

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 938

(Senator Eckardt)

Budget and Taxation

Employees' Pension System – Purchase of Service

This bill allows a former member of the Employees' Pension System (EPS) who meets specified criteria to purchase eligibility service credit for past employment with the State for which the former member is otherwise not entitled to service credit. To purchase the service credit, the member must pay 50% of the member and employer cost of the service credit (instead of the full cost). **The bill takes effect July 1, 2022, and terminates June 30, 2023.**

Fiscal Summary

State Effect: Negligible increase in State pension liabilities and no discernible effect on State pension contribution rates, as discussed below. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies only to a former member who (1) is subject to the Alternate Contributory Pension Selection and (2) is a former employee of the Maryland Department of Transportation (MDOT) who began membership in EPS in December 1991 and terminated employment in March 2009. In the year of retirement, the former member may purchase service credit only for contractual employment with MDOT beginning in April 1984 and ending in December 1991.

Current Law: A member (but not a former member) may purchase credit for eligibility service of up to 10 years for periods of employment for which the member is otherwise not entitled to service credit. A member may purchase service credit only for prior employment with:

- the State;
- a political subdivision of the State;
- an out-of-state school as a teacher;
- the federal government;
- an out-of-state political subdivision;
- a public or nonpublic school as a teacher; or
- a postsecondary school as a teacher.

To purchase service credit, the member must pay to the Board of Trustees of the State Retirement and Pension System an amount equal to the annuity reserve (employee share) and pension reserve (employer share) required to fund the additional allowance.

Membership in EPS terminates if a member, among other reasons, is separated from employment for more than four years.

State Expenditures: The bill increases State pension liabilities for two reasons. First, it allows a former member to purchase service credit; under current law, only members may purchase service credit. Second, it allows the former member to pay only half of the cost of the service credit, meaning that the State picks up the remaining half of the cost.

However, the State Retirement Agency is aware of only one individual who qualifies under the bill. Assuming the individual elects to purchase the credit under the bill, the cost of 50% of up to eight years of additional service credit for one individual has only a negligible effect on State pension liabilities and no discernible effect on State pension contribution rates.

To the extent that the bill establishes a precedent allowing former (or current) members to purchase service credit at 50% of the cost, it may generate additional requests for that opportunity that further add to the State's pension liabilities. However, any such requests are subject to the discretion of the General Assembly and the Governor and, thus, are not reflected in this analysis.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Transportation; State Retirement Agency; Department of Legislative Services

Fiscal Note History: First Reader - March 22, 2022
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