

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

House Bill 351 (Delegate Grosfeld. *et al.*)

Appropriations

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**Membership in the Judges' Retirement System - Masters**

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This bill places full-time Masters in Chancery and Masters in Juvenile Causes appointed after June 30, 1989 in the Judges' Retirement System (JRS). Under current law, such masters appointed on or before June 30, 1989 participate in the JRS, while masters appointed after that date are members of the Employees' Pension System (EPS). The bill transfers assets from the EPS to the JRS equal to the member and employer contributions plus interest of those masters who transfer to the JRS. In addition, these new members of the JRS may purchase service credit for the time they spent in the EPS.

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**Fiscal Summary**

**State Effect:** Employer contributions to the JRS for 18 full-time masters would increase by \$501,500 in FY 1999 (nine months), increasing to \$879,800 due to annualization and increased actuarial liabilities, and increasing 5% per year thereafter. No effect on revenues.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	501,500	879,800	904,700	930,900	958,400
Net Effect	(\$501,500)	(\$879,800)	(\$904,700)	(\$930,900)	(\$958,400)

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

**Local Effect:** Indeterminate reduction in employer pension contributions.

**Small Business Effect:** None.

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## Fiscal Analysis

**Background:** From 1975 to 1989, full-time Masters in Chancery and Masters in Juvenile Causes participated in the JRS. Unlike other members of the JRS who are State employees, masters are employed by individual counties throughout the State. Unlike judges, who receive uniform salary increases within each court as recommended by the Judicial Compensation Commission and adopted by the General Assembly, masters are paid under the general salary structure of each county; i.e., via grades and steps. In 1989, Chapter 779 of the Acts of 1989 was enacted, whereby:

- Full-time masters employed before July 1, 1989 remain enrolled in the JRS and full-time masters employed on or after July 1, 1989 enroll in the EPS with the State paying the full employer contribution.
- The State contribution for masters in the JRS is capped at the January 1, 1989 salary levels and the local governments pay employer contributions on salary over the January 1, 1989 levels.

**State Expenditures:** Under current law, Masters in Chancery and Masters in Juvenile Causes employed on or after July 1, 1989 are eligible for membership in the EPS, with the State paying the appropriate employer contribution rate (7.13% in fiscal 1999). It is estimated that there are nine such masters currently in the EPS. In addition, it is estimated that there are nine other masters hired since 1989 who participate in independent local pension systems. Under the proposed legislation, both the eight masters in the EPS plus the eight masters in the local systems, as well as all future full-time masters, would be enrolled in the JRS. The State would be responsible for the full pension costs of these masters under the proposed legislation. The State's employer contribution rate would increase from 7.13% to 52.12% for those masters transferring from the EPS to the JRS, and from zero to 52.12% for those transferring from local systems.

For those transferring from the EPS, the additional costs will total \$215,700 in fiscal 1999 (for nine months), increasing to \$302,000 for the first full year in fiscal 2000, and increasing 5% per year thereafter. For those transferring from a local system, the additional costs will total \$285,800 in fiscal 1999 (for nine months), increasing to \$381,100 for the first full year in fiscal 2000, and increasing 5% per year thereafter. For all 18 masters, the additional employer contribution is estimated at \$501,500 beginning in fiscal 1999, increasing to \$683,100 in fiscal 2000, and increasing 5% per year thereafter.

In addition, the proposal will result in increased liabilities to the judges' system. This bill has not been forwarded to the State's actuary for a detailed actuarial analysis. Based on last year's analysis, however, the actuary was able to offer an informal estimate. It is estimated that the average eligible master is age 49 with approximately 5 years of service as a full-time

master, earning a salary of approximately \$74,500. It is estimated that placing these estimated 18 masters in the JRS will increase the JRS's liabilities by \$3.4 million, beginning in fiscal 2000 and amortized over 20 years through the year 2020. The initial payment in fiscal 2000 will be \$196,700 and will increase approximately 5% per year thereafter.

In total, retirement expenditures will increase by \$501,517 in fiscal 1999, increasing to \$879,770, and increasing 5% per year thereafter.

The bill allows masters transferring to the JRS to purchase service credit for their time in the EPS, to avoid any actuarial reduction stemming from a deficiency in employee contributions. The bill also provides for a transfer of assets from the EPS to the JRS based on the employer contributions, for the employees who transfer, which is included in the actuary's estimate.

**Local Expenditures:** For those local governments whose masters are currently members of a local pension system, transfer of these masters to the JRS will result in a decline in employer pension contributions. The amount of this decline will depend on the employer contribution rate for the local system. For local governments whose masters are in the EPS, this proposal will result in no change in expenditures, as they currently do not pay employer contributions.

**Additional Comments:** The retirement agency notes that the proposal does not require a transfer of employee and employer assets from the local systems where certain current masters have been participating (Anne Arundel, Charles, and Montgomery counties) to the State.

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**Information Source(s):** State Retirement Agency; Council of Masters; Milliman & Robertson, Inc.; Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 1998

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Analysis by: Matthew D. Riven

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710