

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 143

(Senator Gallion)

Budget and Taxation

Appropriations

Teachers' Retirement and Pension Systems - Reemployment

This bill allows each local school system and the Maryland School for the Deaf (MSD) to hire up to five retirees of the Teachers' Retirement System or Teachers' Pension System (TRS/TPS) into any position in the system or MSD (instead of any *school-based* position) without a retirement benefit offset. The bill applies retroactively to retirees that meet specified criteria. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: As the bill is expected to apply in only a limited number of circumstances, it has no discernible effect on State pension liabilities or contribution rates. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies retroactively to a TPS retiree who (1) following retirement, was reemployed by the Harford County Board of Education in a position within the Payroll Department of the board and (2) in calendar 2022 or 2023, exceeded the retiree's earnings limitation.

If, on or before July 1, 2024, the Board of Trustees of the State Retirement and Pension System (SRPS) has offset the retirement benefits of a retiree that meets the above criteria, the SRPS board must refund the offset to the retiree by December 31, 2024.

Current Law: In general, a retiree who receives a retirement benefit from SRPS may be reemployed, except that the retiree may not be reemployed by the State or any participating SRPS employer within 45 days of retiring. In most cases, a retiree who is rehired by the same employer for whom the retiree worked at the time of retirement is subject to an earnings cap. The purpose of the cap, which is the member's average final compensation (AFC) at the time of retirement, is to ensure that a retiree does not earn more in retirement than the retiree earned as an active member with the same employer. If the sum of a retiree's earnings and initial retirement allowance exceeds the earnings cap, the retiree is subject to a dollar-for-dollar offset of the retirement benefit for any amount that exceeds the cap. For a member who retires directly from State service, the State is regarded as a single employer, so reemployment with any State agency activates the benefit reduction.

Broad Exemptions from Earnings Limitation

Statute includes several broad exemptions from the offset, including for retirees who:

- have been retired for at least five years;
- retired with an AFC less than \$25,000 and are reemployed on a permanent, temporary, or contractual basis; or
- are serving in any specified elected position.

Exemption for Teachers' Retirement System/Teachers' Pension System Retirees

In addition to other specified exemptions for TRS/TPS retirees, each local school superintendent and MSD may also hire a total of five TRS/TPS retirees to work in any position *at any public school* and be exempt from any retirement benefit reduction. *The bill* removes the requirement that the position be at a school, thereby allowing school systems to rehire retirees into central office or other nonschool-based positions. The State Retirement Agency advises that 36 TRS/TPS retirees were reemployed during the 2022-2023 school year without a benefit offset under the exemption amended by the bill. The agency is aware of one individual affected by the bill's retroactive application.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Maryland State Department of Education; Maryland School for the Deaf; State Retirement Agency; Department of Legislative Services

Fiscal Note History: First Reader - January 12, 2024
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