Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 616 (Delegate Vallario, et al.)
Appropriations

Judges' Retirement System - Employment by Public Institution of Higher Education

This pension bill excludes retired judges who are reemployed by a public institution of higher education from the reemployment earnings limitation. The bill is effective July 1, 1996.

Fiscal Summary

State Effect: Negligible effect on the State's annual retirement contributions for the Judges' Retirement System as discussed below. No effect on revenues.

Local Effect: None.

Fiscal Analysis

State Expenditures: Under current law, retirees of the Judges' Retirement System who are reemployed in a position in which all or part of the compensation is derived from municipal, county, or State funds are subject to the reemployment earnings limitation. The earnings limitation provides that the retirement allowance plus the post-retirement salary may not exceed the judicial salary on which the retirement allowance is based. The Retirement Agency administers the program by directly reducing the retirement benefit by the amount which the benefit and post-retirement salary exceeds the judicial salary that the allowance is based on.

By exempting judges who are reemployed by a public institution of higher education, pension trust fund expenditures could be increased by the amount that retirement benefit payments are not reduced by the reemployment earnings limitation. The average salary of a judge is approximately $89,000 and there were 251 retirees of the Judges' Retirement System on June 30, 1995. The Judges' Retirement System provides an annual retirement benefit of two-thirds of salary after 16 years of service. Thus, the annual retirement allowance of a retired member would be approximately $59,000 and the annual earnings limitation on a post-retirement salary would be approximately $30,000. For example, if a retired judge had a post-retirement salary of $50,000, the annual retirement allowance would be reduced by $20,000. While the number of retired judges that will be reemployed by a public institution of higher education is unknown, it is assumed to be a relatively small number.

The State funds pension trust fund expenditures by applying the “employer contribution rate”, as determined by the Board of Trustees of the Systems annually, to each payroll and transferring such funds to the trust. In determining the employer contribution rate annually, the State’s actuary amortizes the liabilities associated with minor changes in plan benefits through the year 2020. Thus, the $20,000 increase in pension trust expenditures noted in the example presented above would be amortized over 22 years beginning in fiscal 1998. The resulting impact of this adjustment on the employer contribution rate would be negligible from a budgetary perspective.

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

Fiscal Note History: First Reader - February 26, 1996

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Analysis by:	Paul Ballou	Direct Inquiries to:
Reviewed by:	John Rixey	John Rixey, Coordinating Analyst
		(410) 841-3710
		(301) 858-3710