

Department of Legislative Services  
Maryland General Assembly  
2004 Session

FISCAL AND POLICY NOTE

House Bill 507

(Chairman, Appropriations Committee)

(By Request – Departmental – Budget and Management)

Appropriations

Budget and Taxation

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State Personnel and Pensions - Temporary or Contractual Reemployment of  
Retirees of the Workforce Reduction Act

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This departmental pension bill removes the requirement for Board of Public Works (BPW) approval to rehire individuals on a temporary basis who retired under the Workforce Reduction Act of 1996. The bill also removes the 2% aggregate limit on the reemployment of these individuals.

The bill is effective July 1, 2004.

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Fiscal Summary

**State Effect:** None. The number of affected individuals would be minimal. The State's actuary has informally reviewed the provisions of this bill and determined that it would have no impact on State pension liabilities.

**Local Effect:** None.

**Small Business Effect:** The Department of Budget and Management (DBM) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

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Analysis

**Current Law:** Chapter 353 of 1996 established an early retirement incentive plan for State employee members of the employees' retirement (ERS) and pension systems (EPS). The Department of Budget and Fiscal Planning (now DBM) was required to eliminate at

least 60% of the vacated positions by November 1, 1996. No more than 2% of employees retiring under the bill were permitted to be reemployed in a contractual or temporary position in any branch of State government. Any earnings limitation for participating employees was based on the retirement benefit received including that portion of the benefit resulting from the incentives received for early retirement. The bill did not apply to employees of: (1) the Judicial Branch of government; (2) an institution of higher education; or (3) off-budget agencies.

**State Fiscal Effect:** DBM indicates that the number of retirees reemployed in temporary positions has not reached the 2% level (40 employees) in the past two years. The agency notes that the intent of the 2% provision and the requirement for BPW approval was to prevent employees from accepting the enhanced early retirement and then immediately returning to State service. DBM also notes that the current hiring freeze requires agencies to receive approval from the Secretary of Budget and Management prior to filling vacancies.

The Department of Legislative Services concurs that the 2% provisions would likely not impact hiring decisions eight years after the implementation of Chapter 353. Retirees of ERS and EPS are already permitted under current law to be rehired into full-time permanent positions with no reduction in retirement benefits after being separated from State service for 10 years, which would occur in fiscal 2007. The actuarial liabilities of the early retirement program have already been repaid by agencies, and the General Assembly and the Governor have taken more recent steps to curb growth in State positions through abolishment of several thousand vacant positions.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** State Retirement Agency, Milliman USA, Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2004  
n/mdr

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Analysis by: Daniel P. Tompkins

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510