

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 366

(Senators Mautz and Bailey)

Budget and Taxation

Appropriations

Employees' and Teachers' Retirement and Pension Systems - Reemployment of Retirees

This bill exempts a retiree of the Teachers' Pension System (TPS) who is reemployed and meets specified criteria from the mandatory offset to his or her retirement benefit. The bill also repeals an obsolete exemption to retirement benefit offsets. **The bill takes effect July 1, 2024; uncodified provisions related to a TPS retiree apply retroactively to January 1, 2021, and terminate December 31, 2024.**

Fiscal Summary

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

Local Effect: No direct effect.

Small Business Effect: None.

Analysis

Bill Summary: The uncodified provisions of the bill apply to a TPS retiree who:

- is employed under a joint employer agreement between a local board of education and the Maryland Association of Boards of Education (MABE); and
- whose salary is fully funded by MABE.

To establish an individual's eligibility for the exemption, the local board of education must provide specified documentation to the State Retirement Agency demonstrating that the individual's salary is fully funded by MABE.

Current Law: In general, a retiree who receives a retirement benefit from the State Retirement and Pension System (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 Teachers' Retirement System (TRS) and TPS retirees, each local school superintendent and the Maryland School for the Deaf 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.

Obsolete Exemption

Chapter 469 of 2018, as amended by Chapter 561 of 2020, specified that a retiree of the Employees' Retirement System, TRS, Employees' Pension System, or TPS who is reemployed by the State is exempt from a benefit reduction if (1) compensation for the retiree's new job does not include any State funds and (2) the position is fully funded by a grant from a non-State source, as specified. *The bill* repeals this exemption, which no longer applies to any retirees.

Additional Information

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

Designated Cross File: HB 1211 (Delegate Adams, *et al.*) - Appropriations.

Information Source(s): Maryland State Department of Education; State Retirement Agency; Anne Arundel County Public Schools; Baltimore County Public Schools; Montgomery County Public Schools; Department of Legislative Services

Fiscal Note History: First Reader - February 6, 2024
km/ljm Third Reader - March 18, 2024
Revised - Amendment(s) - March 18, 2024

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