

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 88

(Chair, Appropriations Committee)(By Request -
Departmental - Education)

Appropriations

Budget and Taxation

State Retirement and Pension System - Immediate Vesting

This departmental bill gives the State Superintendent of Schools immediate vesting rights in the State Retirement and Pension System (SRPS) plan in which the superintendent is a member. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: As the bill affects one SRPS member at a time, it has no discernible effect on State pension liabilities or contribution rates. No effect on revenues.

Local Effect: None.

Small Business Effect: The Maryland State Department of Education (MSDE) has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Current Law: For most members of SRPS hired on or after July 1, 2011, vesting occurs after 10 years of active membership. Exceptions include members of the Judges' Retirement System hired on or after July 1, 2012 (5 years), and the Legislative Pension Plan (8 years). In addition, individuals hired into any of the following positions are entitled to immediate vesting:

- the Secretary of a principal department of the Executive Branch;
- Executive Director of the Alcohol, Tobacco, and Cannabis Commission;

- Adjutant General of the Military Department;
- Chair of the State Board of Contract Appeals;
- Chair of the Public Service Commission;
- Chair of the Workers' Compensation Commission;
- Chief Administrative Law Judge of the Office of Administrative Hearings;
- Director of the Health Care Alternative Dispute Resolution Office;
- Director of the Maryland Energy Administration;
- Director of the Office of the Deaf and Hard of Hearing;
- Director of the Office of Homeland Security;
- Director of the Office of Performance Improvement;
- Director of the State Department of Assessments and Taxation;
- Director of the State Lottery and Gaming Control Agency;
- Executive Director of the Governor's Office of Community and Crime;
- Executive Director of the Governor's Office of Crime Prevention, Youth, and Victim Services;
- Executive Director of the State Retirement Agency;
- Insurance Commissioner of the Maryland Insurance Administration;
- Special Secretary of the Office of Small, Minority, and Women Business Affairs;
- State Archivist; and
- State Prosecutor of the State Prosecutor's Office.

Background: Prior to 2022, State pension law granted immediate vesting rights to the Secretary of a principal department in State government and to the head of a department, office, or any other unit of State government serving at the pleasure of the Governor. This was done in recognition that political appointees who are heads of departments typically have short tenures in State government and, therefore, are unlikely to complete the 10 years necessary to vest if hired on or after July 1, 2011, (or even 5 years needed to vest if hired before that date). As the State Board of Education is considered the head of MSDE, the State Superintendent was never included in that definition. Chapter 353 of 2022 added agency heads appointed by the Governor for a fixed term to the list of individuals entitled to immediate vesting. As the State Superintendent is appointed by the State board and not by the Governor, an individual appointed to that position is still not eligible for immediate vesting.

Additional Information

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

Designated Cross File: SB 266 (Chair, Budget and Taxation Committee)(By Request - Departmental - Education) - Budget and Taxation.

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

Fiscal Note History: First Reader - January 11, 2024
js/ljm Third Reader - February 23, 2024

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Retirement and Pension System - Immediate Vesting

BILL NUMBER: HB0088

PREPARED BY: MSDE

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS