

HOUSE BILL 634

K4

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CF SB 403

By: **Delegate Griffith (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 9, 2011

Assigned to: Appropriations

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 15, 2011

CHAPTER _____

1 AN ACT concerning

2 **State Retirement and Pension System – Reemployment Earnings Offset –**
3 **Retiree Health Care Premiums**

4 FOR the purpose of limiting a certain reemployment earnings offset for certain
5 reemployed retirees of the State Retirement and Pension System to a certain
6 amount under certain circumstances; requiring the Board of Trustees of the
7 State Retirement and Pension System to recover a certain portion of certain
8 retirement income from certain retirees of the State Retirement and Pension
9 System under certain circumstances; providing for the effective date of certain
10 provisions of this Act; providing for the termination of certain provisions of this
11 Act; and generally relating to the reemployment earnings offset for reemployed
12 retirees of the State Retirement and Pension System.

13 BY repealing and reenacting, without amendments,
14 Article – State Personnel and Pensions
15 Section 22–406(c)(1), 23–407(c)(1), 24–405(a), and 25–403(a)
16 Annotated Code of Maryland
17 (2009 Replacement Volume and 2010 Supplement)

18 BY repealing and reenacting, with amendments,
19 Article – State Personnel and Pensions
20 Section 22–406(c)(2), 23–407(c)(2), 24–405(b), and 25–403(b)
21 Annotated Code of Maryland
22 (2009 Replacement Volume and 2010 Supplement)

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.



1 BY repealing and reenacting, without amendments,
2 Article – State Personnel and Pensions
3 Section 24–405(a)
4 Annotated Code of Maryland
5 (2009 Replacement Volume and 2010 Supplement)
6 (As enacted by Chapter 644 of the Acts of the General Assembly of 2009)

7 BY repealing and reenacting, with amendments,
8 Article – State Personnel and Pensions
9 Section 24–405(b)
10 Annotated Code of Maryland
11 (2009 Replacement Volume and 2010 Supplement)
12 (As enacted by Chapter 644 of the Acts of the General Assembly of 2009)

13 BY repealing and reenacting, with amendments,
14 Article – State Personnel and Pensions
15 Section 27–406(d)
16 Annotated Code of Maryland
17 (2009 Replacement Volume and 2010 Supplement)
18 (As enacted by Chapter 688 of the Acts of the General Assembly of 2010)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
20 MARYLAND, That the Laws of Maryland read as follows:

21 **Article – State Personnel and Pensions**

22 22–406.

23 (c) (1) Except as provided in § 22–407 of this subtitle, the Board of
24 Trustees shall reduce the allowance of an individual who accepts employment as
25 provided under subsection (b) of this section if:

26 (i) the individual’s current employer is a participating employer
27 other than the State and is the same participating employer that employed the
28 individual at the time of the individual’s last separation from employment with a
29 participating employer before the individual commenced receiving a service retirement
30 allowance or vested allowance;

31 (ii) the individual’s current employer is any unit of State
32 government and the individual’s employer at the time of the individual’s last
33 separation from employment with the State before the individual commenced
34 receiving a service retirement allowance or vested allowance was also a unit of State
35 government; or

36 (iii) the individual becomes reemployed within 12 months of
37 receiving an early service retirement allowance under § 22–402 of this subtitle.

1 (2) (i) Except as provided in subparagraph (ii) of this paragraph
2 **AND SUBJECT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH**, the reduction
3 required under paragraph (1) of this subsection shall equal:

4 1. the amount by which the sum of the individual's
5 initial annual basic allowance and the individual's annual compensation exceeds the
6 average final compensation used to compute the basic allowance; or

7 2. for a retiree who retired under the Workforce
8 Reduction Act (Chapter 353 of the Acts of 1996), the amount by which the sum of the
9 retiree's annual compensation and the retiree's annual basic allowance at the time of
10 retirement, including the incentive provided by the Workforce Reduction Act, exceeds
11 the average final compensation used to compute the basic allowance.

