

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 491

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

Budget and Taxation

Appropriations

State Retirement and Pension System - Service Credit

This bill repeals provisions of State pension law that require that benefits paid to an individual for service credit transferred to another State or local pension system not exceed the benefits that would have been payable by the previous system for that credit if the individual retires within five years of transferring the credit. It also entitles specified employees of the Department of Legislative Services (DLS) to eligibility and service credit for periods of contractual employment with DLS under specified conditions. Finally, the bill corrects an incorrect reference to the member contribution rate for the Law Enforcement Officers' Pension System (better known as LEOPS). **The bill takes effect July 1, 2024; uncodified provisions related to service credit for DLS employees terminate December 31, 2024.**

Fiscal Summary

State Effect: The purchase of service credit provisions are expected to apply only to two individuals and, therefore, have no discernible effect on State pension liabilities or contribution rates. Moreover, the payment of member contributions mitigates the fiscal effect. The bill otherwise conforms statute to current practice, as discussed below.

Local Effect: None. The bill conforms relevant provisions of statute to current practice, as discussed below.

Small Business Effect: None.

Analysis

Bill Summary: A member of the Employees' Pension System (EPS) is entitled to eligibility and service credit for periods of contractual employment if the member:

- is employed by DLS on July 1, 2024;
- was previously employed as a contractual employee by DLS before July 1, 2024;
- was employed as a contractual employee for more than five years; and
- has not been employed by another unit of State government after first being employed by DLS.

Eligibility and service credit awarded under these provisions may not exceed 10 years. A member receiving service credit under the bill must, before retirement, pay to the State Retirement and Pension System (SRPS) the member contributions (and interest) that would have been due for the contractual period of employment. If the member does not deposit the member contributions, the member's retirement allowance must be reduced by the actuarial equivalent of the accumulated contributions (plus interest).

Current Law: Title 37 of the State Personnel and Pensions Article governs the conditions under which members of State or local retirement and pension plans can transfer service credit from one system to another. It applies to all forms of service credit transfer, including those between State and local retirement and pension plans. Provisions in Title 37 specify that if an individual transfers service credit from one plan to another and then retires before five years have passed, the benefits paid for the transferred credit cannot exceed the benefits that would have been paid under the previous system (*i.e.*, the system from which the member transferred credit). The bill repeals these provisions.

Contractual employees are not eligible for membership in EPS and, therefore, do not accrue eligibility or service credit for contractual periods of employment with the State. However, in the year of retirement, an EPS member may purchase credit for periods of employment with the State for which the member is not otherwise entitled to service credit. A purchase of service credit may not exceed 10 years, and the member must pay to SRPS an amount equal to one-half of the amount necessary to fund the additional allowance.

State/Local Expenditures: The State Retirement Agency (SRA) advises that its records of service credit do not distinguish among sources of credit once credit has been transferred from one system to another. In other words, once credit transfers into a new system, it becomes indistinguishable in the agency's records from credit earned in that system. As a result, SRA has not been able to implement these provisions, and it is not aware of any local retirement or pension plans that have requested data on transferred service credit from State plans for the purpose of implementing the provision. As a result, SRA requested that

the Joint Committee on Pensions (JCP) sponsor legislation to repeal these provisions, and JCP agreed.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 630 (Delegate Forbes)(Chair, Joint Committee on Pensions) - Appropriations.

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

Fiscal Note History: First Reader - February 6, 2024
km/ljm Third Reader - March 18, 2024
Revised - Amendment(s) - March 18, 2024
Enrolled - April 19, 2024
Revised - Amendment(s) - April 19, 2024

Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510