Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 119 (Senator Griffith)(Chair, Joint Committee on Pensions)
Budget and Taxation Appropriations

Employees' and Teachers' Pension Systems – Benefits

This bill clarifies provisions regarding limitations on members of the Employees' Pension System (EPS) purchase of eligibility service credit for past employment. Specifically, it corrects an inadvertent erroneous reference within the statute that is counter to legislative intent. It also creates an exception for specified elected officials from the statutory requirement that they be separated from employment for 45 days before being reemployed by a participating or withdrawn employer. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: None. The bill is generally technical and clarifying in nature. The exemption from the 45-day waiting period has no discernible effect on State pension liabilities, as discussed below.

Local Effect: No discernible effect on local pension liabilities, as discussed below.

Small Business Effect: None.

Analysis

Current Law/Background: Chapter 618 of 2006 allowed a member of EPS to purchase eligibility service credit in EPS for past employment as a private school teacher or postsecondary teacher. The purchase was authorized only during the year in which the member retired. Chapter 618 limited the purchase of service credit for postsecondary employment to five years. However, in the process of amending the bill, the General Assembly inadvertently left in a reference that can be interpreted as negating the five-year limit (and other limitations on the purchase of service credit in EPS).

The State Retirement Agency (SRA) asked the Joint Committee on Pensions (JCP) to sponsor legislation to correct the inadvertent error, and JCP agreed to sponsor the legislation.

Internal Revenue Service rules require that an individual who retires have a *bona fide* separation from employment before being employed by a participating or withdrawn employer. State law, therefore, prohibits an individual who retires from the State Retirement and Pension System from being employed by any participating or withdrawn employer within 45 days of retiring.

State/Local Expenditures: SRA became aware of two individuals who (1) are active members of either the Teachers' Pension System or EPS; (2) are eligible to retire; and (3) were elected to offices in local government that require participation in EPS. As the individuals cannot be members of two different pension plans or of the same plan with two different employers, they must retire from one of the plans in order to retain their elective office. By retiring, however, they would normally have to wait 45 days before resuming employment as an elected official with another participating employer. As that is not possible (without resigning from elected office), the bill exempts the two individuals from the 45-day waiting period so they can remain in their elected office.

Additional Information

Prior Introductions: None.

Cross File: HB 62 (Delegate B. Barnes)(Chair, Joint Committee on Pensions) - Appropriations.

Information Source(s): State Retirement Agency; Department of Legislative Services

Fiscal Note History: First Reader - January 23, 2019
sb/vlg Third Reader - February 13, 2019
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