12 (ii) 1. This subparagraph applies to a retiree of the
13 Teachers' Retirement System who as faculty received a 10-month salary and retired
14 directly from:

15 A. the University System of Maryland;

16 B. Morgan State University;

17 C. St. Mary's College; or

18 D. a community college established or operating under
19 Title 16 of the Education Article.

20 2. The reduction required under paragraph (1) of this
21 subsection shall equal the amount by which the sum of the retiree's initial annual
22 basic allowance and the retiree's annual compensation, as calculated in
23 subsubparagraph 3 of this subparagraph, exceeds the average final compensation of
24 the retiree used to compute the basic allowance.

25 3. The calculation of the retiree's annual compensation
26 in subsubparagraph 2 of this subparagraph does not include any of the following
27 earnings the retiree received during the previous calendar year from the employer
28 with whom the retiree is reemployed:

29 A. bonuses;

30 B. overtime;

31 C. summer school salaries;

32 D. adult education salary;

- 1 E. additional temporary payments from special research
2 projects;
- 3 F. honorariums; and
- 4 G. vehicle stipends.

5 (III) 1. ANY REDUCTION TAKEN TO A RETIREE'S
6 ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT
7 WOULD REDUCE THE RETIREE'S ALLOWANCE TO LESS THAN WHAT IS REQUIRED
8 TO BE DEDUCTED FOR:

9 A. IF THE RETIREE RETIRED FROM ANY UNIT OF
10 STATE GOVERNMENT, THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL
11 INSURANCE PREMIUMS; OR

12 B. IF THE RETIREE RETIRED FROM A PARTICIPATING
13 EMPLOYER OTHER THAN THE STATE, THE APPROVED MONTHLY MEDICAL
14 INSURANCE PREMIUMS REQUIRED BY THE PARTICIPATING EMPLOYER THAT
15 EMPLOYED THE RETIREE AT THE TIME OF THE RETIREE'S RETIREMENT.

16 2. IF A REDUCTION FOR A CALENDAR YEAR TAKEN
17 UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS LESS THAN THE
18 REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
19 BOARD OF TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL
20 TO THE REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH
21 LESS THE REDUCTION TAKEN UNDER SUBSUBPARAGRAPH 1 OF THIS
22 SUBPARAGRAPH.

23 23-407.

24 (c) (1) Except as provided in § 23-408 of this subtitle, the Board of
25 Trustees shall reduce the allowance of an individual who accepts employment as
26 provided under subsection (b) of this section if:

27 (i) the individual's current employer is a participating employer
28 other than the State and is the same participating employer that employed the
29 individual at the time of the individual's last separation from employment with a
30 participating employer before the individual commenced receiving a service retirement
31 allowance or vested allowance;

32 (ii) the individual's current employer is any unit of State
33 government and the individual's employer at the time of the individual's last
34 separation from employment with the State before the individual commenced
35 receiving a service retirement allowance or vested allowance was also a unit of State
36 government; or

1 (iii) the individual becomes reemployed within 12 months of
2 receiving an early service retirement allowance or an early vested allowance computed
3 under § 23-402 of this subtitle.

4 (2) (i) Except as provided in subparagraph (ii) of this paragraph
5 **AND SUBJECT TO SUBPARAGRAPH (III) OF THIS PARAGRAPH**, the reduction
6 required under paragraph (1) of this subsection shall equal:

7 1. the amount by which the sum of the individual's
8 initial annual basic allowance and the individual's annual compensation exceeds the
9 average final compensation used to compute the basic allowance; or

10 2. for a retiree who retired under the Workforce
11 Reduction Act (Chapter 353 of the Acts of 1996), the amount by which the sum of the
12 retiree's annual compensation and the retiree's annual basic allowance at the time of
13 retirement, including the incentive provided by the Workforce Reduction Act, exceeds
14 the average final compensation used to compute the basic allowance.

