

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

Senate Bill 470 (Senator Gladden)  
Budget and Taxation

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**Maryland Transit Authority Pension Plan - Transfer of Service Credit**

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This bill allows former members of the Employees' Retirement System (ERS) and the Employees' Pension System (EPS) to transfer prior service credit earned in those systems to the Maryland Transit Administration (MTA) pension plan.

The bill takes effect July 1, 2007 and expires December 31, 2007.

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**Fiscal Summary**

**State Effect:** No effect on State pension liabilities or contribution rates.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The bill applies to any individual who:

- was a member of ERS between March 1, 1975 and June 30, 1978;
- withdrew member contributions to ERS after leaving the system;
- was a member of the MTA pension plan between July 1, 1978 and December 31, 1997; and
- was a member of the contributory portion of EPS between July 1, 1999 and March 31, 2006.

The State Retirement and Pension System (SRPS) must transfer the employer contributions made to ERS and EPS on the individual's behalf to the MTA pension plan, plus interest.

If the employee contributions made to EPS exceed what the individual would have paid to the MTA plan, the individual receives a refund of the difference between the two rates, plus interest. However, if the employee contribution rate for the MTA plan was higher, the individual is exempt from paying the difference between the two rates.

**Current Law:** A member who transfers from a State pension plan to another State or local plan must apply to transfer prior service credit to the new plan within one year of entering the new system. The member must also pay the difference between the contribution rate paid under the former plan and the contribution required by the new plan for all prior credit that transfers. Moreover, former members who have withdrawn from a State plan are not eligible to transfer credit earned in that plan unless they repay the employee contributions that were refunded to them when they withdrew, plus interest.

Typically, employer contributions do not transfer when members' service credit transfers from a State system to another State or local system.

MTA reports that its pension plan was noncontributory during the period of time covered by this bill. The EPS contribution rate from 1999 through 2006 was 2% of total compensation; member contributions in EPS earn 5% annual interest.

**Background:** State law authorizes MTA to operate a pension plan on behalf of its employees, but terms of the pension plan are established through collective bargaining, not in statute. MTA was not able to provide a benefit formula for its plan, so a comparison between the State plans and the MTA plan is not possible.

**State Fiscal Effect:** The State Retirement Agency (SRA) reports that there is one individual who meets the criteria specified in the bill. This individual participated in ERS, but withdrew without vesting in June 1978 after earning 40 months of service credit, and received a refund of \$1,544 in member contributions. After earning 21 years of service credit in the MTA pension plan, the individual became a member of EPS, earning a vested benefit with 80 months of service credit before leaving in March 2006.

Based on information provided by SRA, and assuming an 8% return on the system's investments, SRPS would have to transfer approximately \$31,803 in employer contributions to the MTA pension plan on the individual's behalf. Since the MTA pension plan was noncontributory, SRPS would have to refund the individual's employee contributions for the eight years of service in EPS, or approximately \$10,285.

The transfer of 80 months of EPS credit and 40 months of ERS credit would entitle the individual to a full service retirement from MTA with more than 30 years of service credit. Otherwise, he would receive smaller vested benefit payments from MTA and EPS. In the absence of a benefit formula from the MTA pension plan, the difference in benefit payments cannot be calculated; however, it is assumed to be small and should not affect either the State's or MTA's pension liabilities and contribution rates.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 835 (Delegates Rosenberg and Oaks) – Appropriations.

**Information Source(s):** Mercer Human Resources Consulting, Maryland Department of Transportation, Maryland State Retirement Agency, Department of Legislative Services

**Fiscal Note History:** First Reader - March 6, 2007  
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