SB 297

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

Senate Bill 297 (Senator Amoss, et al.)
Budget and Taxation

Employee Retirement and Pension Systems - Credit for Unused Sick Leave

This pension bill permits State employee members of the employees' retirement (ERS) and pension systems (EPS) to use service credits for unused sick leave to (1) determine years of service required for retirement; and (2) compute average final compensation (AFC).

The bill's effective date is July 1, 1996.

Fiscal Summary

State Effect: Retirement expenditures could increase by $17.7 million beginning in FY 1998. Out-year estimates reflect growth consistent with actuarial assumptions. No effect on revenues.

(in millions)	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Revenues	$0	$0	$0	$0	$0
SF/GF/FF Expenditures	17.7	18.5	19.5	20.4	21.5
Net Effect	($17.7)	($18.5)	($19.5)	($20.4)	($21.5)

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

Local Effect: None.

Fiscal Analysis

State Expenditures: Current law prohibits unused sick leave from being used to determine years of service required for death benefits, ordinary disability benefits, deferred retirement, average final compensation, and early retirement.

It is estimated that ERS and EPS members with 24 years of service have accumulated one year of unused sick leave, meaning that under this bill they would be eligible for early retirement benefits one year earlier than under current law. It also means that members with 29 years of service would be eligible for normal retirement benefits at least one year earlier. Similarly, EPS members with 14 years and six months of service are estimated to have at least six months of unused sick leave, thus making them eligible for early retirement if they are age 55 or older.

In addition, it is estimated that permitting unused sick leave to determine a member's average final compensation could increase a typical member's AFC by approximately 4%.

Based on estimates performed by the State's actuary during the 1995 interim, this bill could increase the State's actuarial liability by approximately $318 million, which could be amortized over the next 23 years at a first year (fiscal 1998) State cost of $17.7 million. Future year expenditures are estimated to increase 5% annually.

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

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