

SenatorBailey_FAV_SB395.pdf

Uploaded by: Jack Bailey

Position: FAV

JACK BAILEY
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Budget & Taxation Committee



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February 16, 2023

Senate Bill 395 – State Employee and Retiree Health Benefits - Creditable Service - Historic St. Mary's City Commission

Dear Chairman Jackson and Members of the Subcommittee,

I am writing to introduce Senate Bill 395 – State Employee and Retiree Health Benefits - Creditable Service - Historic St. Mary's City Commission. This bill would correct an error in the service time calculation for two employees of Historic St. Mary's City that affects their creditable service for retiree health benefits.

These employees were allowed to be placed in the Optional Retirement Program, which is limited to educational institutions, in error on the advice of human resources personnel because of a misunderstanding that HSMC was affiliated with St. Mary's College of Maryland as an educational institution. In 2009, the State determined that these employees were in fact not eligible to be in the ORP under IRS rules and they were transferred to the State Retirement and Pension System.

Because these employees were erroneously placed in the ORP for 11 years of their career and then placed back in the State Retirement and Pension System, they are not able to retire with their full cumulative years of service. This legislation is intended to correct this error by permitting the years of service in ORP to be credited to the SRPS system for the calculation of eligibility for health insurance benefits.

These employees should not lose benefits that they earned due to advice that was given in error. I respectfully request a favorable report on Senate Bill 395. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Bailey'.

Senator Jack Bailey

HSMCC PPurves SB395HB581 Testimony.USE.pdf

Uploaded by: Porzia Purves

Position: FAV

Senate Budget and Taxation Committee/House Appropriations Committee
Senate Bill 395/House Bill 581
State Employee and Retiree Health Benefits – Creditable Service
February 16, 2023 Senate / February 28, 2023 House
Porzia M. Purves: Written Statement

Thank you, Senator Bailey, for introducing Senate Bill 395 and Delegate Morgan for introducing House Bill 581 and allowing for an opportunity to provide comments on our behalf. As I understand the purpose of SB 395/HB 581 is to determine creditable service eligibility for State retiree health benefits for State employees working for Historic St. Mary's City Commission.

- I began working for HSMCC in 1987 and was a member of the State Employees Pension System, I had a break in employment from December 1989 and returned to work for HSMCC in March 1995, again as a participant in the State Employees Pension System.
- In 1997, HSMCC affiliated with St. Mary's College of Maryland (SMCM). Through the affiliation, HSMCC staff were entitled to the same benefits as the staff of SMCM. This included the availability of the Optional Retirement Program (TIAA-CREF) for HSMCC exempt employees.
- A number of HSMCC staff elected to participate in the ORP based on this advice, including me.
- In 2008, 11 years into the affiliation, were told that HSMCC was not considered an educational institution for purposes of qualifying for the ORP, and that we were going to be forced out of the ORP and into the MSRS. After a year of debate including letters to Congressman Hoyer and the Internal Revenue Service, the determination remained that HSMCC staff must be removed from the ORP.
- In November 2008, the staff had a meeting with the HR representatives of SMCM, where we were informed that, we must go into the MSRS and that we would be lucky to be accepted because we will now be considered new employees. At that moment, we were being told the transition would be making us new employees in the State Retirement System. We were not new employees to the State, therefore why would we be considered new employees to the Retirement System. We were losing an accurate accounting of our state service.
- We asked that our ORP funds be moved over to the MSRS and again told that would not be possible. We were also informed that we were unable to touch the funds in the ORP, meaning we could not move it around within the account to safeguard it.
- At no time during this entire process were we given any a reasonable solution to make us whole employees in the retirement system.

- The important point addressed by the current legislation is that for purposes of retiree health insurance and State subsidy for such insurance, for employees of HSMCC who were once erroneously enrolled in the ORP, years of service in both the Employees Pension System and the ORP would be combined to determine eligibility for retiree health benefits and for the retiree health benefit subsidy.

HSMCC SB 395 HB 581 Testimony RMitchell.pdf

Uploaded by: Ruth Mitchell

Position: FAV

Senate Budget and Taxation Committee/House Appropriations Committee
Senate Bill 395/House Bill 581
State Employee and Retiree Health Benefits – Creditable Service
February 16, 2023 Senate / February 28, 2023 House

Written Statement: Ruth M. Mitchell

Thank you, Senator Bailey, for introducing Senate Bill 395, and thank you Delegate T. Morgan for introducing House Bill 581. The purpose of the bill is to support eligibility for State of Maryland retiree health benefits as an employee of the Historic St. Mary's City Commission (HSMCC). The main issue is regarding the number of years considered as "creditable" service.

- Currently, I'm employed as an Archaeologist with the Historic St. Mary's City Commission.
- I began full-time state employment on December 12, 1999. At that time, I enrolled in the Optional Retirement Plan (ORP) known as TIAA-CREF. This ORP plan is known as a Section 403(b) plan.
- On January 1, 2009, I was forced out of the ORP due to an IRS ruling. At this point I began the Sate Retirement and Pension System (SRPS).
- Due to this change, I lost 9 years of creditable service with the State of Maryland.
- Support of SB 395 and HB 581 would allow for a correction to these years, which would affect my State of Maryland health benefits upon retirement.

Thank you for the opportunity to provide input regarding the proposed legislation.