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**By: Delegate Rosenberg**

Introduced and read first time: January 30, 1997

Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

2 **1997 Workforce Reduction Act**

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 who retires under this Act from receiving an allowance that  
7 exceeds a certain amount; authorizing the Board of Trustees for the State  
8 Retirement and Pension System to adopt certain regulations; providing for the  
9 benefits on early retirement under this Act; altering the conditions under which a  
10 member who retires under this Act may become reemployed by certain employers;  
11 excluding certain employees from qualifying for the retirement and other benefits  
12 under this Act; requiring the Secretary of Budget and Management to notify the  
13 Board of Trustees if a member revokes an application for retirement under this Act;  
14 providing for a certain choice of death benefits to a designated beneficiary if an  
15 employee dies under certain circumstances; limiting the number of employees who  
16 retire under this Act from being rehired as temporary or contractual employees;  
17 requiring the Departments of Budget and Management and Fiscal Services to  
18 monitor the number of employees who retire under this Act who are rehired as  
19 temporary or contractual employees; providing for the funding of certain retirement  
20 and pension costs under this Act; requiring the Department of Budget and  
21 Management to make a certain determination regarding the percentage of  
22 employees in departments or units in State government qualifying for the incentive  
23 provided in this Act; allowing certain departments and units of State government to  
24 delay the effective date of certain employees electing to retire under this Act until  
25 a certain date; requiring the appointing authorities to notify the Board of Trustees  
26 of certain information by a certain date; making the election to retire under this Act  
27 irrevocable except under certain circumstances; providing that unused sick leave  
28 may not be used to determine eligibility for the incentive provided for in this Act or  
29 to determine the amount of the incentive provided for under this Act; providing that  
30 the application shall be void if a member dies prior to the effective date of  
31 retirement under certain circumstances; requiring on or before a certain date  
32 certain State officials, in consultation with certain appointing authorities, to  
33 eliminate a certain number of certain positions in the State budget; prohibiting an  
34 appointing authority from filling certain positions until certain dates; requiring that  
35 certain appropriations be reduced by certain amounts; requiring that certain salary  
36 savings that result from this Act be transferred to certain funds; allowing the State

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1 Retirement Agency to take a certain number of additional days to process certain  
2 retirement applications without affecting an applicant's right to a benefit; requiring  
3 the Department of Budget and Management and the State Retirement Agency to  
4 submit before a certain date a certain report to certain committees of the General  
5 Assembly; declaring the intent of the General Assembly; and generally relating to  
6 the separation from employment and retirement of certain members of the State  
7 retirement and pension systems.

8 BY repealing and reenacting, with amendments,  
9 Article - State Personnel and Pensions  
10 Section 21-304(d)(4)  
11 Annotated Code of Maryland  
12 (1994 Volume and 1996 Supplement)

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

15 **Article - State Personnel and Pensions**

16 21-304.

17 (d) (4) If the accrued liability is increased by legislation that provides for early  
18 retirement of State employees, the additional liability shall be funded over a period of 5  
19 years beginning on:

20 (I) July 1, 1997 FOR LEGISLATION EFFECTIVE JUNE 1, 1996; AND

21 (II) JULY 1, 1998 FOR LEGISLATION EFFECTIVE JUNE 1, 1997.

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

23 (1) Except as provided under paragraph (2) of this section, a member of the  
24 Employees' Retirement System or the Employees' Pension System may retire if the  
25 member:

26 (i) Submits a written application to the Board of Trustees from July 1,  
27 1997 through September 1, 1997, both inclusive;

28 (ii) Is an employee of the State on June 1, 1997;

29 (iii) Is a member of the respective system on January 1, 1997; and

30 (iv) On or before June 30, 1998:

31 1. Has at least 30 years of eligibility service;

32 2. A. Has at least 25 years of eligibility service; and

33 B. Is at least 50 years old; or

34 3. Is otherwise eligible to retire under § 22-401, § 22-402, §  
35 23-401, or § 23-402 of the State Personnel and Pensions Article;

36 (2) This section does not apply to members who are employees of:

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1 (i) The Judicial Branch of government;

2 (ii) An institution of higher education or a public senior higher  
3 education institution, under Title 10 of the Education Article;

4 (iii) The Maryland Food Center Authority;

5 (iv) The Maryland Automobile Insurance Fund;

6 (v) The Maryland Environmental Service;

7 (vi) The Injured Workers' Insurance Fund;

8 (vii) The Maryland Economic Development Corporation; and

9 (viii) The Maryland Transportation Authority;

