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

Introduced and read first time: January 23, 1998

Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

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

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

30 BY repealing and reenacting, without amendments,  
31 Article - State Personnel and Pensions  
32 Section 21-304(d)(4)  
33 Annotated Code of Maryland

1 (1997 Replacement Volume)

2 BY adding to

3 Article - State Personnel and Pensions  
4 Section 21-304(d)(5) and 21-307(i) and (j)  
5 Annotated Code of Maryland  
6 (1997 Replacement Volume)

7 Preamble

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

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

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

18 **Article - State Personnel and Pensions**

19 21-304.

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

23 (i) July 1, 1997 for legislation effective June 1, 1996; and

24 (ii) July 1, 1998 for legislation effective June 1, 1997.

25 (5) IF THE ACCRUED LIABILITY IS INCREASED BY LEGISLATION  
26 EFFECTIVE JUNE 1, 1998, THAT PROVIDES FOR THE EARLY RETIREMENT OF  
27 EMPLOYEES OF THE UNIVERSITY SYSTEM OF MARYLAND WHO ARE MEMBERS OF  
28 THE EMPLOYEES' PENSION SYSTEM OR THE EMPLOYEES' RETIREMENT SYSTEM, THE  
29 ADDITIONAL LIABILITY SHALL BE DETERMINED BY THE ACTUARY AND FUNDED  
30 OVER A PERIOD OF 5 YEARS BEGINNING ON JULY 1, 1999 BY PAYMENT OF AN ANNUAL  
31 ACCRUED LIABILITY CONTRIBUTION BY THE UNIVERSITY SYSTEM OF MARYLAND  
32 AND THE MEDICAL SYSTEM AS PROVIDED IN § 21-307(I) AND (J) OF THIS SUBTITLE.

33 21-307.

34 (I) (1) EXCEPT AS PROVIDED IN SUBSECTION (J) OF THIS SECTION, THE  
35 UNIVERSITY SYSTEM OF MARYLAND SHALL PAY AN ANNUAL ACCRUED LIABILITY  
36 CONTRIBUTION EQUAL TO AN AMOUNT THAT IS SUFFICIENT TO LIQUIDATE OVER

1 NOT MORE THAN 5 YEARS, THE INCREASE IN THE ACCRUED LIABILITY BY MEANS OF  
2 ANNUAL PAYMENTS THAT INCREASE EACH YEAR BASED ON ACTUARIAL  
3 ASSUMPTIONS ADOPTED BY THE BOARD OF TRUSTEES ON THE RECOMMENDATION  
4 OF THE ACTUARY.

5 (2) THE UNIVERSITY SYSTEM OF MARYLAND:

6 (I) SHALL PAY TO THE BOARD OF TRUSTEES THE AMOUNT  
7 REQUIRED UNDER THIS SUBSECTION ON JULY 1 OF EACH YEAR UNTIL THE  
8 INCREASE IN THE ACCRUED LIABILITY IS PAID IN FULL; AND

9 (II) MAY PREPAY ALL OR A PORTION OF THE INCREASE IN THE  
10 ACCRUED LIABILITY IN ACCORDANCE WITH A CALCULATION APPROVED BY THE  
11 BOARD OF TRUSTEES.

12 (J) (1) THE MEDICAL SYSTEM, AS DEFINED IN § 13-301(K) OF THE  
13 EDUCATION ARTICLE, SHALL PAY AN ANNUAL ACCRUED LIABILITY CONTRIBUTION  
14 EQUAL TO AN AMOUNT THAT IS SUFFICIENT TO LIQUIDATE, OVER NOT MORE THAN 5  
15 YEARS, THE INCREASE IN THE ACCRUED LIABILITY DETERMINED UNDER §  
16 21-304(D)(5) OF THIS SUBTITLE THAT IS ATTRIBUTABLE TO THE RETIREMENT OF  
17 MEDICAL SYSTEM UNIVERSITY PERSONNEL, AS DEFINED IN § 13-301(Q) OF THE  
18 EDUCATION ARTICLE, BY MEANS OF ANNUAL PAYMENTS THAT INCREASE EACH YEAR  
19 BASED ON ACTUARIAL ASSUMPTIONS ADOPTED BY THE BOARD OF TRUSTEES ON THE  
20 RECOMMENDATION OF THE ACTUARY.

