

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

House Bill 87  
Appropriations

(Delegates Leopold and James)

Budget and Taxation

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

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This pension bill excludes ordinary 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 State disability retirees if the members meet certain requirements.

The bill takes effect on July 1, 2004.

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**Fiscal Summary**

**State Effect:** State pension benefit payments would increase by approximately \$23,000, resulting in a minimal increase in State pension liabilities and employer contributions.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** An ordinary disability retiree of SPRS or LEOPS is exempt from the employment restrictions under Section 29-115 of the State Personnel and Pensions Article, if the retiree: (1) retired before July 1, 2004; or (2) retired on or after July 1, 2004 and is reemployed by a participating employer in any position other than a probationary status law enforcement officer, a law enforcement officer, or chief.

In addition, an ordinary disability retiree of SPRS or LEOPS is exempt from the reemployment earnings limitation under Section 29-116 if the retiree: (1) retired before July 1, 2004; or (2) retired on or after July 1, 2004 and is reemployed in any position other than a probationary status law enforcement officer, a law enforcement officer, or chief.

**Current Law:** Under Section 29-115, the Board of Trustees for the State Retirement and Pension System may temporarily suspend the retirement allowance of a disability retiree if the retiree is reemployed by the State in certain positions and is: (1) receiving a retirement allowance on or after July 1, 1998; and (2) reemployed with a participating employer at a salary equal to or greater than the retiree's average final compensation at retirement. The suspension is effective only during the period of reemployment. If the retiree ceases reemployment with a participating employer, the retiree again commences receiving a disability allowance, including accumulated cost-of-living adjustments for the period of reemployment. The provision applies to all ordinary, accidental, and special disability retirees of the State systems, including teachers and employees.

Under Section 29-116, a disability retiree who is receiving an ordinary disability retirement allowance is subject to a reduction to his/her disability allowance if the retiree is: (1) under normal retirement age; (2) employed in a position paying more than the difference between the retiree's average final compensation and the initial, maximum retirement allowance, plus \$5,000; and (3) not subject to the temporary suspension provision above. Under current law, during the first 10 years of retirement, the reduction for excess earnings is \$1 for every \$2 earned over the earnings limitation. Beyond 10 years, the offset is \$1 for every \$5. The earnings limitation applies to all ordinary disability retirees of the State systems, including teachers and employees. Special and accidental disability retirees of all the State systems are already exempt from this earnings limitation.

**State Expenditures:** The bill would remove most reemployment restrictions and earnings limitations on future law enforcement disability retirees, unless they became reemployed as law enforcement officers. For existing disability retirees, the reemployment restrictions and earnings limitations would be lifted even if they are (or became) reemployed as law enforcement officers.

The State Retirement Agency advises that there are no SPRS or LEOPS retirees who would meet the criteria for temporary suspension of their pensions under § 29-115. Additionally, the agency is aware of five ordinary disability retirees of the State Police and one LEOPS retiree whose benefits are being offset for calendar 2002 under § 29-116. The total amount offset for the six retirees is \$22,981. The agency does not believe any of the six retirees are employed as police officers (although under the bill, existing

retirees are exempt even if reemployed as police officers). As a result, these disability retirees would be exempt from the earnings limitation for employment beginning in calendar 2004. The increase in pension benefits, and corresponding increase in State pension liabilities, would be minimal.

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### **Additional Information**

**Prior Introductions:** HB 1151 of 2003 passed the House, passed the Senate with amendments, but was not referred to a conference committee. In 2002, HB 1443, a similar bill, passed the House but was not reported from the Senate Budget and Taxation Committee.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - January 28, 2004  
ncs/mdr

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Analysis by: Daniel P. Tompkins

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