
By: Senators Miller, Amoss, Boozer, Green, Hafer, and Hoffman

Requested: November 15, 1995

Introduced and read first time: January 10, 1996

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement and Pensions - Retirement Allowances**

3 FOR the purpose of allowing certain State employee members of the Employees'
4 Retirement System or the Employees' Pension System to retire early with a service
5 retirement allowance during a certain period under certain circumstances;
6 prohibiting a member of one of the State retirement or pension systems from
7 receiving an allowance that exceeds a certain amount; authorizing the Board of
8 Trustees for the State Retirement and Pension System to adopt certain regulations;
9 providing for the benefits on early retirement under this Act; altering the conditions
10 under which a member who retires under this Act may become reemployed by
11 certain employers; providing for the funding of certain retirement and pension costs
12 under this Act; requiring the Department of Budget and Fiscal Planning to make a
13 certain determination regarding the percentage of employees in departments or
14 units in State government qualifying for the incentive provided in this Act; allowing
15 certain departments and units of State government to delay the effective date of
16 certain employees electing to retire under this Act until a certain date; requiring the
17 appointing authorities to notify the Board of Trustees of certain information by a
18 certain date; making the election to retire under this Act irrevocable except under
19 certain circumstances; providing that unused sick leave may not be used to
20 determine eligibility for the incentive provided for in this Act or to determine the
21 amount of the incentive provided for under this Act; providing that the application
22 shall be void if a member dies prior to the effective date of retirement; requiring on
23 or before a certain date certain State officials, in consultation with certain
24 appointing authorities, to eliminate a certain percentage of certain positions in the
25 State budget; prohibiting an appointing authority from filling certain positions until
26 certain dates; requiring that certain appropriations be reduced by certain amounts;
27 requiring that certain salary savings that result from this Act be transferred to
28 certain funds; allowing the State Retirement Agency to take a certain number of
29 additional days to process certain retirement applications without affecting an
30 applicant's right to a benefit; requiring the Department of Budget and Fiscal
31 Planning and the State Retirement Agency to submit before a certain date a certain
32 report to the General Assembly; and generally relating to the retirement of
33 members of the State retirement and pension systems.

34 BY adding to

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1 Article - State Personnel and Pensions
2 Section 20-207 and 21-304(d)(4)
3 Annotated Code of Maryland
4 (1994 Volume and 1995 Supplement)

5 BY repealing and reenacting, with amendments,
6 Article - State Personnel and Pensions
7 Section 21-304(d)(3)
8 Annotated Code of Maryland
9 (1994 Volume and 1995 Supplement)

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

12 **Article - State Personnel and Pensions**

13 20-207.

14 A MEMBER OF A STATE SYSTEM MAY NOT RECEIVE A BASIC ALLOWANCE THAT
15 EXCEEDS THE MEMBER'S AVERAGE FINAL COMPENSATION.

16 21-304.

17 (d) (3) [If] EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION,
18 IF the accrued liability is increased by legislation enacted after July 1, 1980, the additional
19 liability shall be funded over 30 years beginning on July 1 coincident with or next
20 following the effective date of the increase.

21 (4) IF THE ACCRUED LIABILITY IS INCREASED BY LEGISLATION THAT
22 PROVIDES FOR EARLY RETIREMENT OF STATE EMPLOYEES, THE ADDITIONAL
23 LIABILITY SHALL BE FUNDED OVER A PERIOD OF 5 YEARS BEGINNING ON JULY 1,
24 1997.