15 (ii) 1. This subparagraph applies to a retiree of the
16 Teachers' Pension System who as faculty receiving a 10-month salary, retired directly
17 from:

18 A. the University System of Maryland;

19 B. Morgan State University;

20 C. St. Mary's College; or

21 D. a community college established or operating under
22 Title 16 of the Education Article.

23 2. The reduction required under paragraph (1) of this
24 subsection shall equal the amount by which the sum of the retiree's initial annual
25 basic allowance and the retiree's annual compensation, as calculated in
26 subparagraph 3 of this subparagraph, exceeds the average final compensation of
27 the retiree used to compute the basic allowance.

28 3. The calculation of the retiree's annual compensation
29 in subparagraph 2 of this subparagraph does not include any of the following
30 earnings the retiree received during the previous calendar year from the employer
31 with whom the retiree is reemployed:

32 A. bonuses;

33 B. overtime;

- 1 C. summer school salaries;
- 2 D. adult education salary;
- 3 E. additional temporary payments from special research
4 projects;
- 5 F. honorariums; and
- 6 G. vehicle stipends.

7 (III) 1. ANY REDUCTION TAKEN TO A RETIREE'S
8 ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT
9 WOULD REDUCE THE RETIREE'S ALLOWANCE TO LESS THAN WHAT IS REQUIRED
10 TO BE DEDUCTED FOR:

11 A. IF THE RETIREE RETIRED FROM ANY UNIT OF
12 STATE GOVERNMENT, THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL
13 INSURANCE PREMIUMS; OR

14 B. IF THE RETIREE RETIRED FROM A PARTICIPATING
15 EMPLOYER OTHER THAN THE STATE, THE APPROVED MONTHLY MEDICAL
16 INSURANCE PREMIUMS REQUIRED BY THE PARTICIPATING EMPLOYER THAT
17 EMPLOYED THE RETIREE AT THE TIME OF THE RETIREE'S RETIREMENT.

18 2. IF A REDUCTION FOR A CALENDAR YEAR TAKEN
19 UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS LESS THAN THE
20 REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
21 BOARD OF TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL
22 TO THE REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH
23 LESS THE REDUCTION TAKEN UNDER SUBSUBPARAGRAPH 1 OF THIS
24 SUBPARAGRAPH.

25 25-403.

26 (a) Except as provided in subsection (h) of this section, an individual who is
27 receiving a service retirement allowance or vested allowance may accept employment
28 with a participating employer on a permanent, temporary, or contractual basis, if the
29 individual immediately notifies the Board of Trustees:

- 30 (1) of the individual's intention to accept the employment; and
- 31 (2) of the compensation that the individual will receive.

32 (b) (1) The Board of Trustees shall reduce the allowance of an individual
33 who accepts employment as provided under subsection (a) of this section if the

1 individual's current employer is any unit of State government and the individual's
2 employer at the time of the individual's last separation from employment with the
3 State before the individual commenced receiving a service retirement allowance or
4 vested allowance was also a unit of State government.

5 (2) (I) [The] SUBJECT TO SUBPARAGRAPH (II) OF THIS
6 PARAGRAPH, THE reduction under paragraph (1) of this subsection shall equal the
7 amount by which the sum of the individual's initial annual basic allowance and the
8 individual's annual compensation exceeds the average final compensation used to
9 compute the basic allowance.

10 (II) 1. ANY REDUCTION TAKEN TO A RETIREE'S
11 ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT
12 WOULD REDUCE THE RETIREE'S ALLOWANCE TO LESS THAN WHAT IS REQUIRED
13 TO BE DEDUCTED FOR:

14 A. IF THE RETIREE RETIRED FROM ANY UNIT OF
15 STATE GOVERNMENT, THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL
16 INSURANCE PREMIUMS; OR

17 B. IF THE RETIREE RETIRED FROM A PARTICIPATING
18 EMPLOYER OTHER THAN THE STATE, THE APPROVED MONTHLY MEDICAL
19 INSURANCE PREMIUMS REQUIRED BY THE PARTICIPATING EMPLOYER THAT
20 EMPLOYED THE RETIREE AT THE TIME OF THE RETIREE'S RETIREMENT.

