

SENATE BILL 317

K4

EMERGENCY BILL
ENROLLED BILL

(0lr0816)

— *Budget and Taxation/Appropriations* —

Introduced by **Senators McFadden, Kasemeyer, Astle, Conway, Currie, DeGrange, Dyson, Exum, Forehand, Frosh, Garagiola, Harrington, Jones, Kelley, King, Klausmeier, Kramer, Lenett, Madaleno, Middleton, Miller, Munson, Peters, Pinsky, Pugh, Raskin, Robey, and Stone**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **State Retirement and Pension System – Retirees and Beneficiaries of**
3 **Retirees – Annual Retirement Allowance Adjustments**

4 FOR the purpose of providing that certain annual retirement allowance adjustments
5 shall be a certain amount under certain circumstances; requiring that certain
6 annual retirement allowances be reduced by a certain amount under certain
7 circumstances; requiring the Board of Trustees for the State Retirement and
8 Pension System to conduct a certain study regarding the effects of a certain
9 Consumer Price Index on other public state pension plans; requiring the Board
10 of Trustees to submit a report to the Senate Budget and Taxation Committee,
11 the House Appropriations Committee, and the Joint Committee on Pensions by
12 a certain date; defining certain terms; making this Act an emergency measure;

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

Italics indicate opposite chamber/conference committee amendments.



1 providing for the termination of certain provisions of this Act; and generally
 2 relating to annual retirement allowance adjustments for retirees of the several
 3 systems of the State Retirement and Pension System.

4 BY repealing and reenacting, with amendments,
 5 Article – State Personnel and Pensions
 6 Section 24-401(e), 29-406, 29-407, 29-412, 29-418, and 29-427
 7 Annotated Code of Maryland
 8 (2009 Replacement Volume and 2009 Supplement)

9 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
 10 MARYLAND, That, ~~notwithstanding any other provision of law~~ the Laws of Maryland
 11 read as follows:

12 (a) (1) ~~In this section the following words have the meanings indicated:~~

13 (2) ~~“Adjustment” means the dollar amount by which either the current~~
 14 ~~allowance or initial allowance of an individual is adjusted on July 1 of each year under~~
 15 ~~§ 24-401(e) and Title 29, Subtitle 4 of the State Personnel and Pensions Article.~~

16 (3) ~~“Current allowance” means the retirement allowance that an~~
 17 ~~individual is receiving on June 30, 2010.~~

18 (4) ~~“Individual” means a former member, retiree, or surviving~~
 19 ~~beneficiary of a deceased member, former member or retiree of the several systems of~~
 20 ~~the State Retirement and Pension System.~~

21 (5) ~~“Initial allowance” means:~~

22 (i) ~~the retirement allowance computed at the time of a~~
 23 ~~retirement of a former member or retiree of the several systems of the State~~
 24 ~~Retirement and Pension System, including any modifications to the retirement~~
 25 ~~allowance to reflect a retiree’s election to receive an optional form of allowance as~~
 26 ~~provided under § 21-403 of the State Personnel and Pensions Article; or~~

27 (ii) ~~the retirement allowance for a surviving beneficiary of a~~
 28 ~~deceased member, former member, or retiree of the several systems of the State~~
 29 ~~Retirement and Pension System computed at the time of death of the member, former~~
 30 ~~member, or retiree.~~

31 (b) (1) ~~This subsection applies to any individual who is subject to an~~
 32 ~~annual retirement allowance adjustment under § 24-401(e) of the State Personnel and~~
 33 ~~Pensions Article.~~

34 (2) ~~If the fraction described under § 24-401(e)(2) of the State~~
 35 ~~Personnel and Pensions Article that is used in the calculation to adjust an individual’s~~

1 ~~current allowance on July 1, 2010, is less than one, the adjustment to the current~~
2 ~~allowance shall equal \$0.00 on July 1, 2010.~~

3 ~~(e) (1) This subsection applies to any individual who is subject to an~~
4 ~~annual retirement allowance adjustment under Title 29, Subtitle 4, Part II of the~~
5 ~~State Personnel and Pensions Article.~~

6 ~~(2) If the fraction calculated under § 29-406 of the State Personnel~~
7 ~~and Pensions Article that is used in the calculation to adjust an individual's initial~~
8 ~~allowance on July 1, 2010, is determined to be a negative fraction, the adjustment~~
9 ~~under § 29-406 of the State Personnel and Pensions Article to the current allowance~~
10 ~~shall equal \$0.00 on July 1, 2010.~~

11 ~~(d) (1) This subsection applies to any individual who is subject to an~~
12 ~~annual retirement allowance adjustment under Title 29, Subtitle 4, Part III of the~~
13 ~~State Personnel and Pensions Article.~~

