

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 1443

(Chairman, Appropriations Committee)

Appropriations

Budget and Taxation

**State Police Retirement System and Law Enforcement Officers' Pension System -
Disability Retirement**

This bill excludes disability retirees of the State Police Retirement System (SPRS) and the Law Enforcement Officers' Pension System (LEOPS) from the current employment restrictions and earnings limitations placed on disability retirees of these systems. The exclusions provided for by this bill do not apply to a disability retiree of either of these systems who retires on or after July 1, 2002 and is reemployed by the State as a law enforcement officer.

The bill takes effect on July 1, 2002.

Fiscal Summary

State Effect: Given that no disability retirement allowances are currently being permanently suspended and the disability allowances currently being reduced as a result of the earnings limitations would not be affected by this bill, excluding certain retirees from the present employment restrictions and earnings limitations would minimally impact State employer pension contributions.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: For certain State Police and LEOPS retirees, the bill removes the current law provision providing that the Board of Trustees for the State Retirement and Pension System may permanently suspend the retirement allowance of a disability retiree if the retiree is reemployed by the State in certain positions and is: (1) reemployed by a participating employer at a salary at least equal to the retiree's average final compensation at retirement; (2) reemployed by a participating employer in a position similar to the one held by the retiree at retirement; or (3) determined by the board to have refused a reemployment offer by the retiree's employer at retirement for a position at a salary at least equal to the retiree's average final compensation at retirement or for a position similar to the one held by the retiree at retirement.

Additionally, the bill exempts certain disability retirees of either the SPRS or LEOPS who are receiving ordinary disability retirement allowances from being subject to a reduction to their disability allowances if they are under normal retirement age and employed in a position paying more than the difference between the retirees' average final compensation and the initial, maximum retirement allowance, plus \$5,000. Under current law, during the first ten years of retirement, the reduction for excess earnings is \$1 for every \$2 earned over the earnings limitation. Beyond ten years, the offset is \$1 for every \$5.

These exemptions, however, would not apply to State Police or LEOPS disability retirees who retire on or after July 1, 2002 and who are reemployed by the State as a probationary status law enforcement officer, a law enforcement officer, or a chief. In that case, they would be subject to the existing restrictions.

Current Law: See discussion above. Special disability retirees of the State Police and LEOPS are already exempt from the earnings limitation discussed above.

Background: The amendments to the disability reemployment provisions provided for by this bill are the result of collective bargaining.

If the pension board determines that a retiree's benefit should be suspended, the retiree's disability retirement is terminated and the individual is only entitled to a deferred vested benefit after ceasing reemployment, provided the retiree had obtained five years of creditable service prior to receiving a disability retirement. The deferred vested benefit that the individual would ultimately receive would be considerably less than the disability allowance, and not payable until normal retirement age.

In an attempt to encourage disabled retirees to return to work, several amendments have been made to the disability reemployment provisions over the last decade. For example, Chapter 657 of 1990 removed the earnings limitation on disability retirees who are receiving accidental or special disability retirement allowances. Moreover, Chapter 469 of 1998 eliminated the right of the pension board to permanently suspend a disability retiree's allowance if, following a medical reexamination, the retiree was no longer mentally or physically incapacitated for normal duties of the position the retiree held at the time the retiree was awarded a disability retirement allowance.

State Expenditures: The State Retirement Agency advises that there are approximately 60 retirees currently receiving either an ordinary, special, or accidental disability allowance from various State systems who have returned to work with a participating employer. Of these 60 cases, none are LEOPS retirees and only three are SPRS disability retirees who would be affected by either the current employment restrictions or earnings limitations. However, because these three individuals are already retired, this bill would not alter their disability retirement allowances in any way.

In view of the fact that disability retirees from the SPRS and LEOPS have historically represented such a small portion of the total number of State disability retirees who are affected by the current employment restrictions and earnings limitations, exempting future SPRS and LEOPS disability retirees would have a minimal fiscal impact.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Milliman USA, State Retirement Agency, Department of Legislative Services

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