

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 1111
 Appropriations

(Delegate Patterson, *et al.*)

State Police Retirement System - Disability Retirements

This pension bill mandates an ordinary disability retirement benefit for a State Police Retirement System (SPRS) member who: (1) was terminated as unfit for duty on or after August 1, 1990; (2) had a special disability application filed on the member's behalf on or before May 1, 1993; (3) was denied the disability application on or before September 1, 1995 by the pension system; (4) withdrew accumulated member contributions on or before November 1, 1996; and (5) repays the withdrawn contributions.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: State pension liabilities would increase by \$101,500, resulting in increased pension contributions by the Department of State Police (general funds) of \$5,700 beginning in FY 2005, increasing 5% per year thereafter based on actuarial assumptions.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	5,700	6,000	6,300	6,600
Net Effect	\$0	(\$5,700)	(\$6,000)	(\$6,300)	(\$6,600)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A member of SPRS is eligible to receive an ordinary disability retirement allowance if the member has at least five years of eligibility service and the pension system's medical board finds that the member is mentally or physically incapacitated for the further performance of the normal duties of the member's position; the incapacity is likely to be permanent; and the member should be retired.

State Expenditures: The State Retirement Agency advises that it is aware of only one former member who could be affected by this proposal. This former member was terminated from employment and applied for special disability. The pension board denied his application based on a determination by its medical board that there was no accidental disability. The former member elected to withdraw from SPRS, 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 \$6,765, the State's actuary estimates that system liabilities would increase by \$101,500, after reflecting repaid contributions. Amortizing these liabilities over 25 years would result in additional pension contributions of \$5,700 in fiscal 2005. Future year payments would increase by 5% per year based on actuarial assumptions.

Additional Information

Prior Introductions: SB 278 of 2002, an identical bill as amended, passed the Senate but received an unfavorable report from the House Appropriations Committee.

Cross File: SB 318 (Senator Lawlah) – Budget and Taxation.

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

Fiscal Note History: First Reader - March 6, 2003
ncs/jr

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