10 (3) Except as provided in paragraph (4) of this section and Section 8 or  
11 Section 9 of this Act, an employee who elects the early retirement incentive under this  
12 section of this Act shall retire on October 1, 1997;

13 (4) An employee who has timely filed an application in accordance with  
14 paragraph (1) of this section of this Act but who does not satisfy the eligibility  
15 requirements of paragraph (1) of this section of this Act by August 31, 1997, shall retire  
16 on the first day of the month following the month in which the employee becomes eligible  
17 to retire under this Act;

18 (5) (i) Except as provided in subparagraph (ii) of this paragraph, an  
19 application to retire under this section of this Act is irrevocable;

20 (ii) The Secretary of Budget and Management may allow a member to  
21 revoke an application if that member has experienced extenuating circumstances since  
22 submitting the application, and the member submits a written request to the Secretary for  
23 a revocation of the member's application; and

24 (iii) If a member revokes an application for retirement that is allowed  
25 under subparagraph (ii) of this paragraph, the Secretary of Budget and Management shall  
26 notify the Board of Trustees of the revocation not later than 2 weeks after the revocation;

27 (6) (i) Except as provided in subparagraph (ii) of this paragraph, a  
28 member who retires under this section of this Act shall receive an additional 1 month of  
29 credit for each full year of the member's creditable service;

30 (ii) For any part of a year of creditable service that is at least one-half  
31 of one year, the member shall receive an additional 1 month of credit; and

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

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

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1 1. The member's creditable service; and

2 2. The additional credit described in paragraph (6) of this  
3 section of this Act;

4 (ii) If a member has less than 30 years of eligibility service and is less  
5 than 60 years old, the member's retirement allowance computed under subparagraph (i)  
6 of this paragraph shall be:

7 1. Reduced by the lesser of 0.5% for each month by which the  
8 member's date of retirement precedes the earlier of the date the member would be 60  
9 years old or the date the member would have completed 30 years of eligibility service, not  
10 including the credit described in paragraph (6) of this section of this Act, or 30%; and

11 2. Increased by the lesser of 18% or the amount of the  
12 reduction under sub-subparagraph 1 of this subparagraph; and

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

15 1. For creditable service before July 1, 1984, as provided in  
16 subparagraph (i) of this paragraph; and

17 2. For creditable service from July 1, 1984, as provided in  
18 paragraph (9) of this section of this Act;

19 (8) (i) Except as provided in subparagraph (ii) of this paragraph, a  
20 member of the Employees' Pension System who retires under this section of this Act shall  
21 receive a service retirement allowance equal to the sum of the member's creditable  
22 service and the additional credit described in paragraph (6) of this section of this Act,  
23 multiplied by:

24 1. 0.8 percent of the member's average final compensation that  
25 is not in excess of the Social Security integration level; and

26 2. 1.5 percent of the member's average final compensation that  
27 exceeds the Social Security integration level; and

28 (ii) If a member has less than 30 years of eligibility service and is less  
29 than 62 years old, the member's retirement allowance computed under subparagraph (i)  
30 of this paragraph shall be:

31 1. Reduced by the lesser of 0.5% for each month by which the  
32 member's date of retirement precedes the date the member would be 62 years old or  
33 42%; and

34 2. Increased by the lesser of 18% or the amount of the  
35 reduction under sub-subparagraph 1 of this subparagraph;

36 (9) The Board of Trustees:

37 (i) May adopt regulations to carry out this section of this Act; and

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1 (ii) May not accept an application for retirement under this section of  
2 this Act that is filed with the State Retirement Agency after 5:00 p.m. on September 1,  
3 1997;

4 (10) A member who retires under this section of this Act may not receive a  
5 basic allowance that exceeds the member's average final compensation;

6 (11) Except as provided in paragraph (12) of this section of this Act, if the  
7 member dies prior to the effective date of retirement, an application to retire in  
8 accordance with the provisions of this section of this Act shall be void and of no effect,  
9 and the benefits payable on the member's account shall be computed as if the application  
10 had not been filed; and

11 (12) Notwithstanding any other provision of law, if an employee whose  
12 effective retirement date is delayed under Section 8 or Section 9 of this Act dies before  
13 the effective date of retirement, the employee's designated beneficiary shall have the  
14 option of either receiving the death benefit under Title 29, Subtitle 2 of the State  
15 Personnel and Pensions Article, including, if the designated beneficiary is eligible for an  
16 Option 2 allowance, an Option 2 allowance based on a retirement allowance computed as  
17 provided under this Act, or the retirement benefit based on the retirement allowance  
18 computed as provided under this Act that the designated beneficiary would otherwise be  
19 entitled to receive in accordance with the member's application for retirement.

