
By: Chairman, Appropriations Committee (Departmental - University of Maryland System)

Introduced and read first time: February 5, 1997

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **University of Maryland System Workforce Flexibility Act**

3 FOR the purpose of allowing certain State employees of the University of Maryland
4 System who are members of the Employees' Retirement System, the Employees'
5 Pension System, the Teachers' Retirement System, or the Teachers' Pension System
6 to retire early with a service retirement allowance during a certain period of time
7 under certain circumstances; prohibiting a member who retires under this Act from
8 receiving an allowance that exceeds a certain amount; authorizing the Board of
9 Trustees for the State Retirement and Pension System to adopt certain regulations;
10 providing for the benefits on early retirement under this Act; altering the conditions
11 under which a member who retires under this Act may become reemployed by
12 certain employers; 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; providing for the funding of certain
16 retirement and pension costs under this Act; providing for the delay of the effective
17 date for certain employees to retire under this Act until a certain date; requiring
18 notification to the Board of Trustees of certain information by a certain date;
19 making the election to retire under this Act irrevocable except under certain
20 circumstances; providing that unused sick leave may not be used to determine
21 eligibility for the incentive provided for under this Act or to determine the amount
22 of the incentive provided for under this Act; providing that the application shall be
23 void if a member dies prior to the effective date of retirement under certain
24 circumstances; requiring the University of Maryland System to submit before a
25 certain date a report to specified State agencies and certain committees of the
26 General Assembly; declaring the intent of the General Assembly; providing for the
27 effective date of this Act; and generally relating to the separation from employment
28 and retirement of certain members of the State Employees' Retirement and Pension
29 Systems and the State Teachers' Retirement and Pension Systems.

30 BY repealing and reenacting, with amendments,
31 Article - State Personnel and Pensions
32 Section 21-304(d)(4) and 21-308(b)(1)
33 Annotated Code of Maryland
34 (1994 Volume and 1996 Supplement)

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1 Preamble

2 WHEREAS, The University of Maryland System requires increased management
3 flexibility in order to create personnel opportunities to meet changing programmatic
4 needs and projected enrollment growth; and

5 WHEREAS, In order to increase management flexibility for the University of
6 Maryland System, and to realize overall costs savings, the General Assembly is offering a
7 one-time early retirement incentive program to certain State employees of the University
8 of Maryland System to provide an opportunity for the greatest number of employees to
9 volunteer to leave State service; now, therefore,

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 21-304.

14 (d) (4) If the accrued liability is increased by legislation that provides for early
15 retirement of State employees, the additional liability shall be funded over a period of 5
16 years beginning on [July 1, 1997] THE JULY 1 OF THE YEAR NEXT FOLLOWING THE
17 EFFECTIVE DATE OF ANY RETIREMENTS OCCURRING PURSUANT TO SUCH
18 LEGISLATION.

19 21-308.

20 (b) (1) (i) As to members of the several systems whose compensation is paid
21 by the State, the Comptroller shall compute the amounts to be charged to the
22 appropriation of each unit as the unit's share of retirement costs for its employees.

23 (ii) The Comptroller shall make the computation under subparagraph
24 (i) of this paragraph using the total rates of contributions as set by the actuary under §
25 21-304 of this subtitle.

26 (III) EXCEPT AS PROVIDED IN SUBPARAGRAPH (IV) OF THIS
27 PARAGRAPH, IF THE ACCRUED LIABILITY IS INCREASED BY LEGISLATION THAT
28 PROVIDES FOR EARLY RETIREMENT OF MEMBERS OF THE TEACHERS' RETIREMENT
29 SYSTEM OR THE TEACHERS' PENSION SYSTEM FROM THE UNIVERSITY OF
30 MARYLAND SYSTEM, THE ADDITIONAL LIABILITY SHALL BE FUNDED OVER A
31 PERIOD OF 5 YEARS BEGINNING ON THE JULY 1 OF THE YEAR NEXT FOLLOWING
32 THE EFFECTIVE DATE OF SUCH RETIREMENTS OCCURRING PURSUANT TO SUCH
33 LEGISLATION.