21 (2) THE MEDICAL SYSTEM:

22 (I) SHALL PAY TO THE BOARD OF TRUSTEES THE AMOUNT  
23 REQUIRED UNDER THIS SUBSECTION ON JULY 1 OF EACH YEAR UNTIL THE  
24 INCREASE IN THE ACCRUED LIABILITY IS PAID IN FULL; AND

25 (II) MAY PREPAY ALL OR A PORTION OF THE INCREASE IN THE  
26 ACCRUED LIABILITY IN ACCORDANCE WITH A CALCULATION APPROVED BY THE  
27 BOARD OF TRUSTEES.

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

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

31 (i) submits a written application to the Board of Trustees from  
32 July 1, 1998 through August 31, 1998, inclusive;

33 (ii) is an employee of the University System of Maryland on June 1,  
34 1998;

35 (iii) is a member of the respective Retirement or Pension System on  
36 January 1, 1998, as reflected in the records of the State Retirement Agency; and

37 (iv) on or before June 30, 1999:

1. has at least 30 years of creditable service;
2. A. has at least 25 years of creditable service; and
3. B. is at least 50 years old; or
3. is otherwise eligible to retire under § 22-401, § 22-402, § 23-401, or § 23-402 of the State Personnel and Pensions Article.

(2) (i) Except as otherwise provided in paragraph (ii) of this subsection and Section 7 of this Act, a member of the Employees' Retirement System or the Employees' Pension System who elects the early retirement incentive under this section shall retire on October 1, 1998.

(ii) An employee who has timely filed an application in accordance with subsection (1) of this section and who does not satisfy the eligibility requirements on or before October 1, 1998, shall retire on the first day of the month following the month in which the employee becomes eligible to retire under this Act.

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

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

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

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

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

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

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

1. the member's creditable service; and

1                                   2.           the additional credit described in subsection (4) of this  
2 section.

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

6                                   1.           reduced by the lesser of 0.5% for each month by which the  
7 member's date of retirement precedes the earlier of the date the member would be 60  
8 years old or the date the member would have completed 30 years of creditable service,  
9 not including the credit described in subsection (4) of this section, or 30%; and

10                                  2.           increased by the lesser of 18% or the amount of the  
11 reduction under subparagraph 1 of this paragraph.

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

14                                  1.           for creditable service before July 1, 1984, as provided in  
15 paragraph (i) of this subsection; and

16                                  2.           for creditable service from July 1, 1984, as provided in  
17 subsection (6) of this section.

18                                  (6)      (i)       Except as provided in paragraphs (ii) and (iii) of this subsection,  
19 a member of the Employees' Pension System who retires under this section shall  
20 receive a service retirement allowance equal to the sum of the member's creditable  
21 service and the additional credit described in subsection (4) of this section multiplied  
22 by:

23                                  1.           0.8% of the member's average final compensation that is  
24 not in excess of the Social Security integration level; and

25                                  2.           1.5% of the member's average final compensation that  
26 exceeds the Social Security integration level.

27                                  (ii)      If a member has less than 30 years of creditable service, not  
28 including the credit described in subsection (4) of this section, and is less than 62  
29 years old, the member's retirement allowance computed under paragraph (i) of this  
30 subsection 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 subparagraph 1 of this paragraph.

