

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 873
Budget and Taxation

(Senator Miller)

Judges' Retirement System - Early Service Retirement Allowance

This pension bill provides members of the Judges' Retirement System (JRS) with an early retirement allowance, allowing them to retire with less than 16 years of service, if the member has at least 12 years of service and is at least age 55. Members taking the early retirement allowance would be subject to an actuarial reduction.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: None. The actuarial reduction factor applied to early retirement allowances is estimated to be cost-neutral.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: On retirement a member is entitled to receive an early service retirement allowance that equals the normal service retirement allowance prorated to reflect the number of years of service and multiplied by 0.66% for each month (or 7.92% for each year) that the member's early retirement date precedes the date the member will be 60 years old.

Current Law: Members of JRS may receive a normal service retirement upon attaining age 60 or upon retirement by order of the Court of Appeals, with at least 16 years of

eligibility service. If a member is age 60 with less than 16 years of service, the allowance is prorated accordingly. There is no provision for an early retirement allowance.

Background: There are currently 281 active members of JRS and 297 retirees. JRS members receive a service retirement allowance equal to 2/3 of the current salary for an active judge holding a comparable position. Members are required to contribute 6% of pay during the first 16 years of service. The fiscal 2003 employer contribution rate for JRS is 43.92% of pay.

State Expenditures: The State's actuary informally estimates that the early retirement reduction is essentially the actuarial equivalent of the normal service retirement, because the reduction factor reflects the shorter period in which the State and member contribute to fund the benefit and the longer period in which the member collects the benefit. Hence, the proposal is essentially cost-neutral.

The Administrative Office of the Courts advises that judges would become eligible for early retirement under this bill as follows: fiscal 2003: 15; fiscal 2004: 22; fiscal 2005: 23; fiscal 2006: 25; and fiscal 2007: 25.

Because all judges in comparable positions earn the same salary, there is no impact on salary costs if additional judges take early retirement. The Administrative Office of the Courts notes that it may be required to utilize temporary judges if there are delays in confirming new judges to replace retired judges.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts), State Retirement Agency, Milliman USA, Department of Legislative Services

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lsc/jr

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