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

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

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

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

28 (2) If a retiree who retires under this Act is reemployed in a permanent,  
29 temporary, or contractual position with a participating employer, the retiree's retirement  
30 allowance shall be reduced by the amount that the sum of the retiree's annual  
31 compensation and the retiree's annual basic allowance at the time of retirement,  
32 including the incentive provided by this Act, exceeds the average final compensation used  
33 to compute the basic allowance;

34 (3) No more than 2% of the total number of employees retiring under this  
35 Act may be reemployed in a contractual or temporary position in any branch of State  
36 government;

37 (4) The Board of Public Works may not approve the reemployment in a  
38 temporary or contractual position in the Executive Branch of State government of an  
39 employee who retires under this Act, if that reemployment would result in more than 2%  
40 of the retirees who retired under this Act being reemployed in a temporary or contractual  
41 position with the State;

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1 (5) The President of the Senate and the Speaker of the House of Delegates  
2 may not approve the reemployment in a temporary or contractual position in the  
3 Legislative Branch of State government of an employee who retires under this Act, if that  
4 reemployment would result in more than 2% of the retirees who retired under this Act  
5 being reemployed in a temporary or contractual position with the State;

6 (6) The Department of Budget and Management shall review the  
7 applications for reemployment as contractual or temporary employees under this Act and  
8 shall advise the Board of Public Works if the reemployment of an individual will cause the  
9 2% limit under paragraph (3) of this section of this Act to be exceeded; and

10 (7) The Department of Fiscal Services shall review the applications for  
11 reemployment as contractual or temporary employees under this Act and shall advise the  
12 President of the Senate and the Speaker of the House of Delegates if the reemployment  
13 of an individual will cause the 2% limit under paragraph (3) of this section of this Act to  
14 be exceeded.

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

16 (1) On or before November 1, 1997, the officials of the State specified in  
17 paragraph (4) of this section of this Act, in consultation with the appropriate appointing  
18 authorities, shall eliminate the number of positions from the State budget that is  
19 equivalent to at least 60% of the number of positions that are vacated by individuals who  
20 retire on October 1, 1997 under paragraph (1) of Section 2 of this Act and shall eliminate  
21 a number of positions from the proposed Fiscal Year 1999 State budget that is equivalent  
22 to at least 60% of the number of positions to be vacated by individuals who retire by June  
23 30, 1998 in accordance with the provisions of paragraph (4) of Section 2 of this Act and  
24 Sections 8 and 9 of this Act;

25 (2) The positions eliminated in accordance with paragraph (1) of this  
26 section shall result in a total reduction in salaries and fringe benefits that is equal to at  
27 least 60% of the total salaries and fringe benefits of the positions vacated by members  
28 retiring under this Act;

29 (3) An appointing authority may not fill a position that is vacated by an  
30 individual who retires on October 1, 1997 under this Act until the earlier of:

31 (i) November 1, 1997; or

32 (ii) The date on which the appropriate official of the State, as  
33 specified in paragraph (4) of this section of this Act, certifies to the appointing authority  
34 that the positions have been eliminated as required under this Act; and

35 (4) (i) The Secretary of Budget and Management shall determine and  
36 certify to the appropriate appointing authority which position identification numbers are  
37 to be eliminated for positions in the Executive Branch of State government; and

38 (ii) 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.

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## 1 SECTION 5. AND BE IT FURTHER ENACTED, That:

2 (1) (i) Except as provided in subparagraph (ii) of this paragraph, in this  
3 section of this Act, "net salary savings" means the amount of an appropriation of State  
4 funds, whether special or general funds, for a unit of State government that is saved as a  
5 result of the vacancy or elimination of positions under Section 4 of this Act, less the  
6 amounts paid by the State for unused annual leave for individuals who retire under this  
7 Act; and

8 (ii) For the Department of Assessments and Taxation, for individuals  
9 occupying positions in the Prince George's County Assessment Office who are paid on the  
10 county scale and retire under this Act and whose position is eliminated under Section 4 of  
11 this Act, "net salary savings" means the amount of an appropriation of State funds,  
12 whether special or general funds, that is saved as a result of the elimination of those  
13 positions under Section 4 of this Act, less the amounts paid by the State for unused  
14 annual leave and unused sick leave for those individuals;

15 (2) On or before January 1, 1998, and for Fiscal Year 1998:

16 (i) The Secretary of Budget and Management shall determine the net  
17 salary savings under this Act for each unit of the Executive Branch of State government,  
18 and the Governor, subject to the approval of the Board of Public Works, shall reduce the  
19 State appropriation for each unit of the Executive Branch, by the amount of the net salary  
20 savings for that unit; and

