

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 939

(Senator Shank)

Budget and Taxation

Appropriations

State Retirement and Pension System - Service Credit for Leave of Absence -
Extension of Purchase Period

This bill authorizes the Executive Director of the State Retirement Agency (SRA) to extend the deadline for purchasing service credit in the State Retirement and Pension System (SRPS) following a leave of absence under specified circumstances.

The bill takes effect July 1, 2014, and applies retroactively to specified individuals who were members of the Correctional Officers' Retirement System (CORS).

Fiscal Summary

State Effect: Assuming the Executive Director approves an extension for the one individual affected by the retroactive provision of the bill, State pension liabilities and contributions increase by a negligible amount. The bill is not expected to apply to a large number of members in the future. SRA can develop the necessary regulations with existing budgeted resources. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies to members of the Employees' Pension System (EPS), Teachers' Pension System (TPS), State Police Retirement System (SPRS), CORS, and the Law Enforcement Officers' Pension System (LEOPS).

For good cause shown, the Executive Director of SRA, at the Executive Director's sole discretion, may extend the deadline for purchasing service credit following a leave of absence if (1) the purchased service credit would allow the member to meet the eligibility requirements to qualify for an ordinary disability benefit and (2) the member completes the purchase before the earlier of four years after the expiration of the leave of absence or the date membership ends.

The bill applies retroactively to an individual who enrolled in CORS on or after October 1, 2006, began an approved leave of absence on or after September 1, 2011, and separated from employment on or before April 1, 2012.

The Board of Trustees of SRPS must adopt regulations to implement the bill.

Current Law: A member of the specified plans within SRPS may not purchase service credit if the member is separated from employment, except that a member who is separated from employment may purchase service credit for a leave of absence that was approved by the Board of Trustees as long as the member purchases the credit within 60 days after the termination of the leave of absence. Purchase of service credit is made at full cost by the employee.

A member qualifies for an ordinary disability benefit if the member has at least five years of eligibility service credit and the medical board certifies that (1) the member is mentally or physically incapacitated for the further performance of the normal duties of the member's position; (2) the incapacity is likely to be permanent; and (3) the member should be retired. For members of CORS who are not eligible for retirement, the benefit is equal to the lesser of 25% of the member's average final compensation (AFC) or the normal service retirement that is computed using the number of years of service the member would have accumulated if the member continued working to normal retirement age and the AFC the member would have received at that time without a change in compensation. For SPRS, the benefit is the greater of a normal service retirement or 35% of the member's AFC. For TPS, EPS, and LEOPS members who are not retirement eligible, the benefit is equal to the normal service retirement that is computed using the number of years of service the member would have accumulated if the member continued working to normal retirement age and the AFC the member would have received at that time without a change in compensation.

State Fiscal Effect: SRA advises that the bill applies retroactively only to one individual. Assuming the executive director grants an extension as authorized by the bill, the individual can purchase service credit for a leave of absence and qualify for an ordinary disability to which the individual would not otherwise be entitled. This results in a negligible increase in State pension liabilities and contributions. The bill is not expected to affect many members in the future.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2014
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