



MARYLAND  
STATE RETIREMENT  
*and* PENSION SYSTEM

2011 Session  
**Summary of Pension Legislation**

*June 13, 2011*

**PASSED**  
(Signed into law)

Note: Chapter numbers indicates the Governor has signed that legislation into law. The effective date for most pension legislation is July 1, 2011.

**HB72/SB87** *Budget Reconciliation and Financing Act of 2011. Chapter 397.*

All current members of Employees' Pension System and Teachers' Pension System who are in the Alternate Contributory Pension Selection (including governmental units), have their employee contribution increased to 7% of pay for service on and after July 1, 2011, and retain the 1.8% benefit multiplier.

- New hires in the EPS and TPS contribute at 7% to receive a 1.5% benefit multiplier.
- Eligibility for full service retirement for EPS and TPS members enrolled on and after July 1, 2011 is Rule of 90 - age and service must equal 90 – or age 65 with at least ten years of eligibility service.
- Early service retirement is age 60 with at least 15 years of eligibility service (maximum reduction is 30%).
- Average Final Compensation for benefit calculations goes from the average of three to five highest years for new members enrolled on or after July 1 2011 for *all systems*, except the Judges' Retirement System (JRS) and Legislative Pension Plan (LPP).
- Vesting for new members enrolled on or after July 1, 2011 goes to 10 years from 5 years for *all systems*, except JRS and LPP
- New members of the State Police Retirement System enrolled on or after July 1, 2011, will be eligible for service retirement at age 50 or 25 years of service (up from 22 years of service).
- Cost-of-living Adjustments (COLAs) for all current active members (for service earned on and after July 1, 2011) as well as new members enrolled on or after July 1, 2011 will be capped at 2.5% when the System earns its assumed rate of return (currently 7.75%) or capped at 1% in years when the interest assumption is not met. This revised COLA cap does not apply to the Employees' Retirement System, Teachers' Retirement System, JRS, or LPP. It does apply to members of the Employees' Non-Contributory and Contributory Pension Systems.
- Law Enforcement Officers' Pension System member contributions increases from 4% to 6% in FY2012, and then to 7% in FY2013 (applies to current and new members, including participating governmental units).
- DROP continues for the SPRS and LEOPS with interest at 6% compounded monthly for current members, but decreases to 4% compounded annually for new accounts established on

or after July 1, 2011. (For the SPRS, DROP period is extended to 29 years of membership service in order to retain maximum four year participation).

- **Funding:**  
Directs \$120M from employer contributions in FY2012 and \$120M from reform savings in FY2013 to the General Fund, and caps the savings reinvestment of reform savings in the System at \$300M per year.

**HB176** *State Retirement and Pension System - Reemployment of Retirees – Exemptions. Chapter 106.*

Permits retirees to work for the employer from which they retired after being retired five complete calendar years following their retirement date without an earnings limitation (current law is nine full years).

**HB249/SB199** *State Retirement and Pension System - Direct Mailings by Retiree Organizations - Repeal of Sunset Provision. Chapter 432/Chapter 431*

Removes the sunset provision (June 30, 2011) on permitting the Retirement Agency to coordinate a direct mailing to recent retirees for the Maryland Retired School Personnel Association in April and October of each year; permits other retiree organizations to request mailings after June 30, 2012; and, requires Board to review and approve information to be mailed to retirees.

**HB333/SB357** *State Retirement and Pension System - Administration – Simplification. Chapter 591*

Board requested pension simplification - update the definition of Social Security Integration Level; eliminate obsolete references to social security data pertaining to payment of State Police death benefits; clarify that the 45 day break between retirement and reemployment applies to withdrawn municipalities; and, corrects an oversight that members of the Law Enforcement Officer's Pension System receive either a death benefit or special death benefit.

**HB335/SB356** *State Retirement and Pension System - Military Service Credit – Eligibility Chapter 59.*

Requires members to accrue ten years of credit while employed as a member of a state system to apply for military service credit that occurred prior to enrollment.

**HB338/SB359** *State Retirement and Pension System - Unclaimed Money - Former Members, Retirees, and Beneficiaries. Chapter 60.*

Permits Retirement Agency to place names and last employer on Agency web site in order to expand and improve efforts to contact former members who are entitled to a refund or a vested benefit.

**HB634/SB403** *State Retirement and Pension System - Reemployment Earnings Offset – Retiree Health Care Premiums. Chapter 136.*

Permits Retirement Agency to deduct health insurance premiums from monthly retirement allowance that is subject to offset due to exceeding the earnings limitation. The amount deducted for health insurance will be carried over for recovery in future years.

