
By: Delegate Rosenberg

Introduced and read first time: February 14, 1997

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Workforce Reduction Act - Purchase of Service Credit**

3 FOR the purpose of authorizing a certain refund from the State Retirement Agency for
4 certain amounts paid for the purchase of service credit by certain individuals who
5 retired under the Workforce Reduction Act; allowing certain State employee
6 members of the Employees' Retirement System or the Employees' Pension System
7 to retire during a certain period under certain circumstances; providing for the
8 method of computing the cost of purchasing certain service credit by individuals
9 who retire under this Act; making the election to retire under this Act irrevocable
10 except under certain circumstances; requiring the Secretary of Budget and
11 Management to notify the Board of Trustees if a member revokes an application for
12 retirement under this Act; providing for the benefits on retirement under this Act;
13 providing that unused sick leave may not be used to determine eligibility for the
14 incentive provided for in this Act or to determine the amount of the incentive
15 provided for under this Act; authorizing the Board of Trustees for the State
16 Retirement and Pension System to adopt certain regulations; prohibiting a member
17 who retires under this Act from receiving an allowance that exceeds a certain
18 amount; providing that the application shall be void if a member dies prior to the
19 effective date of retirement under certain circumstances; altering the conditions
20 under which a member who retires under this Act may become reemployed by
21 certain employers; limiting the number of employees who retire under this Act from
22 being rehired as temporary or contractual employees; requiring the Departments of
23 Budget and Management and Fiscal Services to monitor the number of employees
24 who retire under this Act who are rehired as temporary or contractual employees;
25 requiring on or before a certain date certain State officials, in consultation with
26 certain appointing authorities, to eliminate a certain number of certain positions in
27 the State budget; prohibiting an appointing authority from filling certain positions
28 until certain dates; providing for the funding of certain retirement and pension costs
29 under this Act; requiring that certain appropriations be reduced by certain
30 amounts; requiring that certain salary savings that result from this Act be
31 transferred to certain funds; requiring the Department of Budget and Management
32 and the State Retirement Agency to submit before a certain date a certain report to
33 certain committees of the General Assembly; allowing the State Retirement Agency
34 to take a certain number of additional days to process certain retirement
35 applications without affecting an applicant's right to a benefit; declaring the intent
36 of the General Assembly; and generally relating to the purchase of service credit

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1 and retirement of certain members of the State retirement and pension systems.

2 BY repealing and reenacting, with amendments,

3 Article - State Personnel and Pensions

4 Section 21-304(d)(4)

5 Annotated Code of Maryland

6 (1994 Volume and 1996 Supplement)

7 Preamble

8 WHEREAS, The Workforce Reduction Act passed by the General Assembly under
9 Chapter 353 of the Acts of 1996 provided for retirement of State employees who were
10 members of the Employees' Retirement System or the Employees' Pension System with
11 an enhanced benefit if they met the requirements for retirement under the Act; and

12 WHEREAS, The Act did not address the method for computing the purchase of
13 service credit to attain sufficient service credit to be eligible to retire under the Act; and

14 WHEREAS, The State Retirement Agency interpreted provisions of State law that
15 allow the purchase of service credit on payment of the full cost of the service credit so as
16 to require payment not only of the reserves attributable to the service credit being
17 purchased but also the reserves attributable to the enhanced benefits allowed under the
18 Act; and

19 WHEREAS, The interpretation of the State Retirement Agency caused a great
20 hardship to those members who purchased service credit at full cost before retiring under
21 the Act; now, therefore,

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
23 MARYLAND, That an individual who retired under Chapter 353 of the Acts of the
24 General Assembly of 1996 after having paid for service credit under § 22-305 or § 23-307
25 of the State Personnel and Pensions Article is entitled to receive a refund from the State
26 Retirement Agency for the amount the retiree paid equal to the annuity reserve and
27 pension reserve required to fund an increase in allowance resulting from any additional
28 service credit or reduction of an early retirement penalty provided for under Chapter 353.

29 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
30 read as follows:

31 **Article - State Personnel and Pensions**

32 21-304.

