

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1046
Appropriations

(Delegate James) (Chairman, Joint Committee on Pensions)

Budget and Taxation

State Retirement and Pension System - Disability Retirement

This bill extends, retroactively to January 1, 2005, the exemption from earnings limitations and reemployment restrictions for ordinary disability retirees of the State Police Retirement System (SPRS) and the Law Enforcement Officers' Pension System (LEOPS). It also grants the same exemptions to local law enforcement officers who were members of the Employees' Pension System (EPS) or Employees' Retirement System (ERS) and to members of the Local Fire and Police System (LFPS).

The bill is effective July 1, 2006.

Fiscal Summary

State Effect: No discernible effect on State pension contribution rates.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Ordinary disability retirees in the State Retirement and Pension System may have their retirement allowance suspended if they are reemployed by a participating employer at an annual compensation that is equal to or greater than their average final compensation at retirement. They may also have their retirement allowance reduced if they are reemployed with any other employer and their annual compensation exceeds an amount calculated according to specifications in the law.

Ordinary disability retirees who were members of SPRS or LEOPS are exempt from both of these provisions as long as they are not employed as probationary status law enforcement officers, law enforcement officers, or chiefs.

Local law enforcement officers in ERS, EPS, or LFPS who receive ordinary disability retirements are not exempt from the same provisions.

Background: Chapter 518 of 2005 exempted ordinary disability retirees in SPRS and LEOPS from the reemployment restriction and earnings limitations as long as they were not employed as probationary status law enforcement officers, law enforcement officers, or chiefs. That law took effect July 1, 2005.

After the conclusion of the 2005 session, the State Retirement Agency became aware of two ordinary disability retirees in SPRS who were excluded from the new law. In January 2005, six months before the new law took effect, their compensation in their new jobs exceeded their average final compensation at retirement for the first time due to annual step increases. Their retirement payments should have been suspended, but they were not until May and June of 2005. In July 2005, when the new law took effect, their retirement payments were restored.

State Fiscal Effect: By making the exemption for disability retirees retroactive to January 1, 2005, the bill would require the State Retirement Agency to refund the two months of benefits it withheld from the two affected individuals, which total approximately \$14,380. Without the bill, the two individuals would owe the State Retirement Agency \$13,972 and \$14,789, respectively, for the four months during which their benefits should have been suspended but were not. The bill would thus not have a discernable effect on State pension contributions.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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