

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 612 (Senator Jackson)(Chair, Joint Committee on Pensions)
Budget and Taxation

**State Retirement and Pension System - Deferred Vested Former Members -
Return to Service**

This bill allows, as specified, members of the Employees' Pension System (EPS), State Police Retirement System (SPRS), Correctional Officers' Retirement System (CORS), and Law Enforcement Officers' Pension System (LEOPS) who were members on or before June 30, 2011, had a specified break in service, and return to service after that date to be subject to the same benefits as a member who did not have a break in service. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Likely no discernible effect on State retirement liabilities and contribution rates, as discussed below. No effect on revenues.

Local Effect: Potential increase in retirement liabilities and contribution rates for participating governmental units (PGUs), but a reliable estimate is not feasible at this time, as discussed below. No effect on revenues.

Small Business Effect: None.

Analysis

Bill Summary: For EPS members, the bill applies only to members subject to the noncontributory or contributory pension benefits on or before June 30, 2011. As all State employees in EPS participate in either the Alternate Contributory Pension Selection (ACPS) or the Reformed Contributory Pension Benefit (RCPB), the provisions related to

EPS apply only to PGU employees whose employers are in the noncontributory or contributory tiers.

To be eligible to resume membership in the pre-2011 benefit structures, a member of EPS, SPRS, CORS, or LEOPS must:

- be separated from employment for at most four years;
- be separated from employment for specified military service and resume employment within one year of leaving military service; or
- have been vested at the time of the break in service.

Current Law: EPS (and the Teachers' Pension System, which is not affected by the bill) began as a noncontributory defined benefit pension system in 1980. In 1998, Chapter 530 made it a contributory system, and in 2006, Chapter 110 enhanced the contributory benefit. To distinguish it from the contributory benefit under the 1998 legislation, the enhanced benefit available under Chapter 110 was labeled ACPS. State employees in EPS automatically qualified for the enhanced benefits under first the contributory benefit in 1998 and then again under ACPS in 2006. Only PGUs were given a choice about whether to remain in the noncontributory or contributory benefit tiers, and some did elect to remain in those tiers.

Chapter 397 of 2011 added RCPB as a new benefit tier in EPS. **Exhibit 1** compares the benefit structures under ACPS and RCPB. In general, any State employee who becomes a member of EPS on or after July 1, 2011, is automatically enrolled in RCPB. However, Chapter 397 initially established two limited exemptions for EPS members who were subject to ACPS before July 1, 2011, and:

- were separated from employment for four years or less without withdrawing contributions or retiring; or
- were separated from employment for more than four years for specified types of military service and resume employment within one year of leaving approved military service.

These exceptions were scheduled to terminate, but Chapter 188 of 2016 repealed the termination, allowing any EPS member subject to ACPS with a break in service who meets the criteria to be re-enrolled in ACPS if they return to service.

The retirement eligibility and benefit multiplier changes made by Chapter 397 were unique to EPS, but the vesting and AFC changes applied to all State plans (Chapter 397 also raised the years of service required for retirement from SPRS from 22 years to 25 years). Thus, there is a less generous benefit structure for those members of SPRS, CORS, or LEOPS,

as well as EPS members in the noncontributory or contributory benefits who (1) were members on or before June 30, 2011; (2) have a break in service; and (3) return to covered employment. There is no provision allowing them to re-enroll in their prior benefit structures as there is for members of ACPS.

Exhibit 1
Comparison of ACPS and RCPS Benefits

	<u>ACPS</u>	<u>RCPB</u>
Vesting Requirement	5 years	10 years
Normal Retirement	30 years of service, or age 62	Age + service add to 90, or age 65
Benefit Multiplier	1.8%/year since 1998 1.2%/year before 1998	1.5%/year
Calculation of AFC	Highest 3 consecutive years of salary	Highest 5 consecutive years of salary

ACPS: Alternate Contributory Pension Selection

AFC: Average final compensation

RCPB: Reformed Contributory Pension Benefit

Source: Department of Legislative Services

State Expenditures: Based on a query of its membership records, the State Retirement Agency (SRA) identified 16 members of LEOPS who would benefit from the bill; SRA found no members of CORS or SPRS who would benefit. Given the bill's limited applicability to State members, it has no discernible effect on State pension liabilities or contribution rates.

Local Expenditures: SRA advises that it does not have a reliable estimate of the number of EPS members employed by PGUs who are subject to either the noncontributory or contributory benefits and would benefit from the bill. Therefore, a reliable estimate of the bill's potential effect on PGU liabilities and contribution rates is not feasible at this time. If a reliable estimate becomes available, this fiscal and policy note will be updated.

Additional Information

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

Designated Cross File: HB 886 (Delegate Forbes)(Chair, Joint Committee on Pensions) - Appropriations.

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

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