

Chapter 673

(House Bill 1004)

AN ACT concerning

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

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

BY repealing and reenacting, with amendments,

Article – State Personnel and Pensions

Section ~~20–205(e)~~ 20–204(a)(3), (b)(3), and (c)(3), 20–205(e), and 20–205.1(d)

Annotated Code of Maryland

(2015 Replacement Volume and 2023 Supplement)

BY adding toArticle – State Personnel and PensionsSection 20–204(a)(4) and (5), (b)(4) and (5), and (c)(4) and (5)Annotated Code of Maryland(2015 Replacement Volume and 2023 Supplement)

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

Article – State Personnel and Pensions20–204.

(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:

(1) 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 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.

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

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

(4) A SALARY INCREASE MAY NOT BE CONSIDERED AN EXTRAORDINARY SALARY INCREASE UNDER PARAGRAPH (3)(I) 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.

(c) (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 compensation does not include a salary increase in the last 5 years of employment if it is an extraordinary salary increase according to regulations that the Board of Trustees adopts.

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

2. If a member of the State Police Retirement System who transferred from another actuarial retirement system in the State retires after less than 5

years of employment as a member of the State Police Retirement System, the earnable compensation as a member in the other system shall be used in the determination of average final compensation.

(4) A SALARY INCREASE MAY NOT BE CONSIDERED AN EXTRAORDINARY SALARY INCREASE UNDER PARAGRAPH (3)(I) 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.

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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.

20-205.

(e) (1) Except [for a salary increase because of a member's promotion] AS PROVIDED IN PARAGRAPH (2) 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.

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

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

(II) SUBJECT TO PARAGRAPH (3) 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.

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

~~**(II) 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.

20–205.1.

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

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

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

(II) SUBJECT TO PARAGRAPH (3) 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.

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(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 by the Governor, May 9, 2024.