21 2. IF A REDUCTION FOR A CALENDAR YEAR TAKEN
22 UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS LESS THAN THE
23 REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE
24 BOARD OF TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL
25 TO THE REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH
26 LESS THE REDUCTION TAKEN UNDER SUBSUBPARAGRAPH 1 OF THIS
27 SUBPARAGRAPH.

28 (3) The reduction under this subsection does not apply to:

29 (i) an individual who has been retired for 9 years, beginning on
30 January 1, after the date the individual retires;

31 (ii) an individual whose average final compensation was less
32 than \$25,000 and who is reemployed on a permanent, temporary, or contractual basis;

33 (iii) an individual who is serving in an elected position as an
34 official of a participating governmental unit or as a constitutional officer for a county
35 that is a participating governmental unit; or

1 (iv) a retiree of the Correctional Officers' Retirement System
2 who is reemployed on a contractual basis for not more than 4 years by the Division of
3 Corrections, the Division of Pretrial Detention and Services, or the Patuxent
4 Institution in the Department of Public Safety and Correctional Services as a
5 correctional officer in a correctional facility defined in § 1-101 of the Correctional
6 Services Article.

7 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
8 read as follows:

9 **Article – State Personnel and Pensions**

10 24-405.

11 (a) Except as provided in § 24-405.1 of this subtitle and subject to
12 subsections (b), (c), and (d) of this section, an individual who is receiving a service
13 retirement allowance or vested allowance may accept employment with a participating
14 employer on a temporary or contractual basis, if:

15 (1) the employment is not in a regularly allocated position; and

16 (2) the individual immediately notifies the Board of Trustees:

17 (i) of the individual's intention to accept the employment; and

18 (ii) of the compensation that the individual will receive.

19 (b) (1) The Board of Trustees shall reduce the allowance of an individual
20 who accepts employment as provided under subsection (a) of this section if:

21 (i) the individual's current employer is any unit of State
22 government; and

23 (ii) the individual's employer at the time of the individual's last
24 separation from employment with the State before the individual commenced
25 receiving a service retirement allowance or vested allowance was also a unit of State
26 government.

27 (2) (I) [The] **SUBJECT TO SUBPARAGRAPH (II) OF THIS**
28 **PARAGRAPH, THE** reduction under paragraph (1) of this subsection shall equal the
29 amount by which the sum of the individual's initial annual basic allowance and the
30 individual's annual compensation exceeds the average final compensation used to
31 compute the basic allowance.

32 (II) **1. ANY REDUCTION TAKEN TO A RETIREE'S**
33 **ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT**
34 **WOULD REDUCE THE RETIREE'S ALLOWANCE TO LESS THAN WHAT IS REQUIRED**

1 TO BE DEDUCTED FOR THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL
2 INSURANCE PREMIUMS.

3 **2. IF A REDUCTION FOR A CALENDAR YEAR TAKEN**
4 **UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS LESS THAN THE**
5 **REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE**
6 **BOARD OF TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL**
7 **TO THE REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH**
8 **LESS THE REDUCTION TAKEN UNDER SUBSUBPARAGRAPH 1 OF THIS**
9 **SUBPARAGRAPH.**

10 (3) The reduction under paragraph (1) of this subsection does not
11 apply to:

12 (i) an individual who has been retired for 9 years, beginning on
13 January 1, after the date the individual retires;

14 (ii) an individual who participates in the Deferred Retirement
15 Option Program established under § 24-401.1 of this subtitle; or

16 (iii) a retiree of the State Police Retirement System who is
17 reemployed by the Department of State Police on a contractual basis as a police
18 employee, as defined in § 2-101 of the Public Safety Article, at a rank of trooper first
19 class.

20 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland
21 read as follows:

22 **Article – State Personnel and Pensions**

23 24-405.

