

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 753

(Senator Lawlah)

Budget and Taxation

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 special disability by the board of trustees of SPRS on or before September 1, 1995; (4) withdrew accumulated member contributions on or before November 1, 1996; and (5) repays the withdrawn contributions on or before December 31, 2004.

The bill takes effect July 1, 2004.

Fiscal Summary

State Effect: State pension liabilities would increase by \$102,000, resulting in increased pension contributions by the Department of State Police (general funds) of \$6,200 beginning in FY 2006. Future year expenditures reflect actuarial assumptions.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	6,200	6,400	6,700	6,900
Net Effect	\$0	(\$6,200)	(\$6,400)	(\$6,700)	(\$6,900)

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 one former member who would be affected by this proposal. This former member was terminated from employment and applied for special disability. The pension board denied the member's 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 the member forfeited any future claims for credit based on this service.

Assuming an average final compensation of \$24,555, resulting in an annual disability benefit of \$8,594, the State's actuary estimates that system liabilities would increase by \$102,000, after reflecting repaid contributions. Amortizing these liabilities over 25 years would result in additional pension contributions of \$6,150 in fiscal 2006. Future year payments would increase based on actuarial assumptions.

Additional Information

Prior Introductions: In 2003, SB 318, a similar bill, passed the Senate and received an unfavorable report from the House Appropriations Committee

Cross File: None.

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

Fiscal Note History: First Reader - March 23, 2004
mh/mdr

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