

SENATE BILL 880

P6

4lr2089
CF HB 1004

By: **Senator Jackson (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 2, 2024

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 29, 2024

CHAPTER _____

1 AN ACT concerning

2 **State Retirement and Pension System – Average Final Compensation –**
3 **Compensation Adjustments**

4 FOR the purpose of establishing that certain adjustments to compensation may not be
5 considered an extraordinary salary increase when determining the average final
6 compensation of a member in the State Retirement and Pension System; requiring a
7 member to submit certain information to the State Retirement Agency in a certain
8 manner at the time of retirement; and generally relating to the calculation of average
9 final compensation in the State Retirement and Pension System.

10 BY repealing and reenacting, with amendments,
11 Article – State Personnel and Pensions
12 Section ~~20–205(e)~~ 20–204(a)(3), (b)(3), and (c)(3), 20–205(e), and 20–205.1(d)
13 Annotated Code of Maryland
14 (2015 Replacement Volume and 2023 Supplement)

15 BY adding to
16 Article – State Personnel and Pensions
17 Section 20–204(a)(4) and (5), (b)(4) and (5), and (c)(4) and (5)
18 Annotated Code of Maryland
19 (2015 Replacement Volume and 2023 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
21 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



Article – State Personnel and Pensions

20–204.

(a) (3) Except [for a salary increase because of a member's promotion] AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION, the member's average final compensation does not include a salary increase in the last 3 years of employment if it is an extraordinary salary increase according to regulations that the Board of Trustees adopts.

(4) A SALARY INCREASE MAY NOT BE CONSIDERED AN EXTRAORDINARY SALARY INCREASE UNDER PARAGRAPH (3) OF THIS SUBSECTION IF THE SALARY INCREASE IS:

(I) BECAUSE OF A MEMBER'S PROMOTION; OR

(II) SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION, RELATED TO A REVIEW AND ADJUSTMENT TO THE COMPENSATION FOR A POSITION CLASSIFICATION TO:

1. ADDRESS INEQUITIES IN COMPENSATION AMONG EMPLOYEES IN THE SAME POSITION CLASSIFICATION; OR

2. INCREASE THE COMPENSATION FOR THE POSITION CLASSIFICATION TO BE MORE CONSISTENT WITH MARKET COMPENSATION FOR THE POSITION.

(5) (I) AT THE TIME OF RETIREMENT, A MEMBER WHO HAS RECEIVED A SALARY INCREASE IN ACCORDANCE WITH PARAGRAPH (4)(II) OF THIS SUBSECTION SHALL FILE WITH THE STATE RETIREMENT AGENCY A FORM PROVIDED BY THE STATE RETIREMENT AGENCY THAT:

1. IS COMPLETED BY THE MEMBER'S EMPLOYER; AND

2. CERTIFIES THAT THE MEMBER RECEIVED A SALARY INCREASE IN ACCORDANCE WITH PARAGRAPH (4)(II) OF THIS SUBSECTION.

(II) A MEMBER SHALL SUBMIT TO THE STATE RETIREMENT AGENCY THE COMPLETED FORM REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH WITHIN 30 DAYS FROM THE DATE OF THE STATE RETIREMENT AGENCY'S WRITTEN NOTICE THAT THE MEMBER HAS RECEIVED AN EXTRAORDINARY SALARY INCREASE.

(b) (3) (i) Except [for a salary increase because of a member's promotion] AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION, the member's average final

1 compensation does not include a salary increase in the last 3 years of employment if it is
2 an extraordinary salary increase according to regulations that the Board of Trustees
3 adopts.

4 (ii) 1. This subparagraph applies only to a member of the State
5 Police Retirement System.

6 2. If a member of the State Police Retirement System who
7 transferred from another actuarial retirement system in the State retires after less than 3
8 years of employment as a member of the State Police Retirement System, the earnable
9 compensation as a member in the other system shall be used in the determination of
10 average final compensation.

11 (4) A SALARY INCREASE MAY NOT BE CONSIDERED AN
12 EXTRAORDINARY SALARY INCREASE UNDER PARAGRAPH (3)(I) OF THIS
13 SUBSECTION IF THE SALARY INCREASE IS:

14 (I) BECAUSE OF A MEMBER'S PROMOTION; OR

15 (II) SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION,
16 RELATED TO A REVIEW AND ADJUSTMENT TO THE COMPENSATION FOR A POSITION
17 CLASSIFICATION TO:

18 1. ADDRESS INEQUITIES IN COMPENSATION AMONG
19 EMPLOYEES IN THE SAME POSITION CLASSIFICATION; OR

20 2. INCREASE THE COMPENSATION FOR THE POSITION
21 CLASSIFICATION TO BE MORE CONSISTENT WITH MARKET COMPENSATION FOR THE
22 POSITION.

