

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 333
Appropriations

(Delegate Griffith)(Chair, Joint Committee on Pensions)

Budget and Taxation

State Retirement and Pension System - Administration - Simplification

This bill clarifies, corrects, and simplifies several sections of law governing employee and retiree health benefits and the State Retirement and Pension System.

The bill takes effect July 1, 2011.

Fiscal Summary

State Effect: None. The changes are technical in nature and do not directly affect governmental finances. Any increase in death benefit payments for Law Enforcement Officers' Pension System (LEOPS) members is expected to be minimal.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill amends several sections of the State Personnel and Pensions Article to:

- clarify that all employees of the Baltimore Metropolitan Council (BMC) are eligible to participate as employees and retirees in the State's health insurance program;
- amend the definition of the Social Security integration level so that the definition is not age-specific;

- repeal obsolete language related to the payment of special death benefits for members of the State Police Retirement System (SPRS);
- specify that the 45-day break between retirement and reemployment applies to employees of withdrawn participating governmental units (PGUs) who remained members when their employer withdrew; and
- add a reference to LEOPS with regard to payment of general death benefits to correct an oversight in current law.

Current Law/Background:

Baltimore Metropolitan Council

Chapters 643 and 644 of 2010 clarify that employees and retirees of BMC who were employees of the Baltimore Regional Council of Governments on June 30, 1992, are eligible to participate in the State Employee and Retiree Health and Welfare Benefits Program. Retirees or a surviving spouse must be receiving an allowance under either the Employees' Retirement System or Employees' Pension System to be eligible for retiree coverage. BMC is responsible for paying the full cost of the employees' and retirees' participation in the program, subject to any employee cost-sharing it establishes. The Department of Budget and Management advises that all BMC employees and retirees have been participating and that the requirement that they were employed with the Baltimore Regional Council of Governments on June 30, 1992, is not necessary. Therefore, it is repealed in the bill.

Social Security Integration Level

The noncontributory benefit under the Teachers' Pension System and Employees' Pension System established a bifurcated benefit based on the Social Security integration level. For average final compensation (AFC) below the integration level, members received a 0.8% multiplier; for AFC above the integration level, members received a 1.5% multiplier. Only six PGUs still participate in the noncontributory benefit (State employees and teachers now receive a contributory benefit as a condition of their employment), and the bifurcated benefit still applies to a small number of State employees for service credit earned prior to 1998. The statutory definition of the integration level currently makes reference to the prior Social Security retirement age of 65, but eligibility for Social Security benefits is gradually being raised to age 67. Therefore, the bill removes references to a specific age from any mention of the Social Security retirement age.

State Police Death Benefits

Current law requires that the State pay a special death benefit for a State Police officer who dies while employed as a member of SPRS. For an SPRS member who dies without

willful negligence by the member and who has at least two years of eligibility service, the member's beneficiary receives a lump-sum payment of the member's accumulated contributions and a regular allowance equal to 50% of the member's AFC. For an SPRS member who dies without willful negligence and in the line of duty, the member's beneficiary receives a lump-sum payment of the member's accumulated contributions and a regular allowance equal to two-thirds of the member's AFC.

Current law requires the State to pay the special death benefit for an SPRS member up to a contribution rate related to Social Security, and the member pays the costs for special death benefits that exceed this rate. The State Retirement Agency (SRA) advises that it has always paid the full death benefit and never shared the cost. Therefore, the bill repeals that provision.

45-day Break in Service

Several years ago the General Assembly established a required 45-day break in service between the date of retirement and the date when an individual is eligible to be rehired by the same employer. This was done to comply with federal Internal Revenue Service requirements. SRA recently became aware that a withdrawn PGU was permitting its employees to retire and continue working without a similar break in service. Therefore, the bill extends the 45-day waiting period to withdrawn PGUs whose employees continue to remain in the system even after the employer withdrew.

Additional Information

Prior Introductions: None.

Cross File: SB 357 (Senator Jones-Rodwell)(Chair, Joint Committee on Pensions) - Budget and Taxation.

Information Source(s): Department of Budget and Management, State Retirement Agency, Department of Legislative Services

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mc/rhh

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