

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 1696
 Appropriations

(Delegate James)

Budget and Taxation

Retirement and Pensions - Service Retirement Allowance - Creditable Service

This bill allows “desk officers” of the General Assembly who are members or retirees of the Employees’ Pension System to receive up to five years of service credit for State employment that occurred when they were not members of either the Employees’ Retirement System or Employees’ Pension System.

The bill takes effect July 1, 2006 and terminates December 31, 2006.

Fiscal Summary

State Effect: State pension liabilities increase by \$266,000, resulting in a first-year increase in State pension contributions of \$16,300 in FY 2008. Those contributions are expected to grow by 4% annually thereafter.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	16,300	17,000	17,600	18,300
Net Effect	\$0	(\$16,300)	(\$17,000)	(\$17,600)	(\$18,300)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies to desk officers of the General Assembly who retired on or after January 1, 2005, as well as current desk officers. Desk officer means:

- the Chief Clerk of the House of Delegates;
- the Assistant Chief Clerk of the House of Delegates;
- the Journal Clerk of the House of Delegates;
- the Secretary of the Senate;
- the Assistant Secretary of the Senate; and
- the Journal Clerk of the Senate.

For the purposes of this bill, they may receive a full year of service credit for a full or partial year of employment as desk officers or any other State employment before they were members of the Employees' Pension System (EPS).

Current Law: Members of EPS earn service credit at the rate of one year of credit for any year in which they work at least 500 hours. In the first and last years of employment, employees receive prorated service credit based on the number of hours of employment. They are also entitled to up to five years of service credit for any time spent on active duty in the U.S. military, once they reach 10 years of service in EPS.

EPS members may purchase service credit at full cost (employee and employer shares) for prior employment with:

- the State;
- a political subdivision of the State;
- an out-of-state school as a teacher;
- the federal government;
- an out-of-state political subdivision; or
- a public school as a teacher.

A member of EPS who was employed by the State Senate or House of Delegates for at least 130 days a year before becoming a member of EPS is considered to have been a permanent part-time legislative employee. For legislative employment prior to January 1, 1980, those individuals are entitled to purchase service credit for that period by paying the employee contribution that they would have paid plus interest. For employment since January 1, 1980, they must pay the full cost (both the employer and employee costs, including interest). However, since EPS was a noncontributory system until 1998, for service prior to 1998 there is no employee share to pay.

Background: Until July 1, 2004, desk officers had the option of participating in EPS, but now it is mandatory. The State Retirement Agency is aware of one retired and five

current desk officers who would be affected by this bill. Those individuals would be entitled to up to five years of service credit for their employment as desk officers if they were not members of EPS before July 1, 2004. Otherwise, they would have to pay full cost for that service credit.

State Expenditures: The State Retirement Agency reports that there is one retired member and five current members who are affected by this bill. The active members have an average annual salary of \$45,800, and all six individuals are expected to qualify for the full five years of credit provided by this bill.

Additional Information

Prior Introductions: None.

Cross File: None, but HB 1715 is identical.

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

Fiscal Note History: First Reader - March 16, 2006
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