14 ~~(2) If the fraction calculated under § 29-412 of the State Personnel~~
15 ~~and Pensions Article that is used in the calculation to adjust an individual's initial~~
16 ~~allowance on July 1, 2010, is less than 1, the adjustment under § 29-412 of the State~~
17 ~~Personnel and Pensions Article to the current allowance shall equal \$0.00 on July 1,~~
18 ~~2010.~~

19 ~~(d) (e) (1) This subsection applies to any individual who is subject to an~~
20 ~~annual retirement allowance adjustment under Title 29, Subtitle 4, Part IV of the~~
21 ~~State Personnel and Pensions Article.~~

22 ~~(2) If the fraction used to determine the rate under § 29-418 of the~~
23 ~~State Personnel and Pensions Article that is used in the calculation to adjust an~~
24 ~~individual's current allowance on July 1, 2010, is less than one, the adjustment to the~~
25 ~~current allowance shall equal \$0.00 on July 1, 2010.~~

26 ~~(e) (f) (1) This subsection applies to any individual who is subject to an~~
27 ~~annual retirement allowance adjustment under Title 29, Subtitle 4, Part V of the State~~
28 ~~Personnel and Pensions Article.~~

29 ~~(2) (i) If the fraction calculated under § 29-422(b)(1) of the State~~
30 ~~Personnel and Pensions Article that is used to adjust an individual's initial allowance~~
31 ~~on July 1, 2010, is less than one, the adjustment to the current allowance for~~
32 ~~creditable service earned prior to the date that the retiree elected Selection C, as~~
33 ~~defined under § 22-221 of the State Personnel and Pensions Article, shall equal \$0.00~~
34 ~~on July 1, 2010.~~

35 ~~(ii) If the fraction used to determine the rate under §~~
36 ~~29-422(b)(2) of the State Personnel and Pensions Article that is used in the calculation~~
37 ~~to adjust an individual's current allowance on July 1, 2010, is less than one, the~~
38 ~~adjustment to the current allowance for creditable service earned on or after the date~~

~~that the retiree elected Selection C, as defined under § 22-221 of the State Personnel and Pensions Article, shall equal \$0.00 on July 1, 2010.~~

~~(3) (i) If the fraction used to determine the rate under § 29-422(c)(1) of the State Personnel and Pensions Article that is used in the calculation to adjust an individual's current allowance on July 1, 2010, is less than one, the adjustment to the current allowance for creditable service earned prior to the date that the retiree elected Selection C, as defined under § 22-221 of the State Personnel and Pensions Article, shall equal \$0.00 on July 1, 2010.~~

~~(ii) If the fraction used to determine the rate under § 29-422(c)(2) of the State Personnel and Pensions Article that is used in the calculation to adjust an individual's current allowance on July 1, 2010, is less than one, the adjustment to the current allowance for creditable service earned on or after the date that the retiree elected Selection C, as defined under § 22-221 of the State Personnel and Pensions Article, shall equal \$0.00 on July 1, 2010.~~

~~(f) (g) (1) This subsection applies to any individual who is subject to an annual retirement allowance adjustment under Title 29, Subtitle 4, Part VI of the State Personnel and Pensions Article.~~

~~(2) If the fraction used to determine the rate under § 29-427 of the State Personnel and Pensions Article that is used in the calculation to adjust an individual's current allowance on July 1, 2010, is less than one, the adjustment to the current allowance shall equal \$0.00 on July 1, 2010.~~

Article – State Personnel and Pensions

24-401.

(e) (1) Subject to paragraph (2) of this subsection, a retiree, or a beneficiary of a retiree, who retires on or before June 30, 1999 with a service retirement allowance, shall receive an annual retirement allowance adjustment as of July 1, 1999, as follows:

(i) for a retiree who has been retired not more than 5 years, \$1,200;

(ii) for a retiree who has been retired more than 5 years but not more than 10 years, \$1,500;

(iii) for a retiree who has been retired more than 10 years but not more than 15 years, \$1,800; and

(iv) for a retiree who has been retired more than 15 years, \$2,100.

1 (2) [Each] EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS
 2 SUBSECTION, EACH fiscal year, the Board of Trustees shall increase the adjustment
 3 received by the retiree or the beneficiary as of July 1, 1999, by multiplying the
 4 adjustment by a fraction that has:

5 (i) as its numerator, the Consumer Price Index for the calendar
 6 year ending December 31 of the preceding fiscal year; and

7 (ii) as its denominator, the Consumer Price Index for the
 8 calendar year ending December 31, 1998.