**HB727/SB799** *State Retirement and Pension System - Retirees and Beneficiaries of Retirees – Annual Retirement Allowance Adjustments. Chapter 599.*

Establishes that when the consumer price index produces a negative COLA, a "zero" COLA is to be applied. The negative COLA then will be carried over and applied against positive COLA to be paid in the following year or years.

**HB1088/SB358** *Audit Responsibilities - State Department of Education, Maryland Higher Education Commission, and State Retirement Agency. Chapter 452.*

Shifts the responsibility for auditing boards of educations, libraries and community colleges from the State Retirement Agency to the Maryland State Department of Education (boards and libraries) and the Maryland Higher Education Commission (community colleges) to recover duplicate payments, if any, of teacher employer contributions.

**HB1168** *Employees' Retirement and Pension Systems - Reemployment of Retirees - Health Care Practitioners. Chapter 615.*

Eliminates sunset provision that as of June 30, 2011 would have reapplied the earnings limitation to health care providers who work contractually for the Maryland Department of Health and Mental Hygiene. These contractual workers will continue to be exempt from the earnings limitation.

**VETOED BY GOVERNOR**

**HB1312/SB947** *State Retirement and Pension System - Vested Retirement Allowance –Members and Former Members*

Provides that members and former members who are eligible to begin receiving their vested benefit receive that benefit beginning the month following the receipt of an application for the vested benefit - ends retroactive payments. Applies to former members who attain normal retirement on or after July 1, 2011.

## **DID NOT PASS**

### **HB119** *Town of Sykesville Employees - Participation in the Employees' Retirement System – Creditable Service*

Permits the Town of Sykesville to grant *at least 75%* of prior service credits to its employees when the Town elects to participate in the Employees' Pension System.

### **HB303** *State Retirement and Pension System - Employee Contribution Rate*

Increases the employee contributions on and after July 1, 2011 for the following systems: Employees' and Teachers' Pension Systems - 5% to 7%; Correctional officers' Retirement System - 5% to 7%; Law Enforcement Officers' Pension System - 4% to 7%; and, Judges' Retirement System - 6% to 7%.

### **HB305** *State Retirement and Pension System - Vesting and Eligibility*

Alters the eligibility requirement to retire based on age from the Employees' and Teachers' Pension Systems for individuals who become members on or after July 1, 2011 from age 62 with 5 years of eligibility: 63 with 4 year: 64 with 2 years: and 65 or older with 2 years to age 62 with 15 years of eligibility service. Also alters vesting requirements from 5 to 15 years of eligibility for individuals who become members on or after July 1, 2011.

### **HB334/SB360** *State Retirement and Pension System - Completing and Submitting an Application for Service Retirement*

Permits employer to file for either a disability or service retirement for an incapacitated member after consulting with the Retirement Agency to determine which benefit would be in the best interest of the member.

### **HB494** *State Retirement and Pension System - Vesting and Eligibility*

Alters the eligibility requirement to retire from the Employees' and Teachers' Pension Systems for individuals who become members on or after July 1, 2011 from age 62 with 5 years of eligibility: 63 with 4 year: 64 with 3 years: and 65 or older with 2 years to age 62 with 10 years of eligibility service. Also alters vesting requirements from 5 to 10 years of eligibility for individuals who become members on or after July 1, 2011.

### **HB515** *State Retirement and Pension System - Military Service Credit – Reservists*

Permits members of the System who are eligible to attain military service credits to receive credit for membership in a Reserve Unit of the Armed Forces to receive credit the same as is currently granted for service in the Maryland National Guard.

**HB633/SB481** *Pensions - Designation of Beneficiary - Powers of Attorney*

Exempts the System from provisions in the Estate & Trusts Article pertaining to acceptance of Powers of Attorney.

**HB843** *State Retirement and Pension System - Optional Retirement Program - Membership and Participation*

Provides all members of the Employees' and Teachers' Pension Systems the option to participate in the Optional Retirement Program (ORP) on and after July 1, 2011.

**HB866** *Employees' Retirement System - Purchase of Service Credit - Former Members*

Permits former members of the Employees' Retirement System to purchase service on or after September 1, 1971 if employed by the State as an assistant attorney general who did not enroll in the ERS, and on or after May 1, 1976 enrolled in the ERS and on or before January 1, 1982 ended state employment. The purchase must occur before December 31, 2011 when the bill would sunset.