24 (a) Except as provided in § 24-405.1 of this subtitle and subject to
25 subsections (b) and (c) of this section, an individual who is receiving a service
26 retirement allowance or vested allowance may accept employment with a participating
27 employer on a temporary basis, if:

28 (1) the employment is not in a regularly allocated position; and

29 (2) the individual immediately notifies the Board of Trustees:

30 (i) of the individual's intention to accept the employment; and

31 (ii) of the compensation that the individual will receive.

32 (b) (1) This subsection does not apply to:

1 (i) an individual who has been retired for 9 years, beginning on
2 January 1, after the date the individual retires; or

3 (ii) an individual who participates in the Deferred Retirement
4 Option Program established under § 24–401.1 of this subtitle.

5 (2) (I) [The] **SUBJECT TO SUBPARAGRAPH (II) OF THIS**
6 **PARAGRAPH,** THE Board of Trustees shall reduce an individual’s allowance by the
7 amount that the sum of the individual’s initial annual basic allowance and the
8 individual’s annual compensation exceeds the average final compensation used to
9 compute the basic allowance.

10 (II) **1. ANY REDUCTION TAKEN TO A RETIREE’S**
11 **ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT**
12 **WOULD REDUCE THE RETIREE’S ALLOWANCE TO LESS THAN WHAT IS REQUIRED**
13 **TO BE DEDUCTED FOR THE RETIREE’S MONTHLY STATE–APPROVED MEDICAL**
14 **INSURANCE PREMIUMS.**

15 **2. IF A REDUCTION FOR A CALENDAR YEAR TAKEN**
16 **UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS LESS THAN THE**
17 **REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE**
18 **BOARD OF TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL**
19 **TO THE REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH**
20 **LESS THE REDUCTION TAKEN UNDER SUBSUBPARAGRAPH 1 OF THIS**
21 **SUBPARAGRAPH.**

22 SECTION 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland
23 read as follows:

24 **Article – State Personnel and Pensions**

25 27–406.

26 (d) (1) [If] **SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, IF** a
27 retiree accepts employment as allowed by subsection (a) of this section and is
28 subsequently awarded retirement benefits because of that employment, the Board of
29 Trustees shall reduce the retiree’s benefits under this subtitle by the amount of the
30 retirement benefits resulting from the subsequent employment if the retiree’s current
31 employer is any unit of State government and the retiree’s employer at the time of the
32 retiree’s last separation from employment with the State before the retiree commenced
33 receiving a service retirement allowance was also a unit of State government.

34 (2) (I) **ANY REDUCTION TAKEN TO A RETIREE’S ALLOWANCE**
35 **UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT WOULD REDUCE**
36 **THE RETIREE’S ALLOWANCE TO LESS THAN WHAT IS REQUIRED TO BE**

1 DEDUCTED FOR THE RETIREE’S MONTHLY STATE-APPROVED MEDICAL
2 INSURANCE PREMIUMS.

3 (II) IF A REDUCTION FOR A CALENDAR YEAR TAKEN UNDER
4 SUBPARAGRAPH (I) OF THIS PARAGRAPH IS LESS THAN THE REDUCTION
5 REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE BOARD OF
6 TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL TO THE
7 REDUCTION REQUIRED UNDER PARAGRAPH (1) OF THIS SUBSECTION LESS THE
8 REDUCTION TAKEN UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH.

9 SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall
10 take effect on the taking effect of the termination provision specified in Chapter 644, §
11 3 of the Acts of the General Assembly of 2009. If that termination provision takes
12 effect, Section 2 of this Act shall be abrogated and of no further force and effect. This
13 Act may not be interpreted to have any effect on that termination provision.

14 SECTION 6. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall
15 take effect on the taking effect of the termination provision specified in Chapter 688, §
16 2 of the Acts of the General Assembly of 2010. This Act may not be interpreted to have
17 any effect on that termination provision.

18 SECTION 7. AND BE IT FURTHER ENACTED, That, subject to the provisions
19 of Sections 5 and 6 of this Act, this Act shall take effect July 1, 2011.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.