

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 515

(Senator Kramer) (Chair, Joint Committee on Pensions)

Budget and Taxation

Appropriations

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**State Retirement and Pension System - Administration - Simplification**

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This bill clarifies, corrects, and simplifies several sections of law governing the State Retirement and Pension System (SRPS).

The bill takes effect July 1, 2007, except that provisions affecting eligibility for the Optional Retirement Program (ORP) and SRPS take effect October 1, 2007, and provisions affecting benefits for General Assembly desk officers expire December 31, 2007.

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**Fiscal Summary**

**State Effect:** No effect on State pension liabilities or employer contribution rates. Some provisions, however, could cause selected benefit payments to retirees and beneficiaries to increase or decrease marginally. The net effect is expected to be negligible.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** This bill amends various sections of the State Personnel and Pensions Article to:

- eliminate prorated payments to retirees who select Options 5 or 6 (pop-up options) at retirement and whose designated beneficiaries predecease them;

- give State employees who become eligible to join either ORP or another State plan one year from the time they first become eligible for ORP to decide whether to join ORP;
- give members who are on approved leaves of absence the opportunity to purchase service credit for that leave up to 60 days after the end of the approved leave;
- give elected officials who are eligible for State or local pension systems other than the Employees' Pension System (EPS) one year to elect to join EPS. Elected officials who elect to join EPS may transfer service credit earned in other State or local pensions to EPS. An elected county sheriff who elects membership in EPS may transfer membership and past service credit to the Law Enforcement Officers' Pension System (LEOPS), if the county elects to participate in LEOPS as a local governmental unit. These provisions are retroactive to July 1, 2006;
- clarify that all Correctional Officers' Retirement System (CORS) members, including local detention center officers and correctional dietary, maintenance, and supply officers must serve the last five years before retirement in any combination of CORS-eligible positions;
- allow a retiree of the Judges' Retirement System to be re-employed by an employer other than a unit of State government without an earnings limitation;
- extend the exemption from a pension offset against workers' compensation payments to all disability retirees and beneficiaries of local participating governmental units (PGUs);
- repeal obsolete language referencing a local pension plan for Dorchester County employees that does not exist;
- repeal a provision in current law denying eligibility for SRPS to any individual who is age 70 or older when first appointed to a nontemporary position in State government.
- allow a General Assembly "desk officer" who is a member of the Employees' Retirement System (ERS) to receive up to five years of service credit for State employment that occurred prior to becoming a member of ERS.

### **Current Law/Background:**

*Prorated Payments for Pop-up Options:* Upon retirement, members may select the basic allowance based on the benefit formula or an actuarially reduced benefit that allows them to elect one of six options providing a survivor benefit to their beneficiary upon the member's death. Options 5 and 6 provide a reduced benefit to the member and either 100% (Option 5) or 50% (Option 6) of the member's benefit to the member's designated beneficiary. However, if the beneficiary predeceases the member, the member's benefit "pops up" to the basic (full) benefit. In these cases, the benefit payment to the member

for the month in which the beneficiary died is prorated based on the beneficiary's date of death.

Chapter 493 of 2005 eliminated the prorated payments to beneficiaries for Options 1-4. However, it maintained prorated payments for members who select Options 5 and 6. This bill establishes that members who select Options 5 or 6 will receive the reduced payment for the month in which the beneficiary dies, regardless of the date of death. The "pop-up" to the basic benefit will begin the following month.

*Optional Retirement System:* Some TPS members who work as instructional staff at a postsecondary educational institution are also eligible for the ORP. To date, these individuals have had an unlimited amount of time to decide whether to exit TPS and join ORP or to remain in TPS. The SRPS' tax counsel advises that a time limit for that decision must be in place.