**HB951/SB540** *State Retirement and Pension System - Optional Allowances and Designated Beneficiaries - Changes to Elections*

Permits individuals who retired on or before June 30, 2005 to change options from Option 2 to Option 3, and Option 5 to Option 6 and change the designated beneficiary. The recalculation would be based on the reserves at the time of recalculation. This proposal would sunset as of December 31, 2011.

**HB1061** *State Retirement and Pension System - Local Educators and Librarians - Local Employer Contributions*

Proposes an amendment to the Maryland Constitution to prohibit the Maryland General Assembly from passing legislation that would require local governments to pay the employer contributions for members of the teacher systems. If passed by three-fifths of each house, the proposal would go before the electorate November 12, 2012.

**HB1155** *Pension Reform Act of 2011*

This proposal (1) discontinues the state's Prescription Drug benefit for retirees as of FY2013 for those who are Medicare eligible; (2) prohibits the Chief Investment Officer of the Maryland State Retirement and Pension system from selecting outside managers to manage assets of the System after July 1, 2011, except for real estate; and, (3) places all future state employee and teacher members in the Optional Retirement Program as of July 1, 2011, and gives participating governmental units the option to enroll in the ORP.

**HB1170** *State Retirement and Health Benefits Reporting Transparency Act*

Requires the Board to expand investment reporting of asset returns to a quarterly basis that would be submitted to the Governor, the General Assembly and major media organizations. The preparation and distribution of each report may not cost more than \$5,000.

**HB1211** *Employees' Pension System and Teachers' Pension System - Benefits - Eligible Rollover Distributions*

Permits a member of the Employees' or Teachers' Pension System who has at least 15 years of eligibility service to terminate membership and accept a rollover distribution that equals the member's contributions with regular interest and a state contribution of 7% of annual earnable compensation with regular interest. This would be a one-time irrevocable election, and no future pension benefits would be earned while employed after accepting the distribution.

**HB1251** *State Police Retirement System - Special Disability Retirement Allowance – Forfeiture*

Provides that if a member or former member of the State Police Retirement System is convicted of a criminal offense (as defined in the proposal) and that occurred while employed by the State Police, a special disability benefit may be forfeited or an application for special disability may be suspended.

**HB1289** *State Retirement and Pension System - State Employees and Teachers – Benefits*

Establishes the State Employees' and Teachers' Integrated Pension System as of July 1, 2011 for members of the Employees' and Teachers' Pension System (excluding employees of participating governmental units): would require a 3% employee contribution with a 1% benefit multiplier from July 1, 2011. Also establishes the Integrated Pension System Savings Plan (defined contribution plan) as of July 1, 2011 that matches member contributions 100% up to 3%, and 50% between 3 and 5%. Members would have the option to borrow from the savings plan. At retirement they would be able to take a lump sum payment or an annuity (maximum, 100% survivor, or 50% survivor). Would be administered by the Retirement System Board of Trustees.

**HB1290** *State Employees' and Teachers' Retirement Savings Plan*

Establishes the State Employees' and Teachers' Retirement Saving Plan as of July 1, 2011 (excluding participating governmental units) and ends membership in the Employees' and Teachers' Pension Systems. Members would begin contributions at 3% and increase by 0.25% each year as of July 1, until reaching 10% (may freeze contribution at any time; increases as of July 1, only). Employers would pay 3% if employee elects no contribution or contributes up to 6%, and 25% of excess over 6% up to maximum 10%. Members would have the option to borrow from the savings plan. At retirement they would be able to take a lump sum payment or an annuity (maximum, 100% survivor, or 50% survivor). Would be administered by the Supplemental System Board of Trustees. Local employers (boards of education, libraries, and community colleges) would share the employer costs for their teacher members beginning July 1, 2016. The local share would increase from 20% of cost to 100% by FY2021.

**HB1294** *Deficit Reduction Financing Act of 2011*

As it pertains to the State Personnel and Pensions Article, requires the state and each local employer to pay a pro rata share of the administrative and operational expenses of the Board of Trustees and the State Retirement Agency based on the number of members of the several systems employed by the state or each local employer compared to the total membership. Payments of these costs would be quarterly.

**HB1317** *State Employees and Teachers - Cash Balance Plan*

Ends membership in the Employees' and Teachers' Pension System as of June 30, 2011 for state employees and teacher members (participating governmental employees are excluded) and places them in the Cash Balance Plan as of July 1, 2011. Members contribute 5% of annual salary and the employer contributes 5%. Members may retire at age 62 with at least 10 years of service. At retirement they would be able to take a lump sum payment or an annuity (maximum, 100% survivor, or 50% survivor). The benefit earned while members of the Employees and Teachers' Pension System is retained unless the member has less than 5 years. In such case the member may seek a refund or convert it to the Cash Balance Plan. Local employers (boards of education, libraries, and community colleges) would share the employer costs for their teacher members beginning July 1, 2016. The local share would increase from 20% of cost to 100% by FY2021.

