE**
Date: March 10, 2014

To: Budget and Taxation Committee
From: Robin Clark

The Maryland Association of Counties (MACo) **OPPOSES** Senate Bill 403. This bill complicates pension administration at both the state and county level, creating a new administrative burden to verify and adjust for benefit assignments.

SB 403 provides that a retiree or beneficiary of a county or State retirement system may have their retirement allowance assigned to a special needs trust established for their benefit. Payments may be made to a trust only after the system receives (1) written notice that a retiree or beneficiary is disabled under federal criteria; (2) documentation of the creation of a valid trust; and (3) any additional information requested by the State or county. The bill also alters the definition of a disabled individual for the purposes of determining whether a designated beneficiary is disabled. State and county systems must adopt regulations to implement the bill.

Sixteen of Maryland's twenty-four county governments administer their own retirement systems either for general employees or selectively for law enforcement and correctional officers. Under this bill, those counties could be required to pay a certain retirement allowance into a supplemental needs trust for a disabled retiree or beneficiary if requested and verified by the retirement plan administrator. As drafted, the bill requires counties to adopt a new definition for disabled and administer a new process for assignment of benefits. These changes complicate retirement plan administration and create new financial and administrative burdens, including the need for outside legal counsel.

For these reasons, MACo joins with the State Retirement and Pension System Board of Trustees in opposition to this bill, and urge the Committee to give SB 403 an **UNFAVORABLE** report.