34 (IV) IF THE UNIVERSITY OF MARYLAND SYSTEM BOARD OF
35 REGENTS SO DETERMINES, THE INCREASE IN ACCRUED LIABILITY DISCUSSED IN
36 SUBPARAGRAPH (III) OF THIS PARAGRAPH MAY BE FUNDED BY THE UNIVERSITY OF
37 MARYLAND SYSTEM OVER A PERIOD OF LESS THAN 5 YEARS, PURSUANT TO A
38 SCHEDULE ADOPTED BY THE BOARD OF REGENTS AND APPROVED BY THE
39 COMPTROLLER.

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

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

3 (i) Submits a written application to the Board of Trustees from July 1,
4 1997 through August 29, 1997, both inclusive;

5 (ii) Is an employee of the University of Maryland System on June 1,
6 1997;

7 (iii) Is a member of the respective retirement or pension system on
8 January 1, 1997; and

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

10 1. Has at least 30 years of creditable service;

11 2. A. Has at least 25 years of creditable service; and

12 B. Is at least 50 years old; or

13 3. Is otherwise eligible to retire under § 22-401, § 22-402, §
14 23-401, or § 23-402 of the State Personnel and Pensions Article.

15 (2) A member of the Teachers' Retirement System or the Teachers' Pension
16 System may retire if the member:

17 (i) Submits a written application to the Board of Trustees from July 1,
18 1997 through September 30, 1997, both inclusive;

19 (ii) Is an employee of the University of Maryland System on June 1,
20 1997;

21 (iii) Is a member of the respective retirement or pension system on
22 January 1, 1997; and

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

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

25 B. Is at least 60 years old; or

26 2. Is otherwise eligible to retire under § 22-401, § 22-402, §
27 23-401, or § 23-402 of the State Personnel and Pensions Article.

28 (3) (i) Except as otherwise provided in Section 7 of this Act, a member of
29 the Employees' Retirement System or the Employees' Pension System who elects the
30 early retirement incentive under this section shall retire on October 1, 1997.

31 (ii) Except as otherwise provided in Section 7 of this Act, a member of
32 the Teachers' Retirement System or the Teachers' Pension System who elects the early
33 retirement incentive under this section shall retire by July 1, 1998.

34 (4) (i) Except as provided in paragraph (ii) of this subsection, an
35 application to retire under this section is irrevocable.

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1 (ii) The Chancellor of the University of Maryland System may allow a
 2 member to revoke an application if that member has experienced extenuating
 3 circumstances since submitting the application, and the member submits a written request
 4 to the Chancellor for a revocation of the member's application.

5 (iii) If a member revokes an application for retirement that is allowed
 6 under paragraph (ii) of this subsection, the Chancellor of the University of Maryland
 7 System shall notify the Board of Trustees of the revocation not later than 2 weeks after
 8 the revocation.

9 (5) (i) Except as provided in paragraph (ii) of this subsection, a member
 10 who retires under this section shall receive an additional 1 month of credit for each full
 11 year of such member's creditable service.

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

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

17 (6) (i) Except as provided in paragraphs (ii) and (iii) of this subsection, a
 18 member of the Employees' Retirement System or Teachers' Retirement System who
 19 retires under this section shall receive a service retirement allowance equal to one
 20 fifty-fifth of the member's average final compensation multiplied by the sum of:

- 21 1. The member's creditable service; and
- 22 2. The additional credit described in subsection (5) of this
 23 section.

24 (ii) If a member has less than 30 years of creditable service and is less
 25 than 60 years old, the member's retirement allowance computed under paragraph (i) of
 26 this subsection shall be:

- 27 1. Reduced by the lesser of 0.5% for each month by which the
 28 member's date of retirement precedes the earlier of the date the member would be 60
 29 years old or the date the member would have completed 30 years of creditable service, not
 30 including the credit described in subsection (5) of this section, or 30%; and
- 31 2. Increased by the lesser of 18% or the amount of the
 32 reduction under subparagraph 1 of this paragraph.

33 (iii) A member of the Employees' Retirement System or the Teachers'
 34 Retirement System who is subject to Selection C (Combination formula) shall receive a
 35 service retirement allowance:

- 36 1. For creditable service before July 1, 1984, as provided in
 37 paragraph (i) of this subsection; and
- 38 2. For creditable service from July 1, 1984, as provided in
 39 subsection (5) of this section.