25 SECTION 2. AND BE IT FURTHER ENACTED, That:

26 (1) A member of the Employees' Retirement System or the Employees'
27 Pension System may retire if the member:

28 (i) Submits a written application to the Board of Trustees from July 2,
29 1996 through August 31, 1996, both inclusive;

30 (ii) Is an employee of the State on June 1, 1996;

31 (iii) Is a member of the respective system on April 1, 1996; and

32 (iv) On or before August 31, 1996:

33 1. Has at least 25 years of creditable service; and

34 2. Is at least 50 years old;

35 (2) Except as provided in Section 8 of this Act, an employee who elects the
36 early retirement incentive under this section of this Act shall retire on October 1, 1996;

1 (3) (i) Except as provided in subparagraph (ii) of this paragraph, an
2 application to retire under this section of this Act is irrevocable; and

3 (ii) The Secretary of Budget and Fiscal Planning may allow a member
4 to revoke an application if that member has experienced extenuating circumstances since
5 submitting the application, and the member submits a written request to the Secretary for
6 a revocation of the member's application;

7 (4) (i) Except as provided in subparagraph (ii) of this paragraph, a
8 member who retires under this section of this Act shall receive an additional 2 months of
9 credit for each full year of the member's creditable service;

10 (ii) For any part of a year of creditable service that is at least 6 months,
11 the member shall receive an additional 2 months of credit; and

12 (iii) A member's credit for unused sick leave may not be used to
13 determine the member's creditable service that is used to compute the additional service
14 credit under this paragraph;

15 (5) (i) Except as provided in subparagraphs (ii) and (iii) of this
16 paragraph, a member of the Employees' Retirement System who retires under this
17 section of this Act shall receive a service retirement allowance equal to one fifty-fifth of
18 the member's average final compensation multiplied by the sum of:

- 19 1. The member's creditable service; and
20 2. The additional credit described in paragraph (4) of this
21 section of this Act;

22 (ii) If a member has less than 30 years of creditable service and is less
23 than 60 years old, the member's retirement allowance computed under subparagraph (i)
24 of this paragraph shall be reduced by 0.5 percent for each month by which the member's
25 day of retirement precedes the earlier of:

- 26 1. The day the member would have been 60 years old; or
27 2. The day the member would have completed 30 years of
28 creditable service, not including the credit described in paragraph (4) of this section of
29 this Act; and

30 (iii) A member of the Employees' Retirement System who is subject to
31 Selection C (Combination formula) shall receive a service retirement allowance:

- 32 1. For creditable service before July 1, 1984, as provided in
33 subparagraph (i) of this paragraph; and
34 2. For creditable service from July 1, 1984, as provided in
35 paragraph (6) of this section of this Act;

36 (6) (i) Except as provided in subparagraph (ii) of this paragraph, a
37 member of the Employees' Pension System who retires under this section of this Act shall
38 receive a service retirement allowance equal to the sum of the member's creditable

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1 service and the additional credit described in paragraph (4) of this section of this Act,
2 multiplied by:

3 1. 0.8 percent of the member's average final compensation that
4 is not in excess of the social security integration level; and

5 2. 1.5 percent of the member's average final compensation that
6 exceeds the social security integration level; and

7 (ii) If a member has less than 30 years of creditable service and is less
8 than 62 years old, the member's retirement allowance computed under subparagraph (i)
9 of this paragraph shall be reduced by the lesser of:

10 1. 0.5 percent for each month by which the member's day of
11 retirement precedes the day the member would have been 62 years old; or

12 2. 42 percent;

13 (7) The Board of Trustees may adopt regulations to carry out this section of
14 this Act; and

15 (8) If the member dies prior to the effective date of retirement, an
16 application to retire in accordance with the provisions of this section of this Act shall be
17 void and of no effect, and the benefits payable on the member's account shall be
18 computed as if the application had not been filed.

19 SECTION 3. AND BE IT FURTHER ENACTED, That:

20 (1) A retiree who retires under this Act may not become reemployed in a
21 temporary or contractual position with the State, unless the reemployment is approved
22 by:

23 (i) The Board of Public Works, for a position not in the Legislative or
24 Judicial Branch of State government;

25 (ii) The Chief Judge of the Court of Appeals for a position in the
26 Judicial Branch of State government; or

27 (iii) The President of the Senate and Speaker of the House of
28 Delegates, for a position in the Legislative Branch of State government;

29 (2) If a retiree who retires under this Act is reemployed in a temporary or
30 contractual position with a participating employer, in addition to any other reduction in
31 the retiree's retirement allowance required under State law, the retiree's retirement
32 allowance shall be reduced by the amount it exceeds the retirement allowance the retiree
33 would otherwise have received; and

34 (3) If a retiree who retires under this Act is reemployed in a permanent
35 position with a participating employer, the retiree may not have any additional service
36 credit received under this Act restored to the retiree's credit.

