

SB 693 - Reemployment Earnings Limit Tied to AFC -

Uploaded by: Anne Gawthrop

Position: FAV



STATE RETIREMENT AGENCY
120 East Baltimore Street
Baltimore, MD 21202-6700

MARYLAND
STATE RETIREMENT
and PENSION SYSTEM

410-625-5555 • 1-800-492-5909
TTY Users: call via Maryland Relay
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**Testimony in Support of Senate Bill 693
State Retirement and Pension System - Reemployment Earnings Limitations –
Maximum Average Final Compensation
Senate Budget and Tax Committee
February 13, 2025
9:00 A.M.**

**Anne Gawthrop
Director of Legislative Affairs
State Retirement Agency**

The Board of Trustees for the State Retirement and Pension System wishes to express its support for Senate Bill 693, State Retirement and Pension System - Reemployment Earnings Limitations - Maximum Average Final Compensation. Senate Bill 693 is legislation sponsored by the Joint Committee on Pensions at the request of the Board.

Current provisions of the State Personnel and Pensions Article exempt Employees' Pension System (EPS), Teachers' Pension System (TPS), and Correctional Officers' Retirement System (CORS) service retirees and all ordinary disability retirees from a reemployment earnings limitation if the retirees had an average final compensation (AFC) at the time of retirement that was less than \$25,000. This AFC reemployment exemption was increased in 2010 from \$10,000 for EPS, TPS, and CORS service retirees and was added for the first time for ordinary disability retirees in 2016. An accidental or special disability retiree does not have the benefit of this AFC reemployment exemption. Although retirees receiving accidental or special disability benefits are not subject to an earnings limit, a reemployed accidental or special disability retiree whose reemployed annual gross salary exceeds their AFC at the time of retirement, will have their disability retirement benefit temporarily suspended while they continue to earn a gross salary greater than their AFC.

To illustrate how this lack of an AFC reemployment exemption impacts accidental and special disability retirees, an accidental disability retiree who at the time of retirement had an AFC of \$21,400 and is reemployed in a position earning a gross salary of \$21,500, will have their entire disability benefit temporarily suspended while reemployed in this new position. In this example, both the retiree's AFC and reemployed gross salary are less than \$25,000, yet this retiree does not have the same AFC reemployment exemption that is available to all other retirees of the several systems.

Senate Bill 693 will add a similar AFC reemployment exemption for the temporary suspension of a retirement allowance, applicable to all disability retirees. Additionally, Senate Bill 693 will increase the AFC reemployment exemption for both service and disability retirees from \$25,000 to the current minimum annual salary on the standard State pay scale, for all retirees of the System. At this time, the current minimum annual salary on the standard State pay scale is \$35,000.

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The Agency reports that in the past five years, within each group (service, ordinary disability, and accidental or special disability) fewer than 10 retirees per year would have been exempt from the earnings limitation or the temporary suspension if the AFC reemployment exemption had been \$35,000 or less.

We appreciate being given this opportunity to express our support to the Budget and Tax Committee for this legislation and would request a favorable report on Senate Bill 693.

SB693Testimony2025.pdf

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Position: FAV

MICHAEL A. JACKSON
Legislative District 27
Calvert, Charles and
Prince George's Counties

Budget and Taxation Committee

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Miller Senate Office Building
11 Bladen Street, Suite 3 West
Annapolis, Maryland 21401
410-841-3700
800-492-7122 Ext. 3700
Michael.Jackson@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

TESTIMONY – SENATE BILL 693

***STATE RETIREMENT AND PENSION SYSTEM–
REEMPLOYMENT EARNINGS LIMITATIONS –
MAXIMUM AVERAGE FINAL COMPENSATION***

BUDGET & TAXATION COMMITTEE

FEBRUARY 13, 2025

Chair Hettleman and Fellow Committee Members:

Senate Bill 693 is a piece of legislation that makes very simple changes to current reemployment earnings limitations.

This bill clarifies the maximum average final compensation that certain retirees of the State Retirement and Pension System is based on the minimum annual salary on the standard pay scale of January 1st of the preceding calendar year while adding the same standard to disability retirees as well.

This legislation is a straightforward means to the end of allowing more flexibility to current reemployment earnings limitations.

For the reasons listed above, I ask for a favorable report of Senate Bill 693.