Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1114   (Senator Carozza)

Budget and Taxation

State Retirement and Pension System - Transfers of Service

This bill allows a vested former member of the Local Fire and Police System (LFPS) who is an active member of the State Police Retirement System (SPRS) and incurred a break in service before joining SPRS to transfer creditable service from LFPS to SPRS in accordance with State pension law. To transfer credit, an individual must request the transfer from the State Retirement and Pension System, as specified. **The bill takes effect July 1, 2024, and terminates December 31, 2024.**

Fiscal Summary

State Effect: As the bill is expected to apply in a limited number of circumstances, it has no discernible effect on State pension liabilities or contribution rates, as discussed below. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Local Fire and Police System

LFPS was established on July 1, 1990, to provide benefits for all law enforcement officers and firefighters employed by a participating governmental unit (PGU) that elected to participate in the plan. Effective January 1, 2005, LFPS was closed to new membership.

Prior to its closure, membership in LFPS was mandatory for all officers and firefighters hired after a PGU's participation date and optional for officers and firefighters hired prior to the PGU's participation date.

Except for members who transferred from the Employees' Retirement System (ERS), LFPS is noncontributory for the portion of compensation that is at or below the Social Security wage base; members contribute 5% of the part of their compensation that exceeds the wage base. Members are eligible for a normal service retirement after 25 years of service or at age 62. Except for members who transferred from ERS, benefits are equal to creditable service multiplied by 1% of the member's average final compensation (AFC) that is at or below the Social Security wage base, and 1.5% of AFC that exceeds the wage base. According to the State Retirement Agency (SRA), there are 31 active members in LFPS.

State Police Retirement System

Membership in SPRS is a condition of employment for State Troopers and Maryland State Police cadets. Members contribute 8% of their earnable compensation for up to 28 years of service. Members are eligible for a normal service retirement benefit at age 50 or with either 25 or 22 years of service, depending on their date of hire. Normal service retirement benefits are equal to creditable service multiplied by 2.55% of AFC. However, a normal service retirement benefit may not exceed 71.4% of AFC, and retirement is mandatory at age 60.

Transfers of Service Credit

In general, a member of a State or local retirement or pension system may transfer service credit from one system to another State or local system if the member does not incur a break in service between enrollment in the two plans. A break in service is generally considered to be a period of more than 30 days. Title 37 of the State Personnel and Pensions Article establishes the conditions under which transfers of service credit may occur.

State Expenditures: SRA is aware of one individual who is definitively eligible for a transfer of service under the bill. Accordingly, the bill has limited applicability. Even though another 30 active members of LFPS may likewise be eligible, they must also already be (or become) members of SPRS after a break in service and request the transfer of credit before the bill's December 31, 2024 termination date.

Additional Information

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

Designated Cross File: None.

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

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km/ljm

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