37 SECTION 4. AND BE IT FURTHER ENACTED, That:

1 (1) On or before November 1, 1996, the officials of the State specified in
2 paragraph (5) of this section of this Act, in consultation with the appropriate appointing
3 authorities, shall eliminate from the State budget at least 60% of the position
4 identification numbers of the positions that are vacated by individuals who retire on
5 October 1, 1996 under this Act and shall identify at least 60% of the position
6 identification numbers of the positions to be vacated by individuals who retire by June 30,
7 1997 in accordance with the provisions of Section 8 of this Act and eliminate those
8 position identification numbers in the proposed budget for Fiscal Year 1998;

9 (2) An appointing authority may not fill a position that is vacated by an
10 individual who retires on October 1, 1996 under this Act until the earlier of:

11 (i) November 1, 1996; or

12 (ii) The date on which the appropriate official of the State, as
13 specified in paragraph (5) of this section of this Act, certifies to the appointing authority
14 the position identification numbers that have been eliminated from the appointing
15 authority's budget as required under this Act;

16 (3) On or before July 1, 1997, the officials of the State specified in
17 paragraph (5) of this section of this Act, in consultation with the appropriate appointing
18 authorities, shall eliminate from the State budget at least 60% of the position
19 identification numbers of the positions that are vacated by individuals whose retirement
20 date was determined in accordance with Section 8 of this Act;

21 (4) An appointing authority may not fill a position that is vacated by an
22 individual who retires in accordance with the provisions of Section 8 of this Act until the
23 earlier of:

24 (i) July 1, 1997; or

25 (ii) The date on which the appropriate official of the State, as
26 specified in paragraph (5) of this section of this Act, certifies to the appointing authority
27 the position identification numbers that have been eliminated from the appointing
28 authority's budget as required under this Act; and

29 (5) (i) Except as provided in subparagraph (ii) of this paragraph, the
30 Secretary of Budget and Fiscal Planning shall determine and certify to the appropriate
31 appointing authority which position identification numbers are to be eliminated for
32 positions in the Executive Branch of State government other than those specified in
33 subparagraph (ii) of this paragraph;

34 (ii) The president of each public senior higher education institution as
35 defined in § 10-101 of the Education Article, shall determine and certify to the
36 appropriate appointing authority which position identification numbers are to be
37 eliminated for positions in that public senior higher education institution;

38 (iii) The President of the Senate and the Speaker of the House of
39 Delegates jointly shall determine and certify to the appropriate appointing authority
40 which position identification numbers are to be eliminated for positions in the Legislative
41 Branch of State government; and

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1 (iv) The Chief Judge of the Court of Appeals shall determine and
2 certify to the appropriate appointing authority which position identification numbers are
3 to be eliminated for positions in the Judicial Branch of State government.

4 SECTION 5. AND BE IT FURTHER ENACTED, That:

5 (1) In this section of this Act, "net salary savings" means the amount of an
6 appropriation of State funds, whether special or general funds, for a unit of State
7 government that is saved as a result of the elimination of positions under this Act, less the
8 amounts paid by the State for unused annual leave for individuals who retire under this
9 Act;

10 (2) On or before January 1, 1997, and for Fiscal Year 1997:

11 (i) The Secretary of Budget and Fiscal Planning shall determine the
12 net salary savings under this Act for each unit of the Executive Branch of State
13 government, including each public senior higher education institution, and the Governor
14 shall reduce the State appropriation for each unit of the Executive Branch, including each
15 public senior higher education institution, by the amount of the net salary savings for that
16 unit;