*Leaves of Absence:* SRPS members may purchase service credit for time spent on a leave of absence approved by the board of trustees by paying the employee's contribution for the duration of the leave, plus regular interest. However, current language does not allow members who wish to retire directly from a leave of absence to purchase credit for the period of time they were on leave. The bill gives those individuals 60 days from the end of an approved leave to purchase credit for that leave.

*Elected Officials:* Currently, elected officials are required to participate in EPS although some of them qualify for other State or local pension plans that may provide more generous benefits. This bill allows elected officials to choose which pension plan they wish to join, provided they meet the eligibility requirements for the plan they select.

*CORS:* Correctional officers and security attendants at the Clifton T. Perkins Hospital Center who are members of CORS are eligible for a normal service retirement after 20 years of service, provided that they serve the last 5 years before retirement as correctional officers or security attendants, or a combination of the two. Chapter 258 of 2006 allowed local governments to place their detention center officers in CORS, and Chapter 340 of 2006 added correctional dietary, maintenance, and supply officers to CORS. However, those laws did not include the same requirement that those officers serve the last five years in any combination of eligible CORS positions.

*Judges' Retirement System Re-employment:* Retired judges are subject to an earnings limitation if they are re-employed by either a unit of State government or a local government. If the sum of the judge's retirement allowance and annual compensation is greater than the full salary of an active judge on the court from which the judge retired, the judge's allowance is reduced dollar-for-dollar. However, no other State retirees are

subject to an earnings limitation if they are re-employed by a local government. This bill applies the earnings limitation only if a judge is re-employed by a State agency.

*Workers' Compensation Offset:* For disability retirees and beneficiaries of ERS/EPS, SRPS does not offset disability benefits if the retiree or beneficiary also receives workers' compensation benefits. However, this exemption does not apply to disability retirees and beneficiaries in other State systems in which PGUs also participate (the Law Enforcement Officers' Pension System, the Local Fire and Police System, and CORS). This bill would extend the current exemption to those additional plans.

*SRPS Eligibility:* An individual age 70 or older who is appointed to a nontemporary position in State government is not eligible to join SRPS.

*Desk Officers:* Chapter 109 of 2006 allowed General Assembly desk officers who were members or retirees of EPS to claim up to five years of service credit for State employment that occurred prior to joining EPS, but inadvertently left out one desk officer who was a member of ERS.

**State Fiscal Effect:** The provisions of the bill would not affect State pension liabilities or contributions rates, but some provisions could have marginal effects on selected SRPS payments to members and beneficiaries, as noted below. The net effect is expected to be negligible.

*Pop-ups:* By eliminating the pro-rated payments to members who select the pop-up options and whose beneficiary predeceases them, this provision would reduce SRPS payments to these individuals for one month. Previously, SRPS would have paid the full benefit for a portion of the month in which the beneficiary died, but the bill requires them to pay the reduced benefit for the remainder of that month. As of June 30, 2006, 8,094 retirees (8%) had selected either Option 5 or Option 6. Their designated beneficiaries would have to predecease them for them to be affected by this bill.

*Judges' Re-employment Offsets:* This provision would eliminate pension allowance offsets for judges who are re-employed by local governments, which has the net effect of increasing pension payments to those individuals. There were only 330 retired judges as of June 30, 2006; the Department of Legislative Services (DLS) has no way of knowing how many of them are re-employed by local governments, but the number is assumed to be minimal.

*Workers' Compensation Offsets:* This provision would eliminate pension allowance offsets for disability retirees and beneficiaries who are employed by local governments, receive workers' compensation benefits, and are members of the three affected pension

plans. It has the net effect of increasing pension payments to those individuals. There are fewer than 1,000 PGU retirees in those systems, and only a small fraction are disability retirees. DLS cannot determine if any of these individuals receive workers' compensation benefits, but projects that this provision will have a minimal fiscal impact on SRPS payments to those individuals.

*Desk Officers:* This provision would allow one desk officer who is currently a member of ERS to claim up to five additional years of service credit, thereby increasing that individual's pension benefits.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

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