

2023 SB481 Sponsor Testimony Regular Interest - Co

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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

March 24th, 2023

**Support of SB 481/HB 424 - State Retirement and Pension System - Nonvested
Accounts - Regular Interest**

The Honorable Ben Barnes, Chair
Appropriations Committee
Maryland Senate
11 Bladen Street, Room 302
Annapolis, MD 21401

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

This year, SB481 has been voted unanimously through the Budget and Taxation Committee. In 2022, the General Assembly passed legislation, HB1019/SB699 (Ch 509), that applied only to an active member of the Employees' Pension System (EPS) and Teachers' Pension System (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 If the member did not vest under ACPS, and had not withdrawn member contributions made during their tenure in ACPS, the law allowed the member to continue to receive regular interest (5%) on the member contributions made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.

SB481 is very similar. SB481 expands this law to apply to all systems and plans of the Maryland State Retirement and Pension System (MSRPS). The purpose of the bill is to provide regular interest on contributions in a non vested account while the member is active in any other Maryland State Retirement and Pension System.

In short, this is a fairness and service issue. As you might expect, state and local government employees are alarmed to learn that their contributions to the system are not earning any interest and that we will not allow them to withdraw while they are still employed by any state or MSRPS participating employer. This bill will relieve that frustration. It is the right thing to do!

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

Please keep in mind that unlike the former member, the state is in possession of the

contributions. They are able to invest these contributions and accrue earnings. Rationale for this legislation is as follows::

- Currently, the Retirement Agency holds assets hostage without paying interest on the contributions of former members who are not vested but are active in another system or plan.
- Some members change jobs, which may necessitate a system change before they are vested in their previous system.
- Not all systems and plans can be combined or service transferred to a new system. Specifically, service from the employee, teacher, correctional officer, and law enforcement officer systems cannot be combined or transferred into a legislative or judge's account.
- Some former members do not withdraw their contributions after they leave employment and before they start in a new system.
- Contributions on a non vested 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 to the Employees and Teachers Retirement/Pension System, the State Police Retirement System, the Correctional Officers Retirement System (CORS), the Law Enforcement Officers Pension System (LEOPS), the Judges' Pension System, or the legislative plan under these certain circumstances:

- The former member has not left employment with the state or a Retirement/Pension System participating employer.
- 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 Maryland State Retirement Agency Staff (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 Maryland State Retirement Agency Staff (MSRPS) participating employer. **I urge a favorable report.**



Senator Karen Lewis Young