23 (5) (I) AT THE TIME OF RETIREMENT, A MEMBER WHO HAS
24 RECEIVED A SALARY INCREASE IN ACCORDANCE WITH PARAGRAPH (4)(II) OF THIS
25 SUBSECTION SHALL FILE WITH THE STATE RETIREMENT AGENCY A FORM
26 PROVIDED BY THE STATE RETIREMENT AGENCY THAT:

27 1. IS COMPLETED BY THE MEMBER'S EMPLOYER; AND

28 2. CERTIFIES THAT THE MEMBER RECEIVED A SALARY
29 INCREASE IN ACCORDANCE WITH PARAGRAPH (4)(II) OF THIS SUBSECTION.

30 (II) A MEMBER SHALL SUBMIT TO THE STATE RETIREMENT
31 AGENCY THE COMPLETED FORM REQUIRED UNDER SUBPARAGRAPH (I) OF THIS
32 PARAGRAPH WITHIN 30 DAYS FROM THE DATE OF THE STATE RETIREMENT
33 AGENCY'S WRITTEN NOTICE THAT THE MEMBER HAS RECEIVED AN EXTRAORDINARY
34 SALARY INCREASE.

1 (c) (3) (i) Except [for a salary increase because of a member's promotion]
 2 AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION, the member's average final
 3 compensation does not include a salary increase in the last 5 years of employment if it is
 4 an extraordinary salary increase according to regulations that the Board of Trustees
 5 adopts.

6 (ii) 1. This subparagraph applies only to a member of the State
 7 Police Retirement System.

8 2. If a member of the State Police Retirement System who
 9 transferred from another actuarial retirement system in the State retires after less than 5
 10 years of employment as a member of the State Police Retirement System, the earnable
 11 compensation as a member in the other system shall be used in the determination of
 12 average final compensation.

13 (4) A SALARY INCREASE MAY NOT BE CONSIDERED AN
 14 EXTRAORDINARY SALARY INCREASE UNDER PARAGRAPH (3)(I) OF THIS
 15 SUBSECTION IF THE SALARY INCREASE IS:

16 (I) BECAUSE OF A MEMBER'S PROMOTION; OR

17 (II) SUBJECT TO PARAGRAPH (5) OF THIS SUBSECTION,
 18 RELATED TO A REVIEW AND ADJUSTMENT TO THE COMPENSATION FOR A POSITION
 19 CLASSIFICATION TO:

20 1. ADDRESS INEQUITIES IN COMPENSATION AMONG
 21 EMPLOYEES IN THE SAME POSITION CLASSIFICATION; OR

22 2. INCREASE THE COMPENSATION FOR THE POSITION
 23 CLASSIFICATION TO BE MORE CONSISTENT WITH MARKET COMPENSATION FOR THE
 24 POSITION.

25 (5) (I) AT THE TIME OF RETIREMENT, A MEMBER WHO HAS
 26 RECEIVED A SALARY INCREASE IN ACCORDANCE WITH PARAGRAPH (4)(II) OF THIS
 27 SUBSECTION SHALL FILE WITH THE STATE RETIREMENT AGENCY A FORM
 28 PROVIDED BY THE STATE RETIREMENT AGENCY THAT:

29 1. IS COMPLETED BY THE MEMBER'S EMPLOYER; AND

30 2. CERTIFIES THAT THE MEMBER RECEIVED A SALARY
 31 INCREASE IN ACCORDANCE WITH PARAGRAPH (4)(II) OF THIS SUBSECTION.

32 (II) A MEMBER SHALL SUBMIT TO THE STATE RETIREMENT
 33 AGENCY THE COMPLETED FORM REQUIRED UNDER SUBPARAGRAPH (I) OF THIS

1 PARAGRAPH WITHIN 30 DAYS FROM THE DATE OF THE STATE RETIREMENT
2 AGENCY'S WRITTEN NOTICE THAT THE MEMBER HAS RECEIVED AN EXTRAORDINARY
3 SALARY INCREASE.

4 20-205.

5 (e) (1) Except [for a salary increase because of a member's promotion] AS
6 PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, the member's average final
7 compensation does not include a salary increase in the last 3 years of employment if it is
8 an extraordinary salary increase according to regulations that the Board of Trustees
9 adopts.

10 (2) A SALARY INCREASE MAY NOT BE CONSIDERED AN
11 EXTRAORDINARY SALARY INCREASE UNDER PARAGRAPH (1) OF THIS SUBSECTION
12 IF THE SALARY INCREASE IS:

13 (I) BECAUSE OF A MEMBER'S PROMOTION; OR

14 (II) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION,
15 RELATED TO A REVIEW AND ADJUSTMENT TO THE COMPENSATION FOR A POSITION
16 CLASSIFICATION TO:

17 1. ADDRESS INEQUITIES IN COMPENSATION AMONG
18 EMPLOYEES IN THE SAME POSITION CLASSIFICATION; OR

19 2. INCREASE THE COMPENSATION FOR THE POSITION
20 CLASSIFICATION TO BE MORE CONSISTENT WITH MARKET COMPENSATION FOR THE
21 POSITION.

