

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 67 (Senator Colburn)
Budget and Taxation

Retirement and Pension Systems - Reemployment of Retirees - Repeal of Offset

This pension bill repeals the earnings limitation for members of the Employees' and Teachers' Retirement and Pension Systems. The bill is effective July 1, 1996.

Fiscal Summary

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

Local Effect: None.

Fiscal Analysis

State Expenditures: Under current law, most 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 would administer 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.

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

Fiscal Note History: First Reader - January 31, 1996

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