Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 361 (Delegate Brinkley, et al.)
Appropriations Referred to Budget and Taxation

Teachers' Retirement System - Reemployment of Retirees

This amended pension bill creates an exception to the requirement that retirees of the Employees' and Teachers' Retirement and Pension Systems are subject to an earnings limitation if employed, or reemployed, by any employer that participates in these four systems. It exempts retirees of the Teachers' Retirement System (TRS) whose reemployment compensation does not derive, in whole or in part, from State funds from the earnings limitation. The exemption only applies to TRS retirees who retired and were reemployed by a participating employer other than the State by September 30, 1994. The bill is effective July 1, 1996.

Fiscal Summary

State Effect: Minimal effect on retirement expenditures as discussed below. No effect on revenues.

Local Effect: None.

Fiscal Analysis

State Expenditures: Under current law retirees of the Teachers' and Employees' Retirement and Pension Systems are subject to an earnings limitation if, after retirement, they resume employment with an employer that participates in these systems. The earnings limitation provides that the retirement allowance plus the post-retirement salary may not exceed the average final compensation used to compute the retirement benefit. The retirement agency administers the program by directly reducing the retirement benefit by the amount which the benefit and post-retirement salary exceed the average final compensation.

Chapter 703 of the Acts of 1994 established the compensation limit for permanent employment. The reporting requirements established pursuant to Chapter 703 will make the data necessary to implement the offset available to the Retirement Agency beginning in fiscal 1997. Thus, there is no historical data to assess the benefit payment decrease that will result from the implementation of the offset provisions.

The State's actuary advises that this proposal could result in gains as well as losses to the systems. Gains could be realized because the State would not be making contributions that are being made for reemployed retired members under current law. Losses could be realized if this proposal is viewed as an incentive to retire at the earliest possible age. If this occurred, a lowering of the average age of retirement could result and actuarial assumptions would have to be revised.

DFS advises that any fiscal impact would be minimal given the relatively small number of people affected.

Information Source(s): Maryland State Retirement Agency; Department of Fiscal Services; Milliman and Robertson, Inc.

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