

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 757

(Senator Miller)

Budget and Taxation

Appropriations

Judges' Retirement System - Military Service

This pension bill provides that a member of the Judges' Retirement System (JRS) may claim up to 5 years of military service credit after 8, instead of 10, years of service.

Fiscal Summary

State Effect: Potentially significant increase in pension system liabilities. The magnitude of the increase depends on the extent to which individuals terminate employment after having accumulated from 8 to 10 years of service.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Currently, retirement law grants service credit (up to five years of service) for active military service that occurred prior to enrollment as well as service in the Maryland National Guard. The member must have accrued 10 years of creditable service in the State Retirement and Pension System before filing for this military service.

A member of a State system may not receive credit for that active duty military service if the member receives credit for that service from another retirement system for which retirement benefits have been or will be received by the member. This prohibition does not apply to credit for military service provided under the Social Security Act, the National Railroad Retirement Act, Title 3 or Title 10 of the U.S. Code (reserve retirement), or disability payment from a pension or retirement system.

JRS is a 16-year plan with a 6% employee contribution for all service until 16 years. There are 283 JRS members; the average age is 56.2 years and the average salary is \$117,330. All members must retire by age 70.

State Fiscal Effect: A reliable estimate of the total impact on system liabilities cannot be readily discerned at this time. The impact of the bill depends on the number of individuals who would terminate employment with 8 to 10 years of service. After 10 years, these individuals would have received military service credit, and thus would not be affected by the bill. The additional pension liability associated with an affected member is as follows:

<u>Pension System</u>	<u>Normal Cost Rate</u>	<u>Employee Contribution Rate</u>	<u>Average Employee Salary</u>	<u>Liability per Affected Member</u>
Judges' Retirement System	28.15%	6%	\$117,137	\$400,023

The liability associated with each member is a function of the normal cost rate, the employee contribution rate, and the average salary of the employee. All liabilities generated by the bill would then be amortized over a 25-year schedule.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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