

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 102

(Senator Peters)(Chair, Joint Committee on Pensions)

Budget and Taxation

Appropriations

State Retirement and Pension System - Accumulated Contributions of Nonvested
Former Members

This bill requires the Board of Trustees of the State Retirement and Pension System (SRPS) to transfer employee contributions and accrued interest held on behalf of nonvested members in the annuity savings funds of each of the various systems to the appropriate accumulation funds of the various systems when membership terminates. At the request of a former member whose contributions have been transferred to the accumulation fund, the board must return the accumulated contributions to the former member from that fund. The board must also return the accumulated contributions to a former member or a former member's estate under specified circumstances.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: None. The bill is procedural and clarifying in nature and has no effect on governmental finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Each system within SRPS has an accumulation fund and an annuity savings fund. Employer contributions and interest earned on those contributions are held in the accumulation fund of each SRPS system. Member contributions and interest earned on

those contributions are held in individual accounts in each system's annuity savings fund. Holding member contributions in separate accounts facilitates the payment of member contribution refunds when a nonvested member separates from employment, requests a return of accumulated contributions, or dies.

When a member retires or begins receiving a vested benefit, the board must transfer the accumulated member contributions and interest from the annuity savings fund to the appropriate accumulation fund, from which benefits are paid.

For most SRPS plans, membership terminates when a member:

- is separated from employment for more than four years;
- is separated from employment and rehired into a position that requires membership in a different SRPS plan;
- withdraws the member's accumulated contributions;
- retires; or
- dies.

Background: The State Retirement Agency advises that more than 38,000 nonvested accounts for former members are held in annuity savings funds of the various systems. Many of these accounts have balances of less than \$75. The agency uses various strategies to locate and inform former members regarding the existence of their accounts and their right to withdraw their accumulated contributions, including multiple notices to their last known address and notices on the agency's website. In the recent past, it also used the Internal Revenue Service's taxpayer locator services, but those services are no longer available. Nevertheless, thousands of nonvested former member accounts remain active, with minimal prospect that they will ever be claimed.

Requiring that funds in nonvested accounts be transferred to the accumulation fund when membership terminates makes those funds available for payment of benefits. However, former members do not forfeit the opportunity to claim their accumulated contributions; the agency advises it will still maintain records of the amount available to each former member so it can comply with the bill's requirements.

Additional Information

Prior Introductions: None.

Cross File: HB 76 (Delegate B. Barnes) (Chair, Joint Committee on Pensions) - Appropriations.
SB 102/ Page 2

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

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