



**Testimony in Opposition to House Bill 312  
Correctional Officers' Retirement System – Redeposit of Accumulated Contributions - Alterations**

**House Appropriations Committee  
March 18, 2026  
1:00 P.M.**

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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 House Bill 312, Correctional Officers' Retirement System – Redeposit of Accumulated Contributions - Alterations. House Bill 312 would allow a member of the Correctional Officers' Retirement System (CORS) who previously terminated membership in the Employees' Pension System or Teachers' Pension System (EPS or TPS) and withdrew their member contributions from the EPS or TPS, to now deposit the withdrawn member contributions with regular interest in the CORS. After depositing the EPS or TPS member contributions with regular interest in the CORS, the member will receive CORS service credit for the previously earned EPS or TPS service.

The provisions of the State Personnel and Pensions Article provide that the member contribution rate in the CORS is 5%. The EPS and TPS member contribution rates range from 0% to 7%, depending on when a member enrolled in either plan. With these provisions of the CORS, EPS, and TPS in mind, we believe it would be helpful for the Committee to appreciate our concern that this legislation inequitably treats similarly situated members of CORS if we provided two examples of its potential impact. The first example would involve an active member of the CORS who had previously withdrawn EPS member contributions for service earned from 2000 through 2004. For those four years of service, the EPS member contribution rate was 2%. The provisions of House Bill 312 would allow this CORS member to now deposit their 2% EPS member contributions, with interest, and receive four years of CORS service. However, as previously noted above, the CORS member contribution rate for this same period of time was 5%. Under the provisions of House Bill 312, the CORS member in this example would receive four years of service credit paying 60% *less* in member contributions than all other CORS members who had earned their service in the CORS (2% member contribution rate vs. 5% member contribution rate). Moreover, House Bill 312 does not require that a deficiency be assessed on these accounts where the deposited member contributions were made at a rate less than 5%. This would result in a slight increase in the CORS employer contribution rate.

The second example we would like to provide would involve an active member of the CORS who had previously withdrawn EPS member contributions for service earned from 2012 through 2016. At that time, for those four years of service, the EPS member contribution rate was 7%. Again, under the provisions of House Bill 312, this member would be eligible to deposit their 7% EPS member contributions, with interest, and receive four years of CORS service. For members of the CORS who had earned all of their service in the CORS for this same period of time, their member contribution rate is 5%.

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However, unlike the previous example, in this case the CORS member depositing their EPS member contributions would receive four years of service credit paying 40% *more* in member contributions than all other CORS members who had earned all of their service in the CORS for this same period of time (7% member contribution rate vs. 5% member contribution rate). Under the provisions of the bill, these excess funds would not be returned to the member at the time of their retirement.

The provisions of House Bill 312 are counter to the provisions of the numerous bills over the past 10 years that have moved various groups from the EPS into the CORS. Each of these bills provide that an employee being moved into the CORS may transfer their EPS service into the CORS. Title 37 of the State Personnel and Pensions Article provides that if upon transferring service credit from one State or local retirement or pension system to another, member contributions that would have been made in the new system for the service being transferred are more than the member contributions that were actually made in the old system, the member's account will be assessed a deficiency that will accrue interest and be applied to the member's retirement allowance. If the difference between the member contributions that would have been made in the new system for the service being transferred are less than the member contributions that were actually made in the old system, the member's account will be assessed a surplus that will accrue interest and be returned to the member at the time they cease employment with a participating employer.

As discussed above, House Bill 312 does not provide for either deficiencies or surpluses once the member deposits their withdrawn member contributions with interest. As a result, the Agency is concerned that this bill would create an incentive for any member who is moving from the EPS or TPS into the CORS and who would otherwise have a deficiency assessed on their account if they transferred their service under Title 37, to now opt to withdraw their EPS and TPS member contributions and deposit them into the CORS under House Bill 312. This would provide them with their EPS and TPS service being moved into the CORS at a discounted rate.

It is also important to understand that CORS, EPS and TPS were each established as separate qualified governmental defined benefit plans pursuant to §§ 401(a) and 414(d) of the Internal Revenue Code. This bill does not provide for the transfer of the employer contributions associated with the member's service in the EPS or TPS to the CORS. For local employers participating in CORS, the basic employer contribution rate for EPS for FY 2027 is 9.99% while the employer contribution rate for CORS is 19.16%, and the funded ratio for EPS is 80.24% while the funded ratio for CORS is 73.95%. We note that allowing a member of CORS who works for a participating governmental unit to receive additional service credit in CORS by depositing withdrawn EPS or TPS member contributions, without addressing missing employer contributions needed to fund the additional benefits that would become due from CORS, could exacerbate the funding shortfall in CORS and further increase employer rates for participating governmental units who have opted to enroll their correctional officers in CORS.

In light of the inequities House Bill 312 would create among different CORS members, we are concerned that, without a reasonable basis for this differing treatment, this legislation would result in System operations that are inconsistent with the fiduciary duty of loyalty. The Committee should note that embedded in the Board's fiduciary duty of loyalty is also the duty of impartiality. The duty of impartiality is described in Section 7 of the Uniform Management of Public Employee Retirement Systems Act (UMPERSA). The Comment to Section 7 explains:

The duty of impartiality...derives from the duty of loyalty. A fiduciary for a retirement system owes a duty of loyalty to all participants and beneficiaries; respecting that duty requires the fiduciary to be impartial among any differing interests of participants and beneficiaries. The duty is well-recognized in trust law. Restatement of Trusts 2d §§ 183, 232; Uniform Prudent Investor Act § 6.

Differing interests are inevitable in the retirement system setting. Differences can arise between retirees and working members, young members and old, long- and short-term employees, and other groupings of those with interests in the retirement system. The duty of impartiality does not mean that fiduciaries must accommodate such interests according to some notion of absolute equality. ***The duty of impartiality permits a fiduciary to favor the interests of one group of participants and beneficiaries over another in particular circumstances, but requires that such decisions be made carefully and after weighing the differing interests.***

We have reviewed the provisions of House Bill 312 and considered this legislation in its context to existing provisions of the State Personnel and Pensions Article regarding transfers of service credit. Following this review, we are unable to find a reasonable justification for providing certain members of the CORS with the eligibility to receive service credit in the CORS at a lower member contribution than all other members are required to pay and not assessed any deficiency for this lower cost when all other similar transfer provisions require that a deficiency be assessed. Additionally, we are also unable to find a reasonable justification for providing that certain CORS members would be required to deposit member contributions greater than all other CORS members for certain service credit and not receive a return of these excess contributions. Without a reasonable justification for either of these scenarios, we believe that implementation of the bill would be at odds with the duty of impartiality.

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 House Bill 312.