21 (ii) The President of the Senate and the Speaker of the House of  
22 Delegates jointly shall determine the net salary savings under this Act for each unit of the  
23 Legislative Branch of State government and shall reduce the State appropriation for each  
24 unit of the Legislative Branch by the amount of 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 Management, and the Department of Fiscal  
27 Services; and

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

30 (i) The amount of General Fund net salary savings in excess of  
31 \$10,000,000 to the Revenue Stabilization Account under § 7-311 of the State Finance and  
32 Procurement Article by an appropriation submitted at the 1998 Session of the General  
33 Assembly; and

34 (ii) By budget amendment the amounts by which special fund  
35 appropriations are reduced under this Act to the respective special fund, of which  
36 one-half may not be appropriated by budget amendment during Fiscal Year 1998.

37 SECTION 6. AND BE IT FURTHER ENACTED, That, in accordance with §  
38 2-1312 of the State Government Article:

39 (1) On or before January 1, 1998, the State Retirement Agency shall report  
40 to the General Assembly on the total number of State employees who retire under this  
41 Act;

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1 (2) On or before October 15, 1997, and in the Governor's budget submission  
2 for Fiscal Year 1999, the Department of Budget and Management shall report to the  
3 budget committees and the Spending Affordability Committee of the General Assembly  
4 as to each unit of State government:

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

7 (ii) A list of the positions, position identification numbers, and the  
8 salary and fringe benefits for the positions in the unit that are eliminated under this Act;

9 (iii) A schedule that lists the total number of positions for the unit as of  
10 June 30, 1997, the total number of positions for the unit after the positions for that unit  
11 are eliminated under this Act, and the number of positions eliminated under this Act;

12 (iv) A list of the reductions in appropriations under this Act; and

13 (v) A list of the positions, position identification numbers, and the  
14 salary and fringe benefits for the positions in the unit that are eliminated in the State  
15 budget or by budget amendment after December 31, 1996 and before September 30, 1997;  
16 and

17 (3) On or before August 1, 1998, the Department of Budget and  
18 Management shall report to the budget committees and the Spending Affordability  
19 Committee of the General Assembly as to each unit of State government, a list of the  
20 positions, position identification numbers, and the salary and fringe benefits for the  
21 positions in the unit that are eliminated in the State budget or by budget amendment  
22 after September 30, 1997 and before July 1, 1998.

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

29 SECTION 8. AND BE IT FURTHER ENACTED, That prior to July 1, 1997, the  
30 Department of Budget and Management shall determine the departments and units of  
31 the Executive Branch of State government that have more than 5% of their employees  
32 who are eligible for the retirement incentive provided by paragraph (1) of Section 2 of  
33 this Act. For those departments or units of the Executive Branch of State government  
34 identified by the Department of Budget and Management as having more than 5% of  
35 their employees eligible for the retirement incentive provided by paragraph (1) of Section  
36 2 of this Act, the appointing authority of that department or unit of State government  
37 may require up to 50% of the employees electing to retire under this Act to delay the  
38 effective date of their retirement until no later than June 30, 1998. The appointing  
39 authority of a department or unit of State government affected by this section shall notify  
40 the Board of Trustees by September 15, 1997 of the employees whose retirement date will  
41 be delayed under this section of this Act, and shall provide the retirement date for those  
42 employees. The retirement date of any employee whose date is delayed under this section  
43 of this Act shall be on the first day of a month.

1           SECTION 9. AND BE IT FURTHER ENACTED, That the President of the  
2 Senate and the Speaker of the House of Delegates may defer the effective date of  
3 retirement until no later than June 30, 1998, for not more than 35% of the employees of  
4 the Legislative Branch of State government electing to retire under this Act. In  
5 determining the number of employees, any fraction of an employee shall be rounded up  
6 to the next whole number. The President and the Speaker shall notify the Board of  
7 Trustees by September 15, 1997, of the employees whose retirement date will be delayed  
8 under this section of this Act, and shall provide the retirement date for those employees.  
9 The retirement date of any employee whose retirement date is delayed under this section  
10 of this Act shall be on the first day of a month.

11           SECTION 10. AND BE IT FURTHER ENACTED, That it is the intent of the  
12 General Assembly that all branches of State government exercise the discipline necessary  
13 to achieve the salary savings objectives of this Act by eliminating the number of positions  
14 required in this Act and ensuring that the State workforce does not increase above this  
15 newly established level.

16           SECTION 11. AND BE IT FURTHER ENACTED, That this Act shall take effect  
17 June 1, 1997.