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STATE RETIREMENT
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**Testimony in Support of Senate Bill 274
State Retirement and Pension System - Nonvested Former Members - Return of
Accumulated Contributions
House Appropriations Committee**

**March 23, 2023
1:00 P.M.**

**Anne Gawthrop
Director of Legislative Affairs
State Retirement Agency**

The Board of Trustees for the State Retirement and Pension System wishes to express its support for Senate Bill 274 State Retirement and Pension System - Nonvested Former Members - Return of Accumulated Contributions. Senate Bill 274 is legislation sponsored by the Joint Committee on Pensions at the request of the Board.

This legislation is technical and clarifying. The State Retirement Agency (Agency) has determined that there currently is not a provision in the State Personnel and Pensions Article that authorizes the Agency to refund the member contributions of a deceased non-vested former member to the deceased member's designated beneficiary, or if there is no beneficiary, to the deceased member's estate. Current provisions of the State Personnel and Pensions Article allow for the distribution of member contributions of a deceased former member, if the member was vested in one of the several systems at the time of death. When the Agency has been faced with the death of a non-vested former member, the current practice of the Agency has been to make such a distribution to the designated beneficiary of a deceased non-vested member, or if there is not a designated beneficiary, to the deceased former member's estate. Senate Bill 274 codifies the Agency's current practice, addressing this inconsistency in existing law.

Additionally, Senate Bill 274 clarifies the heads of State agencies who enjoy immediate vesting. Currently, the Agency must review each position overseeing a State agency and determine if that agency is a separate unit of State government and if the head of that agency was appointed by and serves at the pleasure of the Governor. This creates issues for the Agency if the agency in question is absorbed by another agency or the head of the agency no longer serves at the pleasure of the Governor and the Agency is not notified of these changes. To avoid these issues Senate Bill 274 specifically lists each position that enjoys immediate vesting.

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Senate Bill 274 also clarifies that the retroactive lump sum portions of retroactive salary increases for certain classes of employees are not pensionable. Currently, local school districts have indicated that it is problematic for the school districts to deduct and forward employer and member contributions to the Agency for these retroactive salary increases. By providing that the retroactive lump sum portion would not be pensionable, this would remove the accounting and payroll issue for the local school districts. Additionally, not making this retroactive lump sum payment pensionable would allow the impacted teachers to receive the full amount of the payment without incurring a 7% decrease for member contributions.

We appreciate being given this opportunity to express our support to the Appropriations Committee for this legislation and would request a favorable report on Senate Bill 274.