

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 10  
Appropriations

(Delegate Leopold)

Budget and Taxation

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**State Police Retirement System and Law Enforcement Officers' Pension System -  
Disability Retirement**

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This bill exempts ordinary disability retirees of the State Police Retirement System (SPRS) and the Law Enforcement Officers' Pension System (LEOPS) from certain earnings limitations and reemployment restrictions if they meet specific conditions.

The bill is effective July 1, 2005.

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**Fiscal Summary**

**State Effect:** State pension benefit payments would increase by approximately \$32,000, resulting in a negligible increase in State pension liabilities and employer contributions. No effect on revenues.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** An ordinary disability retiree of SPRS or LEOPS is exempt from the reemployment restrictions under § 29-115 of State Personnel and Pensions, if the retiree is reemployed in a position other than as a probationary status law enforcement officer, law enforcement officer, or chief.

The bill also exempts an ordinary disability retiree of SPRS or LEOPS from the earnings limitations under § 29-116 of State Personnel and Pensions, if the retiree is reemployed in a position other than as a probationary status law enforcement officer, law enforcement officer, or chief.

**Current Law:** Under Section 29-115, the Board of Trustees for the State Retirement and Pension System may temporarily suspend the retirement allowance of a disability retiree if the retiree is reemployed by the State in certain positions and is: (1) receiving a retirement allowance on or after July 1, 1998; and (2) reemployed with a participating employer at a salary equal to or greater than the retiree's average final compensation at retirement. The suspension is effective only during the period of reemployment. If the retiree ceases reemployment with a participating employer, the retiree again commences receiving a disability allowance, including accumulated cost-of-living adjustments for the period of reemployment. The provision applies to all ordinary, accidental, and special disability retirees of the State systems, including teachers and employees.

Under Section 29-116, a disability retiree who is receiving an ordinary disability retirement allowance is subject to a reduction to his/her disability allowance if the retiree is: (1) under normal retirement age; (2) employed in a position paying more than the difference between the retiree's average final compensation and the initial, maximum retirement allowance, plus \$5,000; and (3) not subject to the temporary suspension provision above. Under current law, during the first 10 years of retirement, the reduction for excess earnings is \$1 for every \$2 earned over the earnings limitation. Beyond 10 years, the offset is \$1 for every \$5. The earnings limitation applies to all ordinary disability retirees of the State systems, including teachers and employees. Special and accidental disability retirees of all the State systems are already exempt from this earnings limitation.

**State Expenditures:** The bill removes most of the restrictions on reemployment of disability retirees from SPRS and LEOPS. Future disability retirees are exempt from reemployment restrictions unless they are reemployed as a police officer. Restrictions are lifted for existing disability retirees, even if they become police officers.

The State Retirement Agency advises that there are currently two SPRS ordinary or special disability retirees who face temporary suspension of benefits under § 29-115. The agency also advises that there are five SPRS retirees and two LEOPS retirees with a benefit offset by § 29-116. The total offset for these seven retirees is \$31,768. The agency does not believe that any of the seven retirees are reemployed as a police officer.

Under the bill, beginning in fiscal 2006, these retirees would not be subject to the earnings limitation. The increase in pension benefit payments, and corresponding increase in State pension liabilities, would be minimal.

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### **Additional Information**

**Prior Introductions:** HB 87 of 2004 passed the House, passed the Senate with amendments, and was referred to a conference committee. No further action was taken. HB 1151 of 2003 passed the House, passed the Senate with amendments, but was not referred to a conference committee. In 2002, HB 1443, a similar bill, passed the House but was not reported from the Senate Budget and Taxation Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 26, 2005  
mll/jr Revised - Enrolled Bill - May 9, 2005

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