

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 599
Budget and Taxation

(Senator Lawlah)

State Police Retirement Systems - Disability Retirements

This pension bill mandates a special disability retirement benefit for a State Police Retirement System member who: (1) was terminated as unfit for duty on or after August 1, 1990; (2) had an special disability application filed on the member's behalf on or before April 1, 1993; and (3) was denied the disability application on or before August 1, 1995 by the Board of Trustees of the State Retirement and Pension System.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: State pension liabilities would increase by \$327,000, resulting in increased pension contributions by the Department of State Police (general funds) of \$23,100 beginning in FY 2003, increasing 5% per year thereafter based on actuarial assumptions.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A member of the State Police Retirement System is eligible to receive a special disability retirement allowance if the member is totally and permanently incapacitated for duty arising out of or in the actual performance of duty without willful negligence by the member. The system's medical board must find that: (1) the member is totally incapacitated, either mentally or physically, from the further performance of duty; (2) the incapacity is likely to be permanent; and (3) the member should be retired. If approved, the member receives a benefit based on two-thirds of the average final compensation (average of the three highest years), plus an annuity based on the member's accumulated contributions (employee contributions with interest).

Background: The bill would permit a member to receive a special disability benefit without a finding by the SPRS's medical board of a permanent and total disability. The special disability therefore would be paid because the State Police found the individual unfit (for whatever reason) to serve as a police officer.

State Expenditures: The State Retirement Agency advises that it is aware of no current members, and only one former member, who could be affected by this proposal. (The bill would need to be amended to clarify that it applies to former members as well.) The former member of which the agency is aware was terminated from employment as of August 14, 1990. An application for special disability was received as of April 26, 1993. The board of trustees denied his application as of August 24, 1995. The former member elected to withdraw from the State Police Retirement System effective October 31, 1996, received a refund of his employee contributions with interest, and signed forms stating that he forfeited any future claims for credit based on this service.

Assuming an average final compensation of \$25,000, resulting in an annual disability benefit of \$16,500, the State's actuary estimates that system liabilities would increase by \$327,000. Amortizing these liabilities over 18 years (through fiscal 2020) would result in additional pension contributions of \$23,100 in fiscal 2003. Future year payments would increase by 5% per year based on actuarial assumptions.

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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ncs/jr

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