9 (3) (I) FOR FISCAL YEAR 2011, IF THE ANNUAL RETIREMENT
 10 ALLOWANCE ADJUSTMENT THAT IS ADJUSTED AS PROVIDED IN PARAGRAPH (2)
 11 OF THIS SUBSECTION IS LESS THAN THE ANNUAL RETIREMENT ALLOWANCE
 12 ADJUSTMENT PAYABLE FOR FISCAL YEAR 2010, THE ANNUAL RETIREMENT
 13 ALLOWANCE ADJUSTMENT PAYABLE FOR FISCAL YEAR 2011 SHALL EQUAL THE
 14 ANNUAL RETIREMENT ALLOWANCE ADJUSTMENT PAYABLE FOR FISCAL YEAR
 15 2010.

16 (II) FOR FISCAL YEAR 2012, THE ANNUAL RETIREMENT
 17 ALLOWANCE ADJUSTMENT THAT IS ADJUSTED AS PROVIDED IN PARAGRAPH (2)
 18 OF THIS SUBSECTION SHALL BE REDUCED BY THE DIFFERENCE BETWEEN THE
 19 ANNUAL RETIREMENT ALLOWANCE ADJUSTMENT PAYABLE FOR FISCAL YEAR
 20 2010 AND THE ANNUAL RETIREMENT ALLOWANCE ADJUSTMENT THAT WOULD
 21 HAVE BEEN PAYABLE FOR FISCAL YEAR 2011 IF IT HAD BEEN ADJUSTED UNDER
 22 PARAGRAPH (2) OF THIS SUBSECTION.

23 29-406.

24 (a) (1) [Subject] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS
 25 SUBSECTION AND SUBJECT to subsection (c) of this section, the cost-of-living
 26 adjustment made under this Part II equals the initial allowance multiplied by a
 27 fraction that has:

28 [(1)] (I) as its numerator, the amount obtained by subtracting the
 29 Consumer Price Index for the calendar year ending December 31 of the preceding fiscal
 30 year from the base year Consumer Price Index described in subsection (b) of this section;
 31 and

32 [(2)] (II) as its denominator, the base year Consumer Price Index
 33 described in subsection (b) of this section.

34 (2) IF THE COST-OF-LIVING ADJUSTMENT DETERMINED UNDER
 35 PARAGRAPH (1) OF THIS SUBSECTION FOR FISCAL YEAR 2011 WOULD RESULT IN
 36 AN ALLOWANCE PAYABLE FOR FISCAL YEAR 2011 THAT IS LESS THAN THE

1 ALLOWANCE PAYABLE FOR FISCAL YEAR 2010, THE ANNUAL COST-OF-LIVING
 2 ADJUSTMENT FOR FISCAL YEAR 2011 SHALL EQUAL \$0.00.

3 (b) The base year Consumer Price Index referred to in subsection (a) of this
 4 section equals the later of:

5 (1) the Consumer Price Index for the calendar year ending December 31
 6 of the fiscal year that preceded the last adjustment; or

7 (2) (i) for a retiree, the Consumer Price Index for the calendar year
 8 ending December 31 of the fiscal year in which the retiree was last employed as a
 9 member; or

10 (ii) for a former member who elected a vested allowance in
 11 accordance with § 29-303 of this title, the Consumer Price Index for the calendar year
 12 ending December 31 of the fiscal year in which the former member became 62 years old.

13 (c) The cost-of-living adjustment under this section may not exceed 3% of the
 14 initial allowance.

15 29-407.

16 (A) [The] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION,
 17 THE total allowance payable in any fiscal year shall be the sum of:

18 (1) the initial allowance;

19 (2) all prior cost-of-living adjustments;

20 (3) the cost-of-living adjustment provided for under § 29-406 of this
 21 subtitle; and

22 (4) any additional annuity.

23 (B) FOR FISCAL YEAR 2012, THE ALLOWANCE PAYABLE AS PROVIDED IN
 24 SUBSECTION (A) OF THIS SECTION SHALL BE REDUCED BY THE DIFFERENCE
 25 BETWEEN THE ALLOWANCE PAYABLE FOR FISCAL YEAR 2010 AND THE
 26 ALLOWANCE THAT WOULD HAVE BEEN PAID FOR FISCAL YEAR 2011 IF THE
 27 COST-OF-LIVING ADJUSTMENT HAD BEEN CALCULATED AS PROVIDED UNDER §
 28 29-406(A) OF THIS SUBTITLE.

29 29-412.

