

**Department of Legislative Services**  
Maryland General Assembly  
2010 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 498

(Senator McFadden)(Chair, Joint Committee on Pensions)

Budget and Taxation

Appropriations

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**State Retirement and Pension System - Reemployment Earnings Limitation - Exemptions**

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This bill raises the cap on average final compensation (AFC) from \$10,000 to \$25,000 under which retirees of the combined employees' retirement and pension systems (ERS/EPS), combined teachers' retirement and pension systems (TRS/TPS), and Correctional Officers' Retirement System (CORS) are exempt from earnings limitations if they are reemployed by their former employer. The bill also expands the earnings exemption to permanent reemployment, in addition to temporary or contractual employment.

The bill takes effect July 1, 2010.

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**Fiscal Summary**

**State Effect:** No discernible effect on State pension liabilities or contribution rates.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:** In general, a retiree who is receiving a retirement benefit from the State may be reemployed. In most cases, however, the benefit payment is subject to a reduction if the retiree is rehired by the same employer at the time of retirement. For the purpose of calculating earning limitations, all State agencies are considered a single employer. The retiree's benefit payment is reduced dollar-for-dollar by the amount that

earnings from the new job exceed the difference between AFC and the original benefit paid at the time of retirement.

**State Fiscal Effect:** The State Retirement Agency (SRA) advises that, in the last five years, fewer than 10 retirees would have been exempt from the earnings limitation if the \$25,000 AFC cap had been in place instead of the current cap. The bill was requested by SRA to address a few cases that came to its attention. The current State salary schedule has a minimum starting salary of \$21,188, which rises to \$32,655 after 20 years under automatic step increases. On average, starting salaries for teachers are higher than for State employees. For these reasons, Legislative Services believes that it is highly unlikely that any current or future ERS/EPS, TRS/TPS, or CORS members will retire with an AFC between \$10,000 and \$25,000 and become exempt from the earnings limitation solely on the basis of the new cap for temporary or permanent employment. Therefore, the bill should have no discernible effect on State pension liabilities or contribution rates.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 774 (Delegate Griffith, *et al.*) (Chair, Joint Committee on Pensions) - Appropriations.

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

**Fiscal Note History:** First Reader - February 16, 2010  
mpc/rhh Revised - Senate Third Reader - March 30, 2010

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