17 (ii) The President of the Senate and the Speaker of the House of
18 Delegates jointly shall determine the net salary savings under this Act for each unit of the
19 Legislative Branch of State government and shall reduce the State appropriation for each
20 unit of the Legislative Branch by the amount of the net salary savings for that unit; and

21 (iii) The Chief Judge of the Court of Appeals shall determine the net
22 salary savings under this Act for each unit of the Judicial Branch of State government and
23 shall reduce the State appropriation for each unit of the Judicial Branch by the amount of
24 the net salary savings for that unit;

25 (3) A copy of each amended appropriation shall be sent to the Governor,
26 the Comptroller, the Secretary of Budget and Fiscal Planning, and the Department of
27 Fiscal Services; and

28 (4) After receipt of a copy of the amended appropriation for each unit of
29 State government, the Governor shall transfer by budget amendment:

30 (i) An amount not exceeding \$10,000,000 to the General Fund of the
31 State;

32 (ii) After the transfer under subparagraph (i) of this paragraph, an
33 amount not exceeding \$2,000,000 to the Economic Development Opportunities Program
34 Fund under § 7-314 of the State Finance and Procurement Article;

35 (iii) After the transfer under subparagraphs (i) and (ii) of this
36 paragraph, an amount not exceeding \$3,000,000 to the General Fund of the State; and

37 (iv) Any remaining amounts by which appropriations are reduced
38 under this section of this Act to the Revenue Stabilization Account under § 7-311 of the
39 State Finance and Procurement Article, notwithstanding any other provision of law.

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1 SECTION 6. AND BE IT FURTHER ENACTED, That on or before January 1,
2 1997, in accordance with § 2-1312 of the State Government Article:

3 (1) The State Retirement Agency shall report to the General Assembly on
4 the total number of State employees who retire under this Act; and

5 (2) The Department of Budget and Fiscal Planning shall report to the
6 General Assembly as to each unit of State government:

7 (i) The number of employees and the salaries of the employees of the
8 unit who retire under this Act;

9 (ii) A list of the positions and the salary for the positions in the unit
10 that are eliminated under this Act;

11 (iii) A schedule that lists the total number of positions for the unit as of
12 June 30, 1996, the total number of positions for the unit after the positions for that unit
13 are eliminated under this Act, and the number of positions eliminated under this Act; and

14 (iv) A list of the reductions in appropriations under this Act.

15 SECTION 7. AND BE IT FURTHER ENACTED, That, in recognition of the
16 additional administrative burden that may result from the number of State employees
17 who may retire under this Act, the State Retirement Agency may take an additional 60
18 days to process applications for retirement that are filed for retirement under this Act.
19 Except to the extent of a delay in the receipt of a benefit, a delay in processing an
20 application may not affect an applicant's right to a benefit.

21 SECTION 8. AND BE IT FURTHER ENACTED, That prior to July 1, 1996, the
22 Department of Budget and Fiscal Planning shall determine the departments and units of
23 State government that have more than 5% of their employees who are eligible for the
24 retirement incentive provided by this Act. For those departments or units of State
25 government identified by the Department of Budget and Fiscal Planning as having more
26 than 5% of their employees eligible for the retirement incentive provided by this Act, the
27 appointing authority of that department or unit of State government may require up to
28 50% of the employees electing to retire under this Act to delay the effective date of their
29 retirement until no later than June 30, 1997. The appointing authority of a department or
30 unit of State government affected by this section shall notify the Board of Trustees by
31 September 15, 1996 of the employees whose retirement date will be delayed under this
32 section of this Act, and shall provide the retirement date for those employees. The
33 retirement date of any employee whose date is delayed under this section of this Act shall
34 be on the first day of a month.

35 SECTION 9. AND BE IT FURTHER ENACTED, That Section 1 of this Act
36 shall take effect October 1, 1996.

37 SECTION 10. AND BE IT FURTHER ENACTED, That Sections 2 through 8 of
38 this Act shall take effect June 1, 1996.