22 ~~(3) (I) A MEMBER SHALL NOTIFY THE STATE RETIREMENT~~
23 ~~AGENCY THAT A SALARY INCREASE IS NOT AN EXTRAORDINARY SALARY INCREASE~~
24 ~~BY PROVIDING DOCUMENTATION ESTABLISHING THE INCREASE WAS RELATED TO A~~
25 ~~REVIEW AND ADJUSTMENT FOR THE MEMBER'S POSITION CLASSIFICATION IN~~
26 ~~ACCORDANCE WITH PARAGRAPH (2)(II) OF THIS SUBSECTION.~~

27 ~~(II) A MEMBER SHALL PROVIDE THE NOTICE REQUIRED UNDER~~
28 ~~SUBPARAGRAPH (I) OF THIS PARAGRAPH WHEN THE MEMBER SUBMITS AN~~
29 ~~APPLICATION FOR RETIREMENT.~~

30 (3) (I) AT THE TIME OF RETIREMENT, A MEMBER WHO HAS
31 RECEIVED A SALARY INCREASE IN ACCORDANCE WITH PARAGRAPH (2)(II) OF THIS
32 SUBSECTION SHALL FILE WITH THE STATE RETIREMENT AGENCY A FORM
33 PROVIDED BY THE STATE RETIREMENT AGENCY THAT:

1 **1. IS COMPLETED BY THE MEMBER'S EMPLOYER; AND**

2 **2. CERTIFIES THAT THE MEMBER RECEIVED A SALARY**
 3 **INCREASE IN ACCORDANCE WITH PARAGRAPH (2)(II) OF THIS SUBSECTION.**

4 **(II) A MEMBER SHALL SUBMIT TO THE STATE RETIREMENT**
 5 **AGENCY THE COMPLETED FORM REQUIRED UNDER SUBPARAGRAPH (I) OF THIS**
 6 **PARAGRAPH WITHIN 30 DAYS FROM THE DATE OF THE STATE RETIREMENT**
 7 **AGENCY'S WRITTEN NOTICE THAT THE MEMBER HAS RECEIVED AN EXTRAORDINARY**
 8 **SALARY INCREASE.**

9 20-205.1.

10 (d) **(1)** Except [for a salary increase because of a member's promotion] AS
 11 **PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION**, the member's average final
 12 compensation does not include a salary increase in the last 5 years of employment if it is
 13 an extraordinary salary increase according to regulations that the Board of Trustees
 14 adopts.

15 **(2)** A SALARY INCREASE MAY NOT BE CONSIDERED AN
 16 **EXTRAORDINARY SALARY INCREASE UNDER PARAGRAPH (1) OF THIS SUBSECTION**
 17 **IF THE SALARY INCREASE IS:**

18 **(I)** BECAUSE OF A MEMBER'S PROMOTION; OR

19 **(II)** SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION,
 20 **RELATED TO A REVIEW AND ADJUSTMENT TO THE COMPENSATION FOR A POSITION**
 21 **CLASSIFICATION TO:**

22 **1.** ADDRESS INEQUITIES IN COMPENSATION AMONG
 23 **EMPLOYEES IN THE SAME POSITION CLASSIFICATION; OR**

24 **2.** INCREASE THE COMPENSATION FOR THE POSITION
 25 **CLASSIFICATION TO BE MORE CONSISTENT WITH MARKET COMPENSATION FOR THE**
 26 **POSITION.**

27 ~~**(3) (i) A MEMBER SHALL NOTIFY THE STATE RETIREMENT**~~
 28 ~~**AGENCY THAT A SALARY INCREASE IS NOT AN EXTRAORDINARY SALARY INCREASE**~~
 29 ~~**BY PROVIDING DOCUMENTATION ESTABLISHING THE INCREASE WAS RELATED TO A**~~
 30 ~~**REVIEW AND ADJUSTMENT FOR THE MEMBER'S POSITION CLASSIFICATION IN**~~
 31 ~~**ACCORDANCE WITH PARAGRAPH (2)(II) OF THIS SUBSECTION.**~~

~~(H) A MEMBER SHALL PROVIDE THE NOTICE REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH WHEN THE MEMBER SUBMITS AN APPLICATION FOR RETIREMENT.~~

(3) (I) AT THE TIME OF RETIREMENT, A MEMBER WHO HAS RECEIVED A SALARY INCREASE IN ACCORDANCE WITH PARAGRAPH (2)(II) OF THIS SUBSECTION SHALL FILE WITH THE STATE RETIREMENT AGENCY A FORM PROVIDED BY THE STATE RETIREMENT AGENCY THAT:

1. IS COMPLETED BY THE MEMBER’S EMPLOYER; AND

2. CERTIFIES THAT THE MEMBER RECEIVED A SALARY INCREASE IN ACCORDANCE WITH PARAGRAPH (2)(II) OF THIS SUBSECTION.

(II) A MEMBER SHALL SUBMIT TO THE STATE RETIREMENT AGENCY THE COMPLETED FORM REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH WITHIN 30 DAYS FROM THE DATE OF THE STATE RETIREMENT AGENCY’S WRITTEN NOTICE THAT THE MEMBER HAS RECEIVED AN EXTRAORDINARY SALARY INCREASE.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2024.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.