

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 401 (Delegate Proctor)

(Chairman, Joint Committee on Pensions)

Appropriations

Referred to Budget and Taxation

Pensions - Administrative Procedures and Practice

This enrolled pension bill specifies that retirees of the Natural Resources Pension System are not subject to an earnings limitation if they become permanently reemployed with a participating employer. The pension bill also makes four technical corrections/ clarifications to current law as follows:

- clarifies that upon a retiree's death, the Retirement Agency will pay any allowance due to the designated beneficiary first;
- clarifies that the State makes the retirement contributions for librarians;
- specifies that members of the State Police Retirement System and the Correctional Officers Retirement System may purchase up to two years of service credit for time spent on employer-approved leaves of absence; and
- clarifies that the funding of actuarial liabilities created by granting military service credit is included in the employer contribution rates.

This bill is effective July 1, 1996.

Fiscal Summary

State Effect: Indeterminate impact on retirement expenditures.

Local Effect: None.

Fiscal Analysis

State Expenditures: Chapter 703 of the Acts of 1994 established the compensation limit for permanent reemployment. The reporting requirements established pursuant to Chapter 703 will make the data necessary to implement the offset available to the Retirement Agency beginning in fiscal 1997. Thus, there is no historical data to assess the benefit payment increase that will result from repealing the offset provisions currently applicable to these three systems.

The State's actuary advises that this proposal could result in gains as well as losses to the systems. Gains could be realized because the State would not be making contributions that are being made for reemployed retired members under current law. Losses could be realized if this proposal is viewed as an incentive to retire at the earliest possible age. If this occurred, a lowering of the average age of retirement could result and actuarial assumptions would have to be revised. The technical corrections and clarifications in this bill would not affect State expenditures.

Information Source(s): Maryland State Retirement Agency; Department of Fiscal Services; Milliman and Robertson, Inc.

Fiscal Note History: First Reader - February 12, 1996
ncs Revised - House Third Reader - March 19, 1996
Revised - Enrolled Bill - July 10, 1996

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