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1 (7) (i) Except as provided in paragraph (ii) of this subsection, a member
2 of the Employees' Pension System or Teachers' Pension System who retires under this
3 section shall receive a service retirement allowance equal to the sum of the member's
4 creditable service and the additional credit described in subsection (5) of this section
5 multiplied by:

6 1. 0.8% of the member's average final compensation that is not
7 in excess of the Social Security integration level; and

8 2. 1.5% of the member's average final compensation that
9 exceeds the Social Security integration level.

10 (ii) If a member has less than 30 years of creditable service and is less
11 than 62 years old, the member's retirement allowance computed under paragraph (i) of
12 this subsection shall be:

13 1. Reduced by the lesser of 0.5% for each month by which the
14 member's date of retirement precedes the date the member would be 62 years old, or
15 42%; and

16 2. Increased by the lesser of 18% or the amount of the
17 reduction under subparagraph 1 of this paragraph.

18 (8) The Board of Trustees:

19 (i) May adopt regulations to carry out this section; and

20 (ii) 1. May not accept an application for retirement for a member
21 of the Employees' Retirement System or the Employees' Pension System under this
22 section of this Act that is filed with the State Retirement Agency after 5:00 p.m. on
23 August 29, 1997;

24 2. May not accept an application for retirement for a member
25 of the Teachers' Retirement System or the Teachers' Pension System under this section
26 of this Act that is filed with the State Retirement Agency after 5:00 p.m. on September
27 30, 1997.

28 (9) A member who retires under this section may not receive a basic
29 allowance that exceeds the member's average final compensation.

30 (10) Except as provided in subsection (11) of this section, if the member dies
31 prior to the effective date of retirement, an application to retire in accordance with the
32 provisions of this section shall be void and of no effect, and the benefits payable on the
33 member's account shall be computed as if the application had not been filed.

34 (11) Notwithstanding any other provision of law, if an employee whose
35 effective retirement date is delayed under Section 7 of this Act dies before the effective
36 date of retirement, the employee's designated beneficiary shall have the option of
37 receiving either the death benefit under Title 29, Subtitle 2 of the State Personnel and
38 Pensions Article, including, if the designated beneficiary is eligible for an Option 2
39 allowance, an Option 2 allowance based on a retirement allowance computed as provided
40 under this Act, or the retirement benefit based on the retirement allowance that the

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1 designated beneficiary would otherwise be entitled to receive in accordance with the
2 member's application for retirement.

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

4 (1) A member of the Employees' Retirement System or the Employees'
5 Pension System who retires under this Act may not become reemployed in a temporary or
6 contractual position with the Executive Branch of the State government unless the
7 reemployment is approved by the Board of Public Works.

8 (2) No more than 2% of the total number of members of the Employees'
9 Retirement System and the Employees' Pension System who elect to retire under this Act
10 may be reemployed in a contractual or temporary position in any branch of State
11 government.

12 (3) The Board of Public Works may not approve the reemployment in a
13 temporary or contractual position in the Executive Branch of State government of a
14 member of the Employees' Retirement System or the Employees' Pension System who
15 retires under this Act, if that reemployment would result in more than 2% of such
16 members who retired under this Act being reemployed in a temporary or contractual
17 position with the State.

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

19 (1) On or before November 1, 1997, the officials of the State shall eliminate
20 the number of positions from the Fiscal Year 1998 State budget that is equivalent to at
21 least 60% of the number of positions that are vacated by individual members of the
22 Employees' Retirement System or the Employees' Pension System who retire October 1,
23 1997 under Section 2(1) of this Act, and shall eliminate a number of positions from the
24 proposed Fiscal Year 1999 State budget that is equivalent to at least 60% of the number
25 of positions to be vacated by individual members of the Employees' Retirement System or
26 the Employees' Pension System who are to retire on June 30, 1998 in accordance with
27 Section 2 of this Act.

28 (2) On or before November 1, 1997, the Chancellor of the University of
29 Maryland System shall determine and certify to the Department of Budget and
30 Management which positions are to be eliminated from the University of Maryland
31 System administration, and from each constituent institution of the University of
32 Maryland System.

