HB 774

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 774 (Delegate Eckardt)
Appropriations

Employees' Retirement and Pension Systems - Reemployment of Retired Health Care Practitioners - Sunset Extension

---

This pension bill extends the sunset date for provisions of the State Personnel and Pensions Article that permit retired health care practitioners (primarily nurses) to be reemployed under specified circumstances without being subject to an earnings limitation.

The sunset is extended for two years through June 30, 2006.

Fiscal Summary

State Effect: State pension liabilities could increase minimally, potentially resulting in a minimal increase in State employer pension contributions (all funds).

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Chapter 733 of 2001 created a temporary exemption from the earnings limitation for retired health care practitioners reemployed on a contractual basis by the Department of Health and Mental Hygiene (DHMH) as a health care practitioner in a State residential center, chronic disease center, State facility, or county board of health.

Retirees of the Employees' Retirement System (ERS) and the Employees' Pension System (EPS) who receive a service or early retirement allowance and who return to employment with a participating employer of the State Retirement and Pension System (SRPS) may be subject to a reduction in benefits. Benefits are reduced dollar-for-dollar by the amount earnings exceed the difference between their average final salary and their basic allowance at the time of retirement. For example, a retiree who had a final average salary of $50,000 and who receives a pension benefit of $20,000 may earn up to $30,000 in reemployment (the difference between $50,000 and $20,000) without any offset. Any earnings over $30,000 will trigger a dollar-for-dollar reduction in the retiree's pension benefit.

This limitation applies if the retiree is reemployed with the same employer (the State or any of the 107 participating governmental units, including local school boards) from which the individual retired or if the retiree becomes reemployed within 12 months of receiving an early service retirement allowance. Under current law and the provisions of this bill, retired members do not accrue additional pension service credit if they are reemployed with a participating employer. They do, however, receive their pension benefit simultaneously with their reemployment salary (less any reduction in their pension benefit for the offset).

Background: As shown in **Exhibit 1**, DHMH filled 75 positions in fiscal 2003 under Chapter 733, with most positions filled by registered nurses, licensed practical nurses, community health nurses, and direct care assistants.

Exhibit 1
Retired Health Care Practitioners Reemployed Under Chapter 733 of 2001

Class Title	*Fiscal 2002*		*Fiscal 2003*	
	Employees	**FTEs**	**Employees**	**FTEs**
Registered Nurses	24	9.30	27	9.97
Licensed Practical Nurses	12	7.23	13	8.03
Community Health Nurses	12	6.95	12	4.59
Direct Care Assistants	10	4.82	9	4.80
Other Titles	9	2.76	14	4.78
Total	**67**	**31.06**	**75**	**32.17**

Note: The exemption established by Chapter 733 of 2001terminates on June 30, 2004.
Source: Department of Health and Mental Hygiene

State Fiscal Effect: The Department of Legislative Services (DLS) does not expect the removal of the exemption will lead to significant changes in patterns of retirement behavior. As shown in **Exhibit 2**, the percentage of teachers retiring from both the Teachers' Retirement System (7.7% annually) and the Teachers' Pension System (11.5% annually) in the first year of eligibility has increased from 1998-2002. This pattern is in contrast to the pattern evidenced in ERS (-4.2% annually) and EPS (-1.5% annually) which have seen declines in the percentage of members retiring in the first year of eligibility. Members that retire sooner pay fewer contributions into the system and collect benefits over a longer period of time, resulting in increased pension liabilities.

To the extent that the termination of the exemption leads to an increase in the rate of first-year eligible retirees, State pension liabilities could increase. However, DLS notes that the rates for ERS and EPS are declining and that the number of members taking advantage of this exemption has been steady and small.

Exhibit 2
Percentage of Members Electing Normal Retirement
At First Year of Eligibility
1999-2002

	1998	1999	2000	2001	2002	Average Annual Change
Teachers' Retirement System	25.0%	28.4%	31.1%	33.5%	33.6%	**7.7%**
Teachers' Pension System	15.2%	18.8%	21.2%	25.5%	23.5%	**11.5%**
Employees' Retirement System	27.5%	27.9%	23.5%	24.0%	23.2%	**-4.2%**
Employees' Pension System	21.8%	25.0%	25.7%	26.4%	20.5%	**-1.5%**

Source: Milliman USA, Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History:	First Reader - February 26, 2004
lc/md	Revised - Correction - February 29, 2004

Analysis by: Daniel P. Tompkins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510