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

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

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

38 SECTION 3. 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 September 1, 1997, both inclusive;

5 (ii) Was eligible to retire under Chapter 353 of the Acts of 1996; and

6 (iii) On or before August 31, 1996, filed a request with the State
7 Retirement Agency for an estimate of the cost to purchase service credit under § 22-305
8 or § 23-307 of the State Personnel and Pensions Article;

9 (2) If a member who is eligible to retire under paragraph (1) of this section
10 of this Act purchases service credit under § 22-205 or § 23-307 of the State Personnel and
11 Pensions Article, the member shall pay for the service credit only the amount equal to the
12 annuity reserve and pension reserve required to fund the additional allowance
13 attributable to the service credit purchased and may not be required to pay for the
14 annuity reserve or pension reserve attributable to an increase in allowance resulting from
15 any additional service credit or reduction of an early retirement penalty provided for
16 under this Act;

17 (3) An employee who elects the early retirement incentive under this section
18 of this Act shall retire on October 1, 1997;

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

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

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

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

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

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

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

40 1. The member's creditable service; and

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1 (9) A member who retires under this section of this Act may not receive a
2 basic allowance that exceeds the member's average final compensation; and

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

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

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

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

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

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

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

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

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

34 (6) The Department of Budget and Management shall review the
35 applications for reemployment as contractual or temporary employees under this Act and
36 shall advise the Board of Public Works if the reemployment of an individual will cause the
37 2% limit under paragraph (3) of this section of this Act to be exceeded; and

38 (7) The Department of Fiscal Services shall review the applications for
39 reemployment as contractual or temporary employees under this Act and shall advise the
40 President of the Senate and the Speaker of the House of Delegates if the reemployment

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1 of an individual will cause the 2% limit under paragraph (3) of this section of this Act to
2 be exceeded.

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

4 (1) On or before November 1, 1997, the officials of the State specified in
5 paragraph (4) of this section of this Act, in consultation with the appropriate appointing
6 authorities, shall eliminate the number of positions from the State budget that is
7 equivalent to at least 60% of the number of positions that are vacated by individuals who
8 retire on October 1, 1997 under paragraph (1) of Section 3 of this Act;

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

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

15 (i) November 1, 1997; or

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

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

22 (ii) The President of the Senate and the Speaker of the House of
23 Delegates jointly shall determine and certify to the appropriate appointing authority
24 which position identification numbers are to be eliminated for positions in the Legislative
25 Branch of State government.

26 SECTION 6. AND BE IT FURTHER ENACTED, That:

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

33 (ii) For the Department of Assessments and Taxation, for individuals
34 occupying positions in the Prince George's County Assessment Office who are paid on the
35 county scale and retire under this Act and whose position is eliminated under Section 5 of
36 this Act, "net salary savings" means the amount of an appropriation of State funds,
37 whether special or general funds, that is saved as a result of the elimination of those
38 positions under Section 5 of this Act, less the amounts paid by the State for unused
39 annual leave and unused sick leave for those individuals;

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

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1 (i) The Secretary of Budget and Management shall determine the net
2 salary savings under this Act for each unit of the Executive Branch of State government,
3 and the Governor, subject to the approval of the Board of Public Works, shall reduce the
4 State appropriation for each unit of the Executive Branch, by the amount of the net salary
5 savings for that unit; and

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

10 (3) A copy of each amended appropriation shall be sent to the Governor,
11 the Comptroller, the Secretary of Budget and Management, and the Department of Fiscal
12 Services; and

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

15 (i) The amount of general fund net salary savings in excess of
16 \$10,000,000 to the Revenue Stabilization Account under § 7-311 of the State Finance and
17 Procurement Article by an appropriation submitted at the 1998 session of the General
18 Assembly; and

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

22 SECTION 7. AND BE IT FURTHER ENACTED, That, in accordance with §
23 2-1312 of the State Government Article:

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

27 (2) On or before October 15, 1997, and in the executive budget submission
28 for Fiscal Year 1999, the Department of Budget and Management shall report to the
29 budget committees and the Spending Affordability Committee of the General Assembly
30 as to each unit of State government:

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

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

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

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

39 SECTION 8. AND BE IT FURTHER ENACTED, That, in recognition of the
40 additional administrative burden that may result from the number of State employees

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1 who may retire under this Act, the State Retirement Agency may take an additional 60
2 days to process applications for retirement that are filed for retirement under this Act.
3 Except to the extent of a delay in the receipt of a benefit, a delay in processing an
4 application may not affect an applicant's right to a benefit.

5 SECTION 9. AND BE IT FURTHER ENACTED, That it is the intent of the
6 General Assembly that all branches of State government exercise the discipline necessary
7 to achieve the salary savings objectives of this Act by eliminating the number of positions
8 required in this Act and ensuring that the State workforce does not increase above this
9 newly established level.

10 SECTION 10. AND BE IT FURTHER ENACTED, That this Act shall take effect
11 June 1, 1997.