



THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

Favorable: HB424 - State Retirement and Pension System - Nonvested Accounts - Regular Interest

Appropriations Hearing on 2/14/2023 at 1 pm

To: Chair Barnes, Vice Chair Chang and Members of the Appropriations Committee

In 2018, the General Assembly passed legislation, HB1019/SB699 (Ch509), that applied only to an active member of EPS and TPS who was previously subject to the Alternate Contributory Pension Selection (ACPS) but (after a break in service) was now subject to the Reformed Contributory Pension Benefit (RCPB). If the member did not vest under ACPS and had not withdrawn member contributions made during their tenure in ACPS, the law allowed the member to continue to receive regular interest (5%) on the member contributions made during their tenure in ACPS.

HB424 is very similar. HB424 expands this law to apply to all systems and plans of the Maryland State Retirement and Pension System.

In short, this is a customer service issue. As you can imagine, State and local government employees become very upset to learn that they have contributions they paid into the system that are not earning any interest, and that we will not allow them to withdraw while they continue to be employed by any State or MSRPS participating employer.

This bill will relieve that frustration. It is good customer service.

It is also a staff retention issue. This bill will relieve the Maryland State Retirement Agency staff answering the phones from having the very uncomfortable conversation explaining that the State is holding their contributions hostage, their contributions are not earning interest, and they cannot withdraw their contributions while working for the State or any participating employer.

While there may be a fiscal note for this bill, please keep in mind that unlike the former member, the State is in possession of the contributions, is able to invest these contributions, and earn money off these contributions.

The purpose of the bill is to provide regular interest on contributions in a nonvested account while the member is active in any other Maryland State Retirement and Pension System.

The reason this law is necessary is because:

- Currently, the Retirement Agency holds hostage without paying interest the contributions of former members who are not vested but are active in another system or plan.
- Some members change employment which may require a change in systems before they were vested in their prior system.
- Not all system and plans can be combined, or service transferred to a new system. Specifically, service from the employees, teachers, correctional officers, and law enforcement officers systems cannot be combined or transferred into a Legislative or Judges account.
- Some former members do not withdraw their contributions after they leave employment and before they start in a new system.
- Contributions on a nonvested account only earn interest for 4 years after a member who is not vested leaves employment.
- Federal law prohibits members from withdrawing any contributions from any account, even their abandoned account, while they are working for the State or any participating employer. This law is based on maintaining the integrity of our tax status.

This law, once amended, will provide contributions to interest on former member contributions in the Employees and Teachers Retirement/Pension System, State Police Retirement System, Correctional Officers Retirement System CORS, Law Enforcement Officers Pension System LEOPS, Judges, or legislative plan under these certain circumstances:

- The former member has not separated from employment with the State or a participating employer of the Retirement/Pension System,
- The former member is not eligible to receive a vested allowance under Title 29, Subtitle 3 of this article;
- The former member has not withdrawn the individual's member contributions from the non-vested account; and
- The former member is an active member subject to a different MSRPS retirement or pension benefit or plan.

Thank you for your time and consideration in helping the Maryland State Retirement Agency provide the best customer service to our customers. Our State and local government employees will be happy to learn that the contributions they paid into the system will earn interest, while they continue to be employed by their State or MSRPS participating employer.

I ask for a favorable report HB424 - State Retirement and Pension System - Nonvested Accounts - Regular Interest.