

Department of Legislative Services
 Maryland General Assembly

FISCAL NOTE

House Bill 337 (Delegate Proctor)
 (Chairman, Joint Committee on Pensions)

Appropriations

**Disability Retirement Benefits - Employees of Participating Governmental Units -
 Offset for Workers' Compensation Benefits - Exclusion**

This pension bill provides that a retiree of the Employees' Pension System or the Employees' Retirement System who receives a disability retirement benefit as a former employee (or designated beneficiary of that employee) of a local government that participates in the Maryland State Retirement and Pension System (MSRPS) is not subject to an offset of those benefits due to receipt of workers' compensation benefits. The employee would be subject, however, to an offset of the workers' compensation benefits. This bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Minimal indeterminate increase in employer contributions beginning in FY 2000. Revenues would not be affected.

Local Effect: Reduction in workers' compensation claims of approximately \$68,400 per year for local governments that participate in the MSRPS.

Small Business Effect: None.

Fiscal Analysis

Background: Employees of local governments participating in the State pension system who are disabled as a result of work-related accidents are entitled to both workers' compensation benefits and disability retirement benefits. The law makes clear, however, that one of these benefits must be reduced to take account of the other. Prior to 1997, the law stated that as a universal policy, the disability retirement benefit would be reduced to offset the workers' compensation benefit for all MSRPS members. Chapter 279 of 1997, however,

prohibits the retirement agency from offsetting disability benefits that are paid to the “non-teacher” members of participating boards of education against workers’ compensation awards that are paid or payable after the date of retirement. Instead, the boards of education will reduce the workers’ compensation benefit to offset against the disability pension benefit.

The proposed legislation would apply the same offset policy to other local governmental units that participate in the MSRPS and pay their own retirement contributions. In general, where the State pays the retirement contribution (e.g., teachers, State employees), the MSRPS would benefit from the offset. Where the participating employer pays the retirement contribution, the participating employer would take the offset from its workers’ compensation costs.

State Expenditures: Under the legislation, more disability benefits would be paid because fewer disability benefits would be offset for workers’ compensation payments. Currently, the retirement agency recovers approximately \$570,000 in workers’ compensation offsets. Assuming that 12% of current dollars being recovered comes from all participating governmental units (approximate percentage of municipal retirees to total retirees in teacher and employee systems), the retirement agency would not recover about \$68,400 per year that is currently recovered. These additional liabilities would be reflected in the system’s contribution rates. The resulting increase in State retirement expenditures would be negligible.

Local Expenditures: Local governments that participate in the MSRPS would recover about \$68,400 in workers’ compensation benefits. Such savings may result in a rate reduction for these affected employers.

Information Source(s): State Retirement Agency, Department of Legislative Services

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