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**Testimony in Support of Senate Bill 491  
State Retirement and Pension System - Transfers of Service**

**Senate Budget and Tax Committee  
February 8, 2024  
9:00 A.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 491, State Retirement and Pension System - Transfers of Service. Senate Bill 491 is legislation sponsored by the Joint Committee on Pensions at the request of the Board.

Title 37 of the State Personnel and Pensions Article governs the transfer of service credit from a State or local retirement or pension system to another State or local retirement or pension system. Senate Bill 491 repeals a provision within Title 37 that historically has been impracticable to administer.

Section 37-230.1 of the State Personnel and Pensions Article provides, in part, that “[i]f an individual retires within five years after transferring into a new system, the benefits payable with respect to the transferred service credit may not be greater than the benefits that would have been payable by the previous system with respect to that service if the individual had remained in the previous system.” In other words, if a member retires within five years of transferring into a new system, the member’s retirement allowance will be calculated as a bifurcated benefit. For example, an individual joins the Employees’ Pension System (EPS) at age 61, and transfers six years of service from their old plan. After accruing four years in the EPS, at age 65, the individual retires with 10 years of service (six from the old plan and four from the EPS). To calculate this individual’s benefit, the Agency would need to determine what the benefit formula was in the old plan for the six years that were transferred and calculate the member’s benefit for those six years, using that formula. Additionally, the Agency would also need to calculate the member’s benefit in the EPS based on the four years of service earned in that system. The two calculations would then be added together to for the member’s total retirement allowance.

The Agency has found that the implementation of this provision is unrealistic due to the administrative difficulties that would be incurred. Once a member transfers service into one of the several systems of the State, the transferred service from the old system is indistinguishable from the service earned in the new system. The Agency would need to flag all accounts where a transfer was completed, and then at the time of retirement, manually break apart the service between the new and the old system to determine if the member reached the five year threshold in their State system. If the member did not meet the five year threshold, the Agency then would need to determine the benefit multiplier of the old system in effect at the time the member transferred in order to manually calculate the benefit for the service from the old

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system. While this would be very difficult if the member were moving between the several systems of the State, it would be next to impossible for those members that transfer from a local retirement or pension system into a state system. As a result, the Agency has not been able to implement this provision. Moreover, we are unaware of any local retirement or pension system that implements this provision.

We appreciate being given this opportunity to express our support to the Budget and Tax Committee for this legislation and would request a favorable report on Senate Bill 491.