36                                  (iii)     If a member's retirement is delayed under Section 7 of this Act,  
37 the member shall receive the greater of a service retirement allowance computed

1 under paragraphs (i) and (ii) of this subsection as of the retirement date or a service  
2 retirement allowance that is equal to the sum of the member's creditable service as of  
3 October 1, 1998 and the additional credit described in subsection (4) of this section as  
4 of October 1, 1998:

5                                   1.           multiplied by 0.8% of the member's average final  
6 compensation that is not in excess of the Social Security integration level that is in  
7 effect on October 1, 1998;

8                                   2.           multiplied by 1.5% of the member's average final  
9 compensation that exceeds the Social Security integration level that is in effect on  
10 October 1, 1998; and

11                                  3.           if, as of October 1, 1998, the member has less than 30  
12 years of creditable service and is less than 62 years old, the member's retirement  
13 allowance computed under items 1 and 2 of this paragraph shall be:

14                                   A.           reduced by the lesser of 0.5% for each month by which  
15 October 1, 1998 precedes the date the member would be 62 years old or 42%; and

16                                   B.           increased by the lesser of 18% or the amount of the  
17 reduction under item A of this item.

18                   (7)       The Board of Trustees:

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

20                           (ii)      may not accept an application for retirement under this section  
21 of the Act that:

22                                  1.           is filed with the State Retirement Agency after 5:00 p.m.  
23 on August 31, 1998; or

24                                  2.           is other than the SRA130-98, entitled Application to  
25 Retire with Incentive.

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

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

33                   (10)      Notwithstanding any other provision of law, if an employee whose  
34 effective retirement date is delayed under Section 7 of this Act dies before the  
35 effective date of retirement, the employee's designated beneficiary shall have the  
36 option of receiving either the death benefit under Title 29, Subtitle 2 of the State  
37 Personnel and Pensions Article, including, if the designated beneficiary is eligible for

1 an Option 2 allowance, an Option 2 allowance based on a retirement allowance  
2 computed as provided under this Act, or the retirement benefit based on the  
3 retirement allowance that the designated beneficiary would otherwise be entitled to  
4 receive in accordance with the member's application for retirement.

5 (11) Notwithstanding any other provision of law, if an employee whose  
6 retirement date is delayed under Section 7 of this Act becomes disabled before the  
7 effective date of retirement, then the employee shall have the option of revoking the  
8 employee's application to retire under this Act.

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

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

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

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

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

25 (1) On or before November 1, 1998, the Board of Public Works shall  
26 eliminate the number of positions from the Fiscal Year 1999 State budget that is  
27 equivalent to at least 60% of the number of positions in the State budget of the  
28 University System of Maryland that are vacated by individual members of the  
29 Employees' Retirement System or the Employees' Pension System who retire on  
30 October 1, 1998 under Section 2(1) of this Act, and shall eliminate a number of  
31 positions from the proposed Fiscal Year 2000 State budget that is equivalent to at  
32 least 60% of the number of positions in the State budget of the University System of  
33 Maryland to be vacated by individual members of the Employees' Retirement System  
34 or the Employees' Pension System who retire after October 1, 1998 under Section 2(1)  
35 of this Act.

36 (2) On or before December 1, 1998, the Chancellor of the University  
37 System of Maryland shall determine and certify to the Department of Budget and  
38 Management which positions are to be eliminated from the University System of  
39 Maryland administration and from each constituent institution of the University  
40 System of Maryland.

1           (3)       The positions in the State budget of the University System of  
2 Maryland eliminated in accordance with subsection (1) of this section shall result in a  
3 total reduction in general funds that is equal to at least 60% of the total salaries and  
4 fringe benefits of the positions eliminated under this Act.

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

6           (1)       In this section, "net salary savings" means the amount of an  
7 appropriation of State general funds for the University System of Maryland that is  
8 saved as a result of the elimination of positions under Section 4 of this Act, less the  
9 amounts paid by the State for unused annual leave for individuals who retire under  
10 this Act multiplied by the percent of general funds reduced in accordance with Section  
11 4(3) of this Act, which percent shall be at least 60%.

12          (2)       On or before January 1, 1999 for Fiscal Year 1999, the Chancellor of  
13 the University System of Maryland shall determine the net salary savings under this  
14 Act, and the Governor, subject to the approval of the Board of Public Works, shall  
15 reduce the State appropriation for the University System of Maryland by the amount  
16 of such net salary savings.

17          (3)       A copy of the amended appropriation for the University System of  
18 Maryland shall be sent to the Governor, the Comptroller, the Secretary of Budget and  
19 Management, the Department of Legislative Services, and the University System of  
20 Maryland.

