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Budget and Taxation Committee

Health and Human Services
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Joint Committees
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Fair Practices and
State Personnel Oversight

Pensions

THE SENATE OF MARYLAND
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Testimony for Senate Bill 938
Employees' Pension System – Purchase of Service
March 24, 2022

Chairman Guzzone and Honorable Members of the Committee:

Thank you for the opportunity to present **Senate Bill 938 – Employee's Pension System – Purchase of Service**.

In 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. 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.

SB 938 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. 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.

The State Retirement Agency is aware of only one individual who qualifies 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. Thank you for your consideration and I respectfully ask for a favorable report of Senate Bill 938.

Best regards,

A handwritten signature in cursive script that reads "Addie C. Eckardt".

Senator Addie C. Eckardt