30 (A) [Subject] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS
 31 SECTION AND SUBJECT to § 29-413 of this subtitle, each fiscal year, the Board of

1 Trustees shall adjust an initial allowance by multiplying the initial allowance by the
2 fraction that has:

3 (1) as its numerator, the Consumer Price Index for the calendar year
4 ending December 31 of the preceding fiscal year; and

5 (2) as its denominator:

6 (i) for a retiree, the beneficiary of a retiree, or the surviving
7 spouse of a member, the Consumer Price Index for the calendar year ending December
8 31 of the fiscal year in which the retiree or member was last employed; or

9 (ii) for a former member or the beneficiary of a former member,
10 the Consumer Price Index for the calendar year ending December 31 of the fiscal year in
11 which the former member reaches normal retirement age.

12 **(B) FOR FISCAL YEAR 2011, IF THE ALLOWANCE ADJUSTED AS**
13 **PROVIDED IN SUBSECTION (A) OF THIS SECTION IS LESS THAN THE ALLOWANCE**
14 **PAYABLE FOR FISCAL YEAR 2010, THE ALLOWANCE PAYABLE FOR FISCAL YEAR**
15 **2011 SHALL EQUAL THE ALLOWANCE PAYABLE FOR FISCAL YEAR 2010.**

16 **(C) FOR FISCAL YEAR 2012, THE ALLOWANCE ADJUSTED AS PROVIDED**
17 **IN SUBSECTION (A) OF THIS SECTION SHALL BE REDUCED BY THE DIFFERENCE**
18 **BETWEEN THE ALLOWANCE PAYABLE FOR FISCAL YEAR 2010 AND THE**
19 **ALLOWANCE THAT WOULD HAVE BEEN PAYABLE FOR FISCAL YEAR 2011 IF IT HAD**
20 **BEEN ADJUSTED UNDER SUBSECTION (A) OF THIS SECTION.**

21 29-418.

22 **(a) (1) [Each] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
23 **SUBSECTION, EACH fiscal year, the Board of Trustees shall adjust an allowance by**
24 **multiplying the allowance for the preceding fiscal year, exclusive of any additional**
25 **voluntary annuity, by a rate not exceeding 5%, that is obtained by dividing the**
26 **Consumer Price Index for the calendar year ending December 31, in the preceding fiscal**
27 **year by the Consumer Price Index for the calendar year ending December 31 in the**
28 **second preceding fiscal year.**

29 **(2) IF THE ADJUSTMENT DETERMINED UNDER PARAGRAPH (1) OF**
30 **THIS SUBSECTION FOR FISCAL YEAR 2011 WOULD RESULT IN AN ALLOWANCE**
31 **PAYABLE FOR FISCAL YEAR 2011 THAT IS LESS THAN THE ALLOWANCE FOR**
32 **FISCAL YEAR 2010, THE ADJUSTMENT FOR FISCAL YEAR 2011 SHALL EQUAL**
33 **\$0.00.**

1 ***(b)*** *The adjustment under subsection (a) of this section shall begin the second*
2 *July 1 after the day preceding the retiree's date of retirement or the former member's*
3 *effective date for receipt of a vested allowance.*

4 ***(c)*** ***(1)*** *[The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS*
5 *SUBSECTION, THE total allowance payable in each fiscal year shall be the sum of:*

6 ***[(1)] (I)*** *the annual rate of allowance paid during the preceding fiscal*
7 *year;*

8 ***[(2)] (II)*** *the adjustment in allowance provided for under this section;*
9 *and*

10 ***[(3)] (III)*** *any additional annuity.*

11 ***(2)*** *FOR FISCAL YEAR 2012, THE ALLOWANCE PAYABLE AS*
12 *PROVIDED IN SUBSECTION (A) OF THIS SECTION SHALL BE REDUCED BY THE*
13 *DIFFERENCE BETWEEN THE ALLOWANCE PAYABLE FOR FISCAL YEAR 2010 AND*
14 *THE ALLOWANCE THAT WOULD HAVE BEEN PAID FOR FISCAL YEAR 2011 IF THE*
15 *ADJUSTMENT HAD BEEN CALCULATED AS PROVIDED UNDER SUBSECTION (A) OF*
16 *THIS SECTION.*

17 *29-427.*

18 ***(a)*** ***(1)*** *[Each] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS*
19 *SUBSECTION, EACH fiscal year, the Board of Trustees shall adjust an allowance by*
20 *multiplying the allowance for the preceding fiscal year, exclusive of any additional*
21 *voluntary annuity, by a rate not exceeding 3%, that is obtained by dividing the*
22 *Consumer Price Index for the calendar year ending December 31 in the preceding fiscal*
23 *year by the Consumer Price Index for the calendar year ending December 31 in the*
24 *second preceding fiscal year.*

