

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1033
Appropriations

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

Budget and Taxation

State Retirement and Pension System - Reemployment Earnings Limitations -
Maximum Average Final Compensation

This bill exempts from a retirement benefit offset specified retirees of the State Retirement and Pension System (SRPS) (1) who are reemployed with a participating employer and (2) whose average final compensation (AFC) is less than the minimum annual salary on the standard State pay scale (instead of less than \$25,000). The bill also exempts specified disability retirees who are reemployed with a participating employer from a temporary suspension of benefits if their AFC is less than the minimum annual salary on the standard State pay scale. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: No discernible effect on State pension liabilities or contribution rates, as SRPS does not account for foregone offsets. No effect on revenues.

Local Effect: No discernible effect on local pension liabilities or contribution rates.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies to disability retirees who were not law enforcement officers, as specified, at the time of retirement and retirees receiving normal service retirement benefits from the following SRPS plans:

- Employees' Pension System;
- Teachers' Pension System;

- Employees' Retirement System;
- Teachers' Retirement System; or
- Correctional Officers' Retirement System.

Current Law:

Normal Service Retirement Offsets

In general, a retiree who receives a retirement benefit from SRPS may be reemployed, except that the retiree may not be reemployed by the State or any participating SRPS employer within 45 days of retiring. In most cases, a retiree receiving a normal service retirement allowance who is rehired by the same employer for whom the retiree worked at the time of retirement is subject to an earnings cap. The purpose of the cap, which is the member's AFC at the time of retirement, is to ensure that a retiree does not earn more in retirement than the retiree earned as an active member with the same employer. If the sum of a retiree's earnings and initial retirement allowance exceeds the earnings cap, the retiree is subject to a dollar-for-dollar offset of the retirement benefit for any amount that exceeds the cap. For a member who retires directly from State service, the State is regarded as a single employer, so reemployment with any State agency activates the benefit reduction.

Statute includes several broad exemptions from the offset, including for retirees who:

- have been retired for at least five years;
- retired with an AFC less than \$25,000 and are reemployed on a permanent, temporary, or contractual basis; or
- are serving in any specified elected position.

Suspension of Disability Benefits

Except for specified retired law enforcement officers, SRPS must temporarily suspend a disability retiree's allowance if the retiree (1) began receiving a disability allowance on or after July 1, 1998, and (2) is employed by a participating employer at an annual compensation that is at least equal to the retiree's AFC at the time of retirement. The disability allowance is reinstated, as specified, when SRPS receives satisfactory documentation that the retiree is no longer employed by a participating employer.

Disability Benefit Offsets

Except for specified retired law enforcement officers, disability retirees are subject to a benefit offset if (1) the retiree is younger than normal retirement age; (2) the medical board certifies that the retiree is employed by a participating employer at an annual compensation

that exceeds the sum of the retiree's AFC and \$5,000, adjusted annually for inflation; (3) the Board of Trustees agrees with the medical board's report; and (4) the retiree's allowance has not been suspended. For disability retirees who have been retired for fewer than 10 years, the offset is \$1 for every \$2 that the retiree's current compensation exceeds the cap. For all other disability retirees, the offset is \$1 for every \$5 that the compensation exceeds the cap. Disability retirees reemployed by a participating employer are exempt from the offset if their AFC was less than \$25,000.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 693 (Senator Jackson)(Chair, Joint Committee on Pensions) - Budget and Taxation.

Information Source(s): State Retirement Agency; Department of Legislative Services

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