

# SENATE BILL 403

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CF HB 634

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By: **Senator Jones–Rodwell (Chair, Joint Committee on Pensions)**

Introduced and read first time: February 4, 2011

Assigned to: Budget and Taxation

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Committee Report: Favorable

Senate action: Adopted

Read second time: March 8, 2011

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## 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)

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### 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 THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL**  
9 **INSURANCE PREMIUMS.**

10                   **2.     IF A REDUCTION FOR A CALENDAR YEAR TAKEN**  
11 **UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS LESS THAN THE**  
12 **REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE**  
13 **BOARD OF TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL**  
14 **TO THE REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH**  
15 **LESS THE REDUCTION TAKEN UNDER SUBSUBPARAGRAPH 1 OF THIS**  
16 **SUBPARAGRAPH.**

17 23-407.

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

21                   (i)     the individual's current employer is a participating employer  
22 other than the State and is the same participating employer that employed the  
23 individual at the time of the individual's last separation from employment with a  
24 participating employer before the individual commenced receiving a service retirement  
25 allowance or vested allowance;

26                   (ii)    the individual's current employer is any unit of State  
27 government and the individual's employer at the time of the individual's last  
28 separation from employment with the State before the individual commenced  
29 receiving a service retirement allowance or vested allowance was also a unit of State  
30 government; or

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

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

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

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

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

12                   A.     the University System of Maryland;

13                   B.     Morgan State University;

14                   C.     St. Mary's College; or

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

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

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

26                   A.     bonuses;

27                   B.     overtime;

28                   C.     summer school salaries;

29                   D.     adult education salary;

30                   E.     additional temporary payments from special research  
31 projects;

32                   F.     honorariums; and

1 G. vehicle stipends.

2 (III) 1. ANY REDUCTION TAKEN TO A RETIREE'S  
3 ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT  
4 WOULD REDUCE THE RETIREE'S ALLOWANCE TO LESS THAN WHAT IS REQUIRED  
5 TO BE DEDUCTED FOR THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL  
6 INSURANCE PREMIUMS.

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

14 25-403.

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

19 (1) of the individual's intention to accept the employment; and

20 (2) of the compensation that the individual will receive.

21 (b) (1) The Board of Trustees shall reduce the allowance of an individual  
22 who accepts employment as provided under subsection (a) of this section if the  
23 individual's current employer is any unit of State government and the individual's  
24 employer at the time of the individual's last separation from employment with the  
25 State before the individual commenced receiving a service retirement allowance or  
26 vested allowance was also a unit of State 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  
35 TO BE DEDUCTED FOR THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL  
36 INSURANCE PREMIUMS.

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

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

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

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

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

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

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

24                   **Article – State Personnel and Pensions**

25                   24-405.

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

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

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

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

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

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

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

5 (ii) the individual's employer at the time of the individual's last  
6 separation from employment with the State before the individual commenced  
7 receiving a service retirement allowance or vested allowance was also a unit of State  
8 government.

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

14 (II) **1. ANY REDUCTION TAKEN TO A RETIREE'S**  
15 **ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT**  
16 **WOULD REDUCE THE RETIREE'S ALLOWANCE TO LESS THAN WHAT IS REQUIRED**  
17 **TO BE DEDUCTED FOR THE RETIREE'S MONTHLY STATE-APPROVED MEDICAL**  
18 **INSURANCE PREMIUMS.**

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

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

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

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

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



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

3 **Article – State Personnel and Pensions**

4 24–405.

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

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

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

11 (i) of the individual’s intention to accept the employment; and

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

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

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

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

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

23 **(II) 1. ANY REDUCTION TAKEN TO A RETIREE’S**  
24 **ALLOWANCE UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT**  
25 **WOULD REDUCE THE RETIREE’S ALLOWANCE TO LESS THAN WHAT IS REQUIRED**  
26 **TO BE DEDUCTED FOR THE RETIREE’S MONTHLY STATE-APPROVED MEDICAL**  
27 **INSURANCE PREMIUMS.**

28 **2. IF A REDUCTION FOR A CALENDAR YEAR TAKEN**  
29 **UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH IS LESS THAN THE**  
30 **REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE**  
31 **BOARD OF TRUSTEES SHALL RECOVER FROM THE RETIREE AN AMOUNT EQUAL**  
32 **TO THE REDUCTION REQUIRED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH**

1 LESS THE REDUCTION TAKEN UNDER SUBSUBPARAGRAPH 1 OF THIS  
2 SUBPARAGRAPH.

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

5 **Article – State Personnel and Pensions**

6 27–406.

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

15 (2) (I) ANY REDUCTION TAKEN TO A RETIREE’S ALLOWANCE  
16 UNDER THIS SUBSECTION MAY NOT EXCEED AN AMOUNT THAT WOULD REDUCE  
17 THE RETIREE’S ALLOWANCE TO LESS THAN WHAT IS REQUIRED TO BE  
18 DEDUCTED FOR THE RETIREE’S MONTHLY STATE-APPROVED MEDICAL  
19 INSURANCE PREMIUMS.

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

26 SECTION 5. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall  
27 take effect on the taking effect of the termination provision specified in Chapter 644, §  
28 3 of the Acts of the General Assembly of 2009. If that termination provision takes  
29 effect, Section 2 of this Act shall be abrogated and of no further force and effect. This  
30 Act may not be interpreted to have any effect on that termination provision.

31 SECTION 6. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall  
32 take effect on the taking effect of the termination provision specified in Chapter 688, §  
33 2 of the Acts of the General Assembly of 2010. This Act may not be interpreted to have  
34 any effect on that termination provision.

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