

**Department of Fiscal Services**  
Maryland General Assembly

**FISCAL NOTE**

House Bill 1008 (Delegate Kach, et al.)  
Appropriations

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**Retirement and Pensions - Laid-Off State Employees - Early Retirement**

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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 50%. The bill is effective June 1, 1996.

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**Fiscal Summary**

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

**Local Effect:** None.

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**Fiscal Analysis**

**State Expenditures:** State retirement expenditures could increase by an indeterminate but significant amount. The Governor's proposed fiscal 1997 budget reflects the elimination of an estimated 521 filled positions. The number of these employees that would be eligible for early retirement is unknown. Further, the number of persons that would be eligible as a result of layoffs in future years is also unknown. **This bill has not been forwarded to the State's actuary for a detailed actuarial valuation.**

The following information is presented for illustrative purposes. If a 42 year old member of the retirement system were to retire with 20 years of service, it is estimated that an 84% reduction in annual benefits would be required to hold the pension trust fund harmless. Under this bill the reduction in annual benefits would be capped at 50%. For example, a \$1,000 monthly retirement benefit for a 42 year old would have to be reduced to \$160 to hold the pension trust fund harmless and under this bill a member would receive a monthly benefit of \$500.

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

**Fiscal Note History:** First Reader - February 27, 1996

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Analysis by: Paul Ballou

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710