25 ***(2)*** *IF THE ADJUSTMENT DETERMINED UNDER PARAGRAPH (1) OF*
26 *THIS SUBSECTION FOR FISCAL YEAR 2011 WOULD RESULT IN AN ALLOWANCE*
27 *PAYABLE FOR FISCAL YEAR 2011 THAT IS LESS THAN THE ALLOWANCE PAYABLE*
28 *FOR FISCAL YEAR 2010, THE ADJUSTMENT FOR FISCAL YEAR 2011 SHALL EQUAL*
29 *\$0.00.*

30 ***(b)*** *The adjustment under subsection (a) of this section shall begin the second*
31 *July 1 after the day preceding the retiree's date of retirement or the former member's*
32 *effective date for receipt of a vested allowance.*

33 ***(c)*** ***(1)*** *[The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS*
34 *SUBSECTION, THE total allowance payable in each fiscal year shall be the sum of:*

1 ~~[(1)]~~ ~~(I)~~ the annual rate of allowance paid during the preceding fiscal
 2 year;

3 ~~[(2)]~~ ~~(II)~~ the adjustment in allowance provided for under this section;
 4 and

5 ~~[(3)]~~ ~~(III)~~ any additional annuity.

6 **(2) FOR FISCAL YEAR 2012, THE ALLOWANCE PAYABLE AS**
 7 **PROVIDED IN SUBSECTION (A) OF THIS SECTION SHALL BE REDUCED BY THE**
 8 **DIFFERENCE BETWEEN THE ALLOWANCE PAYABLE FOR FISCAL YEAR 2010 AND**
 9 **THE ALLOWANCE THAT WOULD HAVE BEEN PAID FOR FISCAL YEAR 2011 IF THE**
 10 **ADJUSTMENT HAD BEEN CALCULATED AS PROVIDED UNDER SUBSECTION (A) OF**
 11 **THIS SECTION.**

12 **SECTION 2. AND BE IT FURTHER ENACTED, That:**

13 ~~(e)~~ ~~(h)~~ ~~(i)~~ (a) The Board of Trustees for the State Retirement and Pension
 14 System shall study:

15 ~~(i)~~ (1) the effects that the Consumer Price Index (All Urban
 16 Consumers – United States City Average – All Items) as of December 31, 2009, as
 17 published by the United States Department of Labor Bureau of Labor Statistics, had
 18 on the annual retirement allowance adjustments applied to retirees of other public
 19 state pension plans; and

20 ~~(ii)~~ (2) the actions other public state pension plans have taken in
 21 response to the effects that the Consumer Price Index (All Urban Consumers – United
 22 States City Average – All Items) as of December 31, 2009, as published by the United
 23 States Department of Labor Bureau of Labor Statistics, has had on the retirees and
 24 beneficiaries of deceased retirees of these plans.

25 ~~(2)~~ (b) On or before October 1, 2010, the Board of Trustees shall submit
 26 a report in accordance with § 2-1246 of the State Government Article to the Senate
 27 Budget and Taxation Committee, the House Appropriations Committee, and the Joint
 28 Committee on Pensions that provides:

29 ~~(i)~~ (1) a summary of its findings under paragraph (1) of this
 30 subsection; and

31 ~~(ii)~~ (2) recommendations to avoid benefit reductions to retirees of
 32 the several systems when the annual Consumer Price Index results in a decrease in
 33 annual retirement allowances for retirees and beneficiaries of deceased retirees of the
 34 several systems of the State Retirement and Pension System.

1 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act
 2 shall remain effective through December 31, 2010, and, at the end of December 31,
 3 2010, with no further action required by the General Assembly, Section 2 of this Act
 4 shall be abrogated and of no further force and effect.

5 SECTION 4. AND BE IT FURTHER ENACTED, That Section 1 of this Act
 6 shall remain effective through December 31, 2014, and, at the end of December 31,
 7 2014, with no further action required by the General Assembly, Section 1 of this Act
 8 shall be abrogated and of no further force and effect.

9 SECTION ~~2~~ 5. AND BE IT FURTHER ENACTED, That this Act is an
 10 emergency measure, is necessary for the immediate preservation of the public health
 11 or safety, has been passed by a yea and nay vote supported by three-fifths of all the
 12 members elected to each of the two Houses of the General Assembly, and shall take
 13 effect from the date it is enacted. ~~It shall remain effective through June 30, 2011, and,~~
 14 ~~at the end of June 30, 2011, with no further action required by the General Assembly,~~
 15 ~~this Act shall be abrogated and of no further force and effect.~~

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.