

SB366 Testimony - Support - Milton Nagel.pdf

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BILL: Senate Bill 0366
TITLE: Teachers' Pension System – Reemployment of Retirees
DATE: February 8, 2024
POSITION: SUPPORT
COMMITTEE: Budget & Taxation Committee
CONTACT: Milton Nagel

Milton Nagel, Executive Director of the Maryland Association of Boards of Education respectfully requests a favorable vote of Senate Bill 366.

On May 24, 2023, I received a letter from the State Retirement and Pension System (State) informing me that, beginning July 2023, my monthly retirement benefit would be eliminated because I had exceeded my earnings limitation for calendar year 2022. The State's assessment of this recovery is based on a misunderstanding of my employment situation. Specifically, I retired from Caroline County Public Schools (CCPS) following thirty years of faithful service and am now employed by the Maryland Association of Boards of Education (MABE) here in Annapolis. MABE has a Joint Employer Agreement with CCPS whereby CCPS manages MABE's payroll and benefits, which are completely paid for by MABE. Unfortunately, since CCPS handles MABE's payroll, my MABE salary is included in earnings reported to the State even though no CCPS funds are associated with my pay nor any other MABE employee. MABE is not a participating employer in the State Retirement and Pension System.

The State does not recognize MABE as a separate employer because CCPS included MABE employees on their payroll records, paid all applicable payroll related taxes in conjunction with CCPS employees, and MABE employees received paychecks and W-2's from CCPS. CCPS accounted for the MABE payroll activity in their Trust & Agency Fund which was never objected to by the school systems independent auditors, MSDE auditors, legislative auditors, or the Internal Revenue Service which has audited CCPS on more than one occasion since the joint employer agreement was implemented. In summary, no other agency and auditors have had any issues with the Joint Employer Agreement.

Had I known that the State would reach the conclusion of not recognizing MABE as a separate employer, I would have worked with MABE to find an alternate solution so that this situation would have never happened.

I requested a hardship extension of time before the elimination of my pension while I pursued a legislative solution which would reduce the financial impact to me and my family and reduce the amount that would need to be reimbursed by the State once the corrective legislation was passed. Thankfully the State approved most of the hardship deferral request, but I still have \$1,000 per month of my pension being withheld by the State. In addition, the hardship reduction expires on June 30, 2024, so it is imperative that this legislation is passed this session.

The reasons for my hardship request relate to recent developments in my family situation. My younger son passed away on December 31, 2022, at the young age of twenty-seven. Since his passing I have assumed his mortgage while we try to determine the best path forward. In addition, my wife stopped working last year due to family obligations involving our older son and his family and the need to care for her father who now lives with us because of his age and declining physical condition. My pension is what allowed my wife to quit her job since it covers her lost income. I am currently the sole income earner in our household. An elimination of my monthly pension would be catastrophic to me and my family.

Our son was a ten-year Army Reserve veteran, having been deployed twice, a six-year deputy with the Caroline County Sheriff's office, and he suffered from PTSD. There were no signs and although we knew that he suffered from PTSD following his first deployment, we thought he was in a good place. We talked nearly every day, about life, work, the future, and his mental health. He continued to assure us that he was fine and would never do what he ultimately did. We have no answers and never will, which makes his passing so much harder to accept.

The mental stress of my son's passing has been enormous for my family and me, and the decision to eliminate my monthly pension has compounded our stress, especially since I have done nothing wrong.

MABE has terminated the Joint Employer Agreement with CCPS effective December 31, 2023, and is now having payroll processed by an independent third-party payroll vendor. This will effectively eliminate the possibility of this happening to any other employee who retires from an entity that participates in the State Retirement and Pension System and then working for MABE.

For all the above reasons, I respectfully request a favorable vote of Senate Bill 366.