

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 552 (Delegate McHale, et al.)
Appropriations

Teachers' Retirement and Pension Systems - Eligibility for Retirement

This pension bill reduces the amount of eligibility service required for a member of the teachers' retirement or pension systems to retire with a normal service retirement allowance from 30 years to 25 years. The bill also authorizes members of the Teachers' Retirement System to retire on an early service retirement after 20 years of service. Under current law members of the Teachers' Retirement System are authorized to retire on an early service retirement after 25 years of service. The bill is effective July 1, 1996.

Fiscal Summary

State Effect: Significant but indeterminate increase in expenditures beginning in FY 1998 that would require a detailed actuarial analysis to quantify. Revenues would not be affected.

Local Effect: None.

Fiscal Analysis

State Expenditures: There are 5,859 members of the teachers' retirement or pension systems who could retire with unreduced benefits under this bill because they have between 25 and 29 years of service and are under the age of 60.

This bill has not been forwarded to the State's actuary for a detailed actuarial valuation. However, on a bill proposing similar changes to the employee's retirement and pension systems, the State's actuary advised that the State's actuarial liability would increase substantially due to (1) the additional benefits payable on account of less time in service; (2) an increase in the number of members who elect to retire sooner; and (3) a decrease in membership turnover.

The Department of Fiscal Services advises that a detailed actuarial analysis would be

required to provide a reliable estimate of the expenditure increase that would result from the bill. Regardless, the increase would be significant.

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

Fiscal Note History: First Reader - February 26, 1996

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