

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 1175 (Delegates Bohanan and O'Donnell)
Appropriations

Budget and Taxation

Teachers' Retirement System - Employment of Retirees

This pension bill extends the sunset of the exemption from the reemployment earnings limitation for a retiree of the Teachers' Retirement System (TRS) who retired from a board of education or local school system and who is reemployed in a part-time position with the University System of Maryland.

The bill takes effect June 1, 2001 and extends the sunset of Chapter 481 of 2000 from June 30, 2001 to June 30, 2004.

Fiscal Summary

State Effect: Minimal increase in State pension contributions due to reduced pension offsets for reemployment earnings.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Retirees of the TRS and the Teachers' Pension System (TPS) who receive a service retirement allowance or vested allowance may return to employment with a participating employer of the State Retirement and Pension System. A retiree's allowance, however, is reduced dollar-for-dollar by the amount any earnings from such a participating employer exceed the difference between the retirees' basic allowance at time of retirement and the retirees' average final salary, with certain exceptions.

As an example, assume a member of the TPS retires with 30 years of service, an average final salary at time of retirement of \$40,000 and a basic annual allowance of \$15,000. If the member returns to employment and earns \$30,000 in calendar 2001, then the earnings limitation -- the difference between the average final salary and the annual basic allowance -- is \$25,000. The retiree has exceeded the earnings limitation by \$5,000 and the retirement agency reduces future payments accordingly.

Under current law, as well as under the bill, retired members do not accrue additional pension service credit if they are reemployed with a participating employer. They do, however, receive their retirement benefit simultaneously with their reemployment salary.

Background: Chapter 481 of 2000 exempted from the reemployment earnings limitation a retiree of the TRS who retired from a board of education or local school system and who is reemployed in a part-time position with the University of Maryland. Chapter 481 took effect July 1, 2000 and sunsets on June 30, 2001.

State Expenditures: The State Retirement Agency advises that the bill would apply to less than ten retirees and that any resulting reduction in pension offsets would be minimal. In general, the State's actuary advises that if the absence of a reemployment earnings limitation encourages members to retire earlier than they otherwise would, State retirement liabilities will increase. Given the relatively small number of retirees affected, it is assumed there would be negligible impact on the average age of retirement.

Additional Information

Prior Introductions: HB 1404 (Chapter 481) of 2000, discussed above, sunsets on June 30, 2001. HB 1158 of 1999, a substantially similar bill, passed the House of Delegates and was referred to summer study by the Senate Budget and Taxation Committee.

Cross File: None.

Information Source(s): State Retirement Agency; Milliman & Robertson, Inc., Department of Legislative Services

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