

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 377 (Senator Dorman)  
Budget and Taxation

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**Pensions - Transfer of Service Credit - Former Employees of Washington  
Metropolitan Area Transit Authority**

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This pension bill allows former employees of the Washington Metropolitan Area Transit Authority (WMATA) to transfer service credits from the WMATA pension system to either the Maryland-National Capital Park and Planning Commission (M-NCPPC), the Washington Suburban Sanitary Commission (WSSC), or the Washington Suburban Transit Commission (WSTC) pension systems as long as the employee transferred directly to one of these employers from WMATA without a break in employment and the employee deposits any accumulated contributions with the new system. This bill is effective July 1, 1997.

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**Fiscal Summary**

**State Effect:** None. This bill would not affect State agencies, employees, or the Maryland State Retirement and Pension System (MSRPS).

**Local Effect:** Significant potential increase in pension expenditures by the M-NCPPC, WSSC, and WSTC, as discussed below. **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None. This bill would not directly affect small businesses.

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**Fiscal Analysis**

**Local Expenditures:** The M-NCPPC, WSSC, and WSTC are all units of local government created by State law. Under current law, employees of these three entities may transfer (without a break in employment) to another of these entities, or to another State or local government without a reduction in service credit and without a transfer of employer-provided assets between systems. (A transferring member is required to transfer any employee

contributions made to the previous system and is prohibited from collecting a benefit from the previous system.) The justification for prohibiting asset transfer requirements has been that, among the various Maryland jurisdictions and over the long term, employees will join and leave pension systems in relatively equal numbers, making asset transfers a needless administrative expense.

WMATA, on the other hand, is a regional, quasi-governmental unit created by the federal government with the approval of the states in which it operates. It is not a State or local government under State law. Under the proposed legislation, a WMATA employee could transfer to one of the other three agencies without a loss of service credit and without a transfer of assets. While the employee would be required to transfer the employee's contributions, WMATA would not transfer the assets associated with its historical employer contributions, which are likely to make up the largest source of funding for the pension benefits.

The cost of a pension transfer credit to one of these governmental units could be significant. WSSC advises that one employee, earning \$60,000 per year, transferring 20 years of service credit to WSSC, and being eligible for full retirement in ten years brings with him or her a future pension liability of approximately \$600,000. WSSC estimates that it has at least two employees who have transferred from WMATA. The cost of the additional pension liabilities to WSSC, which operates its own pension system, would ultimately be borne by WSSC ratepayers. WSTC, which has only two employees, participates in the Montgomery County pension system, which would bear the cost of any additional liabilities. M-NCPPC operates its own pension system and estimates that there is at least one current employee who transferred from WMATA.

In addition, WMATA is not required to accept transfers of service credits from State or local employees, such as employees of the three bi-county agencies, who transfer to WMATA. The proposed legislation will therefore cause the three bi-county agencies to experience a net increase in pension liabilities because transfers can only occur into their systems, never out of their systems to WMATA. Finally, State law requires that when an employee transfers service credit among local pension systems, the employee may not receive pension benefits from the previous system. Because WMATA is not subject to State pension law, WMATA is not obliged to reduce the benefit of a member leaving the WMATA system. This could potentially allow the transferring employee to "double-dip" by receiving benefits from one of the bi-county agencies based on the transferred credit, while receiving benefits from WMATA based on the same benefits.

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**Information Source(s):** Washington Metropolitan Area Transit Authority; Maryland-National Capital Park and Planning Commission; Washington Suburban Sanitary

Commission; Washington Suburban Transit Commission; Department of Fiscal Services

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