

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1151 (Delegate Hutchins, et al.)
Appropriations

**Retirement and Pensions - State Employee Positions Eliminated by
Act of General Assembly - Early Retirement Option**

This pension bill offers an early retirement option to State employee members of the Employees' and Teachers' Retirement and Pension Systems who are subject to layoff or other involuntary termination that is not for cause, provided the member has 20 or more years of service credit. The actuarial reduction for early retirement is retained but the bill establishes a maximum retirement allowance reduction of 30% for members of the retirement system and 42% for members of the pension system. The bill is effective June 1, 1996.

Fiscal Summary

State Effect: Indeterminate significant increase in retirement expenditures as discussed below. No effect on revenues.

Local Effect: None.

Fiscal Analysis

State Expenditures: 154 employees have been identified as eligible for the early retirement benefits provided in this bill. The State's actuary advises that these benefits would increase the State's actuarial liability by approximately \$15 million and require increased annual retirement contributions of \$785,000 beginning in fiscal 1998. These costs would increase at the actuarially assumed rate of 5% per year through the year 2020.

Under current law retirees of the retirement and pension systems qualify for the State health insurance subsidy (1/16 for each year of service up to 16 years). Of the 154 employees eligible for the early retirement provisions of the bill, 15 are already eligible for retirement. The State's average annual health insurance subsidy is estimated at \$3,926 for fiscal 1997.

Based on this information, State expenditures for retiree health insurance would increase by an estimated \$545,700 annually beginning in fiscal 1997. Thus, State expenditures would increase by approximately \$545,700 in fiscal 1997 and \$1.3 million beginning in fiscal 1998.

These estimates are identifiable costs associated with positions targeted for elimination in fiscal 1996 and 1997. The actual costs of the bill depend on the number and demographics of future lay-offs which cannot be reliably estimated at this time. The Department of Fiscal Services advises that the costs not identified in this analysis could greatly exceed the costs estimated for the 154 employees eligible for the early retirement offered under the bill.

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

Fiscal Note History: First Reader - February 26, 1996
ncs Revised - Updated Information - March 12, 1996

Analysis by: Paul Ballou
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710