33 (3) The positions eliminated in accordance with subsection (1) of this
34 section shall result in a total reduction in salaries and fringe benefits that is equivalent to
35 at least the sum of the percentages of the salary and fringe benefits which is provided by
36 State appropriation for each position vacated by a member of the Employees' Retirement
37 System or the Employees' Pension System.

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

39 (1) In this section, "net salary savings" means the amount of an
40 appropriation of State general funds for the University of Maryland System that is saved
41 as a result of the elimination of positions under Section 4 of this Act, less the amounts
42 paid by the State for unused annual leave for individuals who retire under this Act.

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1 (2) On or before January 1, 1998 for Fiscal Year 1998, the Chancellor of the
2 University of Maryland System shall determine the net salary savings under this Act, and
3 the Governor, subject to the approval of the Board of Public Works, shall reduce the
4 State appropriation for the University of Maryland System by the amount of such net
5 salary savings.

6 (3) A copy of the amended appropriation for the University of Maryland
7 System shall be sent to the Governor, the Comptroller, the Secretary of Budget and
8 Management, the Department of Fiscal Services, and the University of Maryland System.

9 SECTION 6. AND BE IT FURTHER ENACTED, That in accordance with §
10 2-1312 of the State Government Article:

11 (1) On or before January 1, 1998, the State Retirement Agency shall report
12 to the General Assembly on the total number of State employees who have elected
13 retirement under this Act.

14 (2) On or before November 1, 1997, and in the executive budget submission
15 for Fiscal Year 1999, the University of Maryland System shall submit to the Department
16 of Budget and Management, the budget committees and the Spending Affordability
17 Committee of the General Assembly:

18 (i) The number of employees and the salaries of the employees of the
19 University of Maryland System administration and of each constituent institution of the
20 University of Maryland System who retire under this Act;

21 (ii) A list of the positions and the salary and fringe benefits for the
22 positions that are eliminated under this Act;

23 (iii) A schedule of the total number of positions, as of June 30, 1997,
24 for the University of Maryland System administration and for each constituent institution
25 of the University of Maryland System and the number of positions that are eliminated
26 pursuant to this Act; and

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

28 (3) On or before August 1, 1998, the University of Maryland System shall
29 submit to the Department of Budget and Management, the budget committees, and the
30 Spending Affordability Committee of the General Assembly a list of the positions and the
31 salary and fringe benefits for the positions to be eliminated in the State budget or by
32 budget amendment after September 30, 1997 and before July 1, 1998.

33 SECTION 7. AND BE IT FURTHER ENACTED, That prior to December 31,
34 1997, the president of each constituent institution of the University of Maryland System
35 shall review the positions of those members of the Teachers' Retirement System or the
36 Teachers' Pension System who have elected early retirement under this Act, and shall
37 determine whether the institution's needs and mission require the delay of retirement for
38 some of these members. In the event that the president determines that such delay is
39 required, the retirement for members identified by the president shall be delayed until no
40 later than June 30, 1999. In no event shall the number of persons whose retirement is
41 delayed exceed 50% of each institution's employees who are members of the Teachers'
42 Retirement System or the Teachers' Pension System who have elected to retire under this

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1 Act. The president shall notify the Board of Trustees by December 31, 1997 of the
2 employees whose retirement date will be delayed under this section.

3 SECTION 8. AND BE IT FURTHER ENACTED, That:

4 If a retiree who elected the early retirement incentive pursuant to this Act is
5 reemployed in a permanent, temporary, or contractual position with the State, in addition
6 to any other reduction in the retiree's allowance required under State law, the retiree's
7 retirement allowance shall be reduced by the amount it exceeds the retirement allowance
8 the retiree would otherwise have received.

9 SECTION 9. AND BE IT FURTHER ENACTED, That, for all purposes relevant
10 to this Act, the Chancellor of the University of Maryland System shall perform all
11 functions for the University of Maryland System administration, which functions are
12 performed by the president of each constituent institution of the University of Maryland
13 System for such institution.

14 SECTION 10. AND BE IT FURTHER ENACTED, That it is the intent of the
15 General Assembly that the retirement incentive applicable to employees who voluntarily
16 separate from State service by participating in the early retirement program established
17 under this Act does not represent an ongoing policy of the State and is a one-time offer
18 only.

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