

Department of Legislative Services
Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 564 (Senator Jimeno)
Budget and Taxation

Anne Arundel County Circuit Court Employees - Pension and Retirement Health Benefits

This pension bill allows former Anne Arundel County Circuit Court employees who were participants in the Anne Arundel County Retirement and Pension System and who become State employees employed by a State appellate court to remain in the Anne Arundel County Retirement and Pension System.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: Minimal decrease in State pension contributions, assuming one appellate court employee remains in the county pension system at a contribution rate slightly lower than the applicable State rate.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An employee of the Anne Arundel County Circuit Court who is transferred on or before January 1, 2003 into the State Personnel Management System as an employee of an appellate court may elect to either: (1) remain as a participant in the Anne Arundel County Retirement and Pension System; or (2) become an enrollee in the Employees' Pension System of the State of Maryland.

As long as the employee remains employed by the appellate court, the appellate court must provide to Anne Arundel County the appropriate employer and employee pension contributions for employees who remain in the county system. The State may limit the employer contribution rate paid under the bill to the employer contribution rate paid by the State for State employees under the State Personnel Management System if the county rate is higher than the State rate.

A retiree covered under the bill who elected to remain in the Anne Arundel County Retirement and Pension System may receive retirement health benefits provided to retirees under the Anne Arundel County Retirement and Pension System if the State each month reimburses the county an amount equal to the employer's contribution for those health benefits; however, the appellate court may limit its contributions to the contribution rate paid by the State for State employees under the State Personnel Management System. In that case, the retiree would be responsible for the difference.

Current Law: Title 37 of the State Personnel and Pensions Article governs transfer of pension service credit when individuals move among public pension plans in Maryland. For contributory plans (i.e., that require a member contribution, such as the State's Employees' Pension System and the Anne Arundel County plan), the law allows the member to transfer all service credit from the plan of their prior employer to that of their new employer. All prior member contributions, however, must be transferred at that time.

Background: In certain instances -- normally when groups of employees are involuntarily transferred from State to local employment or vice versa -- the affected employees are sometimes given the option to remain in their prior pension plan. There is no existing provision in the law to allow an individual or individuals voluntarily transferring to State employment to remain a member of their prior pension plan.

In this case, it is assumed that the affected employee will remain in the county system because it offers a 2% per year accrual rate (60% of average final compensation after 30 years), versus the State's 1.4% accrual rate for service after July 1, 1998 (42% of average final compensation after 30 years). The county system requires a 4% employee contribution while the State requires a 2% contribution on service since July 1, 1998.

State Expenditures: The Department of Legislative Services believes that this bill will affect one employee who transferred to the State Court of Appeals as support staff to a newly appointed judge. The bill allows the transferred employee to remain in the county pension system with the State reimbursing the county for the pension costs. The county's pension contribution rate is approximately 3.25% of pay, versus the State's rate of 5.74%. Thus, the amount reimbursed to the county by the Administrative Office of the Courts

would be slightly less than the amount paid under the applicable State pension contribution rate.

The county advises that retiree health insurance costs are approximately \$4,325 per year per retiree. The State's retiree health costs are difficult to ascertain, but a 1998 study by the Segal Company, the State's health insurance actuary, estimated the cost of the State's subsidy for retiree health to be \$4,362 for fiscal 2003. Thus, to the extent that this employee remains in the county pension system and utilizes retiree health insurance through the county and the State reimburses the county for the county's retiree health insurance costs, there should be no net fiscal impact.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 18, 2002
lc/jr

Analysis by: Matthew D. Riven

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