**HB1318** *State Retirement and Pension System - Board of Trustees and Investment Committee - Membership*

Removes all elected members of the Board of Trustees and the representative of the participating municipalities and replaces them with trustees to be appointed by the Governor with the consent and approval of the Senate. Newly appointed trustees are to be experienced in investments and/or finance. Membership remains at 14.

**HB1326** *State Retirement and Pension System - Investments - Independent Investment Advisory Firms*

Eliminates the Chief Investment Officer and the Division of Investments and replaces them with independent investment advisory firms hired by the Board of Trustees who are to recommend asset allocation, fees and commissions to be charged, and the criteria for the termination of advisory firms.

**HB1344** *State Retirement and Pension System - Guaranteed Retirement Income Plan and Retirement Savings Plan*

Ends membership in the Employees' and Teachers' Pension System as of May 31, 2011 for state employees and teacher members (participating governmental employees are excluded) and places them in either a guaranteed retirement income plan or a retirement savings plan under the State Retirement and Pension System, administered by the Board of Trustees.



**SB6** *Optional Retirement Program - State and Participating Governmental Unit Employees – Participation*

Places all future state employees currently eligible for participation in any members system within the Maryland State Retirement and Pension System and future teacher members in the Optional Retirement Program (ORP), and makes membership optional for those participating governmental units that elect to participate.

**SB628** *State Health and Retirement Benefits - Public Employees and Retirees*

For State retirees, alters eligibility for health benefits based on date of retirement, age and service. Requires employers covered under the teacher systems to share employer costs with the state beginning with FY2013. Employees' and Teachers' Pension System members, excluding employees of participating governmental units, who are members as of July 1, 2011 and employed on July 1, 2012, may elect one of four options: Stable Benefit Selection, Stable Member Contribution Rate Selection, Reduced Member Contribution Rate Selection, and Cash Balance Selection. The election must be made to become effective July 1, 2012, and is irrevocable. For members on or after July 1, 2012, the election must be made at employment, but the Stable Benefit Selection would not be an option.

**SB629** *Teachers' Retirement and Pension Systems - Local Employer Contributions*

Alters the payment of teacher employer contributions for members of the Teachers' Retirement & Pension Systems by establishing a median annual salary for eligible employees of all boards of education, all libraries and all community colleges (except the Baltimore City Community College) and requiring that the counties pay that portion of the total employer contribution that is in excess of the median salaries for the eligible "teacher" membership in that county. The median annual salary would be calculated by the State Department of Education for teacher members and librarians, and the Maryland Higher Education Commission for community colleges.

**SB735** *State Retirement and Pension System - Optional Retirement Program - New Employees*

Places all future state employees (except the Governor) currently eligible for participation in the various member systems within the Maryland State Retirement and Pension System and future teacher members in the Optional Retirement Program (ORP) under IRS Code Sections 401(a) and 403(b), and makes membership optional for those participating governmental units that elect to participate.

**SB844** *State Retirement and Pension System - Transfer of Service Credit*

Permits a member of the Employees' Pension System who had 16 or more years of service with the Maryland Transportation Authority while a member of the Law Enforcement Officers' Pension System to transfer this service to the Employees' Pension System even though there was a break in employment (transfer provisions currently require that there is no break). Member must request the transfer prior to December 31, 2011, when the bill would sunset.

**SB984 Budget Reconciliation and Balancing Act**

Requires current members of the ACPS (state and local government employees and teacher members) to elect to retain the current 5% employee contribution and have future benefits from July 1, 2011 calculate based on a benefit multiplier of 1.5%, or increase the employee contribution to 7% and retain the current 1.8% benefit multiplier. For all new hires from July 1, 2011 (state and all local government employees - includes agencies that were in the NCPS and CPS - and teacher members), there is a Reformed Contributory Pension Benefit that requires a 7% employee contribution. The benefit multiplier is set at 1.5% for all service. Members vest in ten years. Full service retirement is age 65 with at least ten years; early service retirement is age 60 with at least fifteen years (maximum reduction is 30%). The average final compensation is the average of the five highest consecutive years. COLAs are capped at 3% unless the System does not earn its assumed rate of return (currently 7.75%), and then it is capped at 1%.