

SB481_AFSCME3_FAV.pdf

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Patrick Moran - President

**SB 481 - State Retirement and Pension System - Nonvested Accounts - Regular Interest
POSITION: FAVORABLE**

AFSCME Council 3 supports SB 481. Currently, when a state employee starts a job in a different pension system, and they transfer jobs prior to vesting in that system and enter a different pension system – they are prohibited by the IRS from taking the funds out of the old system as long as they are still working. Since you cannot get a refund on your contributions back, the Retirement system pays the employee interest for the first 4 years after the employee’s transfer but makes money from the employee’s contribution into the old system for the duration that the employee is employed.

SB 481 corrects a fairness issue by allowing employees in this situation to collect interest on non-vested accounts until the employee quits working.

We urge the committee to provide a favorable report. Thank you.

Every AFSCME Maryland State and University contract guarantees a right to union representation.
An employee has the right to a union representative if requested by the employee.
800.492.1996

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SB 481 - State Retirement and Pension System - Non

Uploaded by: Donna Edwards

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**SB 481 - State Retirement and Pension System - Nonvested Accounts - Regular Interest
Senate Budget and Taxation Committee
February 16, 2023**

SUPPORT

**Donna S. Edwards
President**

Maryland State and DC AFL-CIO

Chairman and members of the Committee, thank you for the opportunity to submit testimony in support of SB 481. My name is Donna S. Edwards, and I am the President of the Maryland State and District of Columbia AFL-CIO. On behalf of Maryland's 300,000 union members, I offer the following comments.

SB 481 allows state employees that start a new job outside of their original pension system to continue accruing interest on their non-vested state retirement plans.

If a state worker transfers from one position in a state pension system to another, before they become fully vested, they are not allowed under IRS regulations to take out that money while they are still working. State rules currently prohibit refunds on old contributions effectively meaning this money is stuck. SB 481 allows employees to earn interest on this money until the employee quits working. The current system delays employees retirement, especially those late in their career, if they happen to switch pension systems before reaching the vesting requirements.

SB 481 is an issue of fairness and we seek a favorable report.

2023 HB424 Sponsor Testimony Regular Interest - Co

Uploaded by: Karen Lewis Young

Position: FAV



THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

**Favorable SB481: - State Retirement and Pension System - Nonvested Accounts
- Regular Interest**

Budget and Tax Hearing on 2/15/2023 at 8:30am

To: Chair Guzzone, Vice Chair Rosapepe and Members of the Budget and Tax Committee

In 2022, the General Assembly passed legislation, HB1019/SB699 (Ch509), that applied only to an active member of 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).

In short, this is a fairness and 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 the right thing to do!

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.

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 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 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 employment which may require a change in systems before they were vested in their prior system.
- Not all systems 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 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.

Karen Lewis Young

Senator Karen Lewis Young