21       SECTION 6. AND BE IT FURTHER ENACTED, That in accordance with §  
22 2-1246 of the State Government Article:

23          (1)       On or before January 1, 1999, the State Retirement Agency shall  
24 report to the General Assembly on the total number of State employees who have  
25 elected retirement under this Act.

26          (2)       On or before November 1, 1998, and in the executive budget  
27 submission for Fiscal Year 2000, the University System of Maryland shall submit to  
28 the Department of Budget and Management, the budget committees, and the  
29 Spending Affordability Committee of the General Assembly:

30               (i)       the number of employees and the salaries of the employees of  
31 the University System of Maryland administration and of each constituent institution  
32 of the University System of Maryland who retire under this Act;

33               (ii)       a list of the positions and the salary and fringe benefits for the  
34 positions that are eliminated under this Act;

35               (iii)       a schedule of the total number of positions, as of June 30, 1998,  
36 for the University System of Maryland administration and for each constituent  
37 institution of the University System of Maryland and the number of positions that are  
38 eliminated pursuant to this Act; and

39               (iv)       a list of the reductions in appropriations under this Act.



1           (3)     On or before August 1, 1999, the University System of Maryland shall  
2 submit to the Department of Budget and Management, the budget committees, and  
3 the Spending Affordability Committee of the General Assembly a list of the positions  
4 and the salary and fringe benefits for the positions to be eliminated in the State  
5 budget or by budget amendment after September 30, 1998 and before July 1, 1999.

6     SECTION 7. AND BE IT FURTHER ENACTED, That prior to September 15,  
7 1998, the president of each constituent institution of the University System of  
8 Maryland shall review the positions of those members of the Employees' Retirement  
9 System or the Employees' Pension System who have elected early retirement under  
10 this Act, and shall determine whether the institution's needs and mission require the  
11 delay of retirement for some of these members. In the event that the president  
12 determines that such delay is required, the retirement for members identified by the  
13 president shall be delayed until no later than June 30, 1999. In no event shall the  
14 number of persons whose retirement is delayed exceed 50% of each institution's  
15 employees who are members of the Employees' Retirement System or the Employees'  
16 Pension System who have elected to retire under this Act. The Chancellor of the  
17 University System of Maryland shall notify the Board of Trustees by September 15,  
18 1998 of those employees whose retirement date will be delayed under this section, and  
19 shall provide the retirement date for those employees. The retirement date of any  
20 employee whose retirement date is delayed under this section of this Act shall be on  
21 the first day of a month and shall be no later than July 1, 1999.

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

23           (1)     If a retiree who elected the early retirement incentive pursuant to  
24 this Act is reemployed in a permanent, temporary, or contractual position with the  
25 State, the retiree's retirement allowance shall be reduced by the amount that the sum  
26 of the retiree's annual compensation and the retiree's annual basic allowance at the  
27 time of retirement, including the incentive provided by this Act, exceeds the average  
28 final compensation used to compute the basic allowance.

29           (2)     If a member who applies to retire under this Act applies to purchase  
30 service credit under § 22-304, § 22-305, § 22-307, or § 23-308 of the State Personnel  
31 and Pensions Article, the member shall pay before the effective date of retirement the  
32 amount required to purchase the service credit.

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

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

1 SECTION 11. AND BE IT FURTHER ENACTED, That general funds shall be  
2 allocated to pay the administrative costs associated with this Act incurred by the  
3 State Retirement Agency for members of the Employees' Retirement System or  
4 Employees' Pension System whose positions are supported in whole or in part by the  
5 State general funds and who retire under this Act. The University System of  
6 Maryland shall be responsible for all other administrative costs incurred by the State  
7 Retirement Agency in implementing this Act, including, but not limited to, the costs  
8 associated with processing retirement applications, of members of the Employees'  
9 Retirement System or the Employees' Pension System whose positions are not State  
10 supported and who retire under this Act.

11 SECTION 12. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 June 1, 1998.