

**Department of Legislative Services**  
Maryland General Assembly  
2002 Session

**FISCAL NOTE**  
**Revised**

House Bill 395  
Appropriations

(Delegate Proctor) (Chairman, Joint Committee on Pensions)

Budget and Taxation

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**Retirement and Pensions - Disability Retirees - Temporary Suspension of Allowance**

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This pension bill modifies the current restrictions placed on disability retirees by permitting the Board of Trustees of the State Retirement and Pension System (SRPS) to temporarily, rather than permanently, suspend the retirement allowance of a disability retiree who is employed by a participating employer of the SRPS and receiving an annual salary that is at least equal to the retiree's average final compensation at retirement. In addition, this bill also makes certain technical corrections to the current law.

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**Fiscal Summary**

**State Effect:** Inasmuch as no disability retirement allowances are currently being permanently suspended, implementing a temporary suspension would minimally impact State employer pension contributions.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** The pension board is granted the discretion to temporarily suspend the disability retirement allowance of a disability retiree who: (1) is under the normal retirement age; (2) began receiving a retirement allowance on or after July 1, 1998; and (3) is reemployed in any position by a participating employer, if the salary received by the retiree is at least equal to the retiree's average final compensation at retirement. The

suspension is effective only during the period of reemployment. If the retiree ceases reemployment with a participating employer, the retiree again commences receiving a disability allowance, including accumulated cost of living adjustments for the period of reemployment.

The bill also repeals the provisions that allow the board to suspend a retiree's allowance if: (1) the retiree becomes reemployed by a participating employer at a salary less than the retiree's average final compensation at retirement but in a position similar to the position held at retirement; and (2) the board determines that a retiree has refused to accept a reemployment offer by the retiree's employer at the time of retirement in a position similar to the one held by the retiree at retirement or a position with a salary that is at least equal to the retiree's average final compensation at retirement. Additionally, the requirement that a disability retiree be subject to a reexamination process is also eliminated.

**Current Law:** The pension board currently has the discretion to permanently suspend the retirement allowance of a retiree receiving an accidental, special, or ordinary disability retirement if the pension board finds that the retiree is: (1) reemployed by a participating employer at a salary at least equal to the retiree's average final compensation at retirement; (2) reemployed by a participating employer in a position similar to the one held by the retiree at retirement at a salary that is less than the retiree's average final compensation at retirement; or (3) determined by the board to have refused a reemployment offer by the retiree's employer at retirement for a position at a salary at least equal to the retiree's average final compensation at retirement or for a position similar to the one held by the retiree at retirement.

If the pension board determines that the retiree's benefit should be suspended, the retiree's disability retirement is terminated and the individual is only entitled to a deferred vested benefit after ceasing reemployment, provided the retiree had obtained five years of creditable service prior to receiving a disability retirement. The deferred vested benefit that the individual would ultimately receive would be considerably less than the disability allowance, and not payable until normal retirement age.

**Background:** The pension board believes that the current restrictions contradict the policy goal of encouraging disability retirees to return to work. In an attempt to reach this goal, several amendments have been made to the disability reemployment provisions over the last decade. For example, Chapter 657 of 1990 removed the earnings limitation on disability retirees who are receiving accidental or special disability retirement allowances. Moreover, Chapter 469 of 1998 eliminated the right of the pension board to permanently suspend a disability retiree's allowance if following a medical reexamination, the retiree was no longer mentally or physically incapacitated for normal

duties of the position the retiree held at the time the retiree was awarded a disability retirement allowance.

**State Expenditures:** The State Retirement Agency advises that there are approximately 60 disabled retirees from various State systems who have returned to work with a participating employer. From these 60 cases, approximately 14 are disabled retirees receiving an annual salary greater than their average final compensation, while six meet the current criteria of being employed in a similar position, but with a salary less than their average final compensation at retirement. Nevertheless, the State Retirement Agency reports that to date, the pension board has not suspended the benefits for any of these disability retirees. Consequently, exempting the six retirees reemployed in similar positions would have no fiscal impact because, to date, the pension board has chosen not to exercise its authority to suspend their benefits. Assuming that the pension board chooses to temporarily suspend benefits for the 14 other retirees for whom the board has previously chosen not to permanently suspend benefits, then pension benefit payments may decline minimally, offset by the administrative costs to implement the suspension.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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