

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**

House Bill 920  
Appropriations

(Delegate Shank)

Budget and Taxation

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**Employees' Pension System - Transfer of Service Credit**

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This bill allows an individual of the Employees' Pension System (EPS) to transfer accumulated years of service from the Correctional Officers' Retirement System (CORS) to EPS, provided the employee does so by December 31, 2005 if the individual: (1) was employed as a correctional officer and joined CORS on or before December 1, 1983; (2) was employed as a Correctional Case Management Specialist and joined EPS on or before June 1, 1997; (3) prior to accepting employment as a Correctional Case Management Specialist was eligible to receive a deferred vested allowance from CORS as early as December 1, 2006; and (4) had not transferred the years of creditable service accrued in CORS to EPS on January 1, 2005.

The bill is effective July 1, 2005 and terminates December 31, 2005.

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**Fiscal Summary**

**State Effect:** This bill would not materially affect State pension liabilities or contribution rates.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** Title 37 of the State Personnel and Pensions Article provides for the transfer of credit from a State or local public pension system to another State or local public pension system. The transfer of service credit must occur within one year after

joining the new system. Transfers may only occur if: (1) both the previous and new systems are operated on an actuarial basis; and (2) computations of the reserves needed to cover future benefit payments are made during the employment of the members.

Benefits payable with respect to the transferred service credit may not be greater than the benefits that would have been payable under the previous system if the member retires for any reason (*i.e.*, current law makes no distinction between service and disability retirements) within five years of transferring the service credit.

A member must transfer all the member's contributions (*i.e.*, employer and employee contributions) to the new system, even if those contributions exceeded the amount of contributions made by members of the recipient system during the same period of service.

**Background:** Benefit levels among the various subsystems of the State Retirement and Pension System (SRPS) differ significantly. Members of EPS may retire with full benefits at age 62 or 30 years of service, regardless of age. There is a 2% mandatory employee contribution. The benefit formula provides 1.2% of average final compensation (AFC) for each year of service prior to June 30, 1998 and 1.4% of AFC for each year of service since July 1, 1998. Members of CORS may retire with full benefits at age 55 or with 20 years of service. There is a mandatory 5% employee contribution. The benefit formula provides 1.8% of AFC for each year of service (with no limit on service credit).

**State Fiscal Effect:** The State Retirement Agency advises that it is aware of only one individual who would be impacted by this bill. If the individual transfers all service credit to EPS, he will receive a lower benefit multiplier (than under CORS), but may have a high enough AFC in EPS employment that applying the EPS multiplier to all service credit at the 1.4% multiplier will yield a greater benefit than breaking service into two pieces:

- AFC for 14 years of service in CORS at the 1.8% multiplier; and
- AFC for 8 years of service in EPS at 1.4%.

Allowing this individual to transfer creditable service from CORS to EPS would not materially impact State pension system rates or liabilities.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** SB 665 (Senator Munson) – Budget and Taxation.

**Information Source(s):** Milliman USA, State Retirement Agency, Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2005  
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