

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 132 (Delegate Proctor, *et al.*)
Appropriations

Budget and Taxation

Judges' Retirement System - Reemployment of Retirees - Community Colleges

This pension bill exempts retirees of the Judges' Retirement System (JRS) from the reemployment earnings limitation if they are reemployed as a member of the faculty of a community college in the State.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Potential minimal increase in State employer pension contributions if JRS members retire earlier than anticipated because of the absence of reemployment earnings limitations.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Retirees of the JRS (like all members of the State Retirement and Pension System (SRPS)) who receive a service retirement allowance or vested allowance may return to temporary, contractual, or permanent employment with a participating employer of the SRPS. Current law, however, requires a reduction in the retirees' allowance dollar for dollar by the amount any earnings from such a participating employer exceed the difference between the retirees' basic allowance at time of retirement and the retirees' average final salary, with certain exceptions. The retiree must

advise the board of trustees of the SRPS in writing of any employment with a participating employer and the amount of annual compensation earned with the participating employer. The earnings limitation does not apply to retirees who are temporarily assigned to sit in a State court under the authority of Article IV, Section 3A of the Maryland Constitution.

As an example, assume that a JRS member retires with 16 years of service effective July 1, 2001. The member's average final salary at time of retirement is \$115,000 (the current circuit court judges' salary) and the basic annual allowance is \$76,667 (two-thirds of an active judge's salary). The earnings limitation -- the difference between the average final salary and the annual basic allowance -- is \$38,333. This is the maximum amount the member can earn with a participating employer without a pension reduction. Any reemployment salary above this amount triggers a dollar for dollar reduction in pension benefits.

Under current law, as well as under the bill, retired members do not accrue additional pension service credit if they are reemployed with a participating employer. They do, however, receive their retirement benefit simultaneously with their reemployment salary.

State Expenditures: There are currently 283 active members of the JRS and 285 retired members. The reemployment earnings limitation serves to discourage retired JRS members from returning to employment with a participating employer. The limitation also serves, however, to discourage active members from retiring and shortly thereafter returning to work with any participating employer.

The State Retirement Agency advises that it is currently not reducing the pension benefits of any JRS members. There would therefore be little impact on administrative expenditures or offset collections from exempting JRS members from the earnings limitation under these circumstances.

Given the generous pension benefits provided under the JRS, it is unlikely that large numbers of retired JRS members would seek reemployment under this bill. The State's actuary advises, however, that if the absence of a reemployment earnings limitation encourages JRS members to retire earlier than they otherwise would, State retirement liabilities will increase. The amount of such increase cannot be reliably estimated at this time.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510