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**Testimony in Opposition to Senate Bill 1114
State Retirement and Pension System – Transfers of Service**

**Senate Budget and Tax Committee
March 12, 2024
1:00 P.M.**

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

The Board of Trustees for the State Retirement and Pension System (System) wishes to express its opposition to Senate Bill 1114, State Retirement and Pension System – Transfers of Service Credit. Senate Bill 1114 would allow an individual who had more than a 30-day break in employment between employment with participating employers of the System, to transfer their service from the Local Fire and Police Plan to the State Police Retirement System.

Title 37 of the State Personnel and Pensions Article governs transfers of service credit between State or local retirement or pension systems. Specifically, it provides that transfers of service credit between a State or local retirement or pension system may only take place when a member has become a member of a new State or local retirement or pension system without incurring any break in employment from their previous system. A break in employment has been interpreted as not more than 30 days between the individual leaving their old position and starting their new position. For individuals who have a greater than 30-day break in service, provisions of the State Personnel and Pensions Article allow members to purchase their prior service at the time of retirement.

While the State Retirement Agency is only aware of one individual who meets the criteria under the provisions of Senate Bill 1114, this bill would open the door to any individual who had more than a 30-day break in service between membership with State or local retirement or pension systems, to allow them to transfer their previous service into their current plan without having to utilize the normal service purchase rules which generally require the member to fund the additional benefits due on account of the purchased service. Allowing a Title 37 transfer under Senate Bill 1114 could potentially increase unfunded liabilities for the new system and would allow the member to avoid paying the costs for the additional service credit, as is required of all other members when purchasing service credit under the same circumstances.

Additionally, we think it is important to note that in the past, this Committee has taken the position that legislation of this nature should demonstrate that some mistake by the State or the Agency occurred that now needs to be remedied. As we mentioned above, the Agency is currently only aware of one individual who would meet the criteria of the bill, and after reviewing the facts surrounding their situation, the Agency could find no evidence of any mistake or misinformation that was provided to the member by the

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State or the Agency. Senate Bill 1114 would provide a special exception to the provisions of Title 37 of the State Personnel and Pensions Article for this individual to which no other member of the System is entitled.

We appreciate being given the opportunity to raise these issues with the Committee and stand ready to provide any further information or services the Committee might request regarding Senate Bill 1114.