

SB612Testimony2025.pdf

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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

TESTIMONY – SENATE BILL 612
STATE RETIREMENT AND PENSION SYSTEM–
DEFERRED VESTED FORMER MEMBERS –
RETURN TO SERVICE
BUDGET & TAXATION COMMITTEE
FEBRUARY 13, 2025

Chair Hettleman and Fellow Committee Members:

Senate Bill 612 is a piece of legislation designed to make it easier for vested individuals to return to State service, particularly after a military obligation. The bill would set up a clear mechanism to allow for individuals to return to State service and to resume their commitment to their prior professions.

This legislation is a simple means to the end of allowing an easier and more efficient return to State service for these public servants.

For the reasons listed above, I ask for a favorable report of Senate Bill 612.

SB 612 - Deferred Vested Members Return to Service

Uploaded by: Anne Gawthrop

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Testimony in Support with Amendments for Senate Bill 612
State Retirement and Pension System - Deferred Vested Former Members - Return to Service
Senate Budget and Tax Committee
February 13, 2025
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, with amendments, for Senate Bill 612, State Retirement and Pension System - Deferred Vested Former Members - Return to Service. Senate Bill 612 is legislation sponsored by the Joint Committee on Pensions at the request of the Board.

Provisions of the Employees' Pension System (EPS) and Teachers' Pension System (TPS) provide that a deferred vested member of the Alternate Contributory Pension Selection (ACPS) tier of the EPS or TPS who returns to State employment and resumes membership in the EPS or TPS, shall resume participation in the ACPS tier of the EPS or TPS. Regardless of the break in service that has occurred, a returning vested member will not be enrolled in the Reformed Contribution Pension Benefit (RCPB) tier of the EPS or TPS (which is applicable to new members on or after July 1, 2011) when returning to service. This allows the ACPS deferred vested member to continue to receive the benefits provided for under the ACPS tier and not start anew in the RCPB tier.

The Correctional Officers' Retirement System (CORS), the State Police Retirement System (SPRS) and the Law Enforcement Officers' Pension System (LEOPS) do not have a comparable provision that allows for deferred vested members of the CORS, SPRS, or LEOPS to resume membership subject to the pre-July 1, 2011 provisions if they began membership before July 1, 2011, and later return to membership in their former system after incurring a break in service of more than four years (the length of time an individual remains in membership status after leaving employment with a participating employer). Because of this, and the fact that the 2011 pension reforms changed vesting and average final compensation for any individual who began membership in the public safety systems on or after July 1, 2011, this creates issues for deferred vested members when they resume membership in their former system. For example, an individual who joined the CORS before July 1, 2011, vested in the CORS after accruing five years of service, left employment with a participating employer, and returned to CORS membership after incurring a break in service of more than four years, would now be subject to 10-year vesting and a five-year average final compensation with respect to all service after July 1, 2011. And the Agency is required to maintain two separate accounts for the employee in CORS, due to the different rules that apply to the pre- and post-July 1, 2011 service. Again, this is because the public safety plans do not have a corresponding provision, similar to the provision in EPS and TPS, that allows deferred vested

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members who return to membership, regardless of the length of their break in service, to be subject to the same requirements that were in effect in the EPS or TPS, on June 30, 2011.

The legislative history indicates that the provisions to preserve an EPS or TPS member's pre-July 1, 2011 membership status beyond a break in service of more than four years, were enacted in response to a deferred vested member of the ACPS tier of the EPS returning to membership after more than a 10-year break in service. The Agency can find no indication to suggest the public safety plans were deliberately excluded; rather, it appears that the focus of the legislation was limited to the EPS and TPS because of the individual who brought it to the attention of the legislature.

For consistency across the several systems and ease of administration, Senate Bill 612 provides that deferred vested members of the CORS, SPRS, or LEOPS who vested in these plans prior to July 1, 2011, and resume membership in their former system following a break in service, shall be subject to the same requirements that were in effect in their former plan on June 30, 2011, regardless of the length of their break in service. The Agency is aware of 16 LEOPS members who will benefit from this legislation. The Agency did not find any CORS or SPRS members who would also benefit.

Additionally, Senate Bill 612 also provides that deferred vested members of the EPS who are subject to the non-contributory pension benefit or the contributory pension benefit and who vested in these plans prior to July 1, 2011, and resume membership in their former system, shall be subject to the same requirements that were in effect in their former plan on June 30, 2011, regardless of the length of their break in service. Only employees of participating governmental units of the System are still eligible for the EPS non-contributory and contributory benefits. At this time, the Agency is unable to determine the number of individuals in the EPS subject to the non-contributory or contributory benefit who would benefit from this bill. Because of that, we cannot say with certainty that the provisions addressing the EPS would not have a significant impact on the employer rate of the municipal pool of the System. For that reason, we are asking that these provisions be removed from Senate Bill 612. The Agency intends to investigate this issue over the 2025 interim to determine the exact number of individuals that would be impacted by this change in the EPS.

We appreciate being given this opportunity to express our support, with amendments, to the Budget and Tax Committee for this legislation and would request a favorable report on Senate Bill 612.