

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 36
Appropriations

(Delegate Bohanan)

Budget and Taxation

Judges' Retirement System - Employment on Faculty of Public Institution of Higher Education

This bill exempts retirees of the Judges' Retirement System (JRS) from an earnings limitation if they are employed as a faculty member with a public institution of higher education in the State.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: No effect on State pension liabilities or contribution rates.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: In general, JRS retirees are subject to an earnings limitation if they are reemployed by a unit of State government and their last separation from employment was also from a unit of State government. If they meet these criteria, they are subject to a pension benefit reduction equal to:

[annual retirement allowance] + [annual compensation] - [compensation at retirement]

However, judges who are employed by a community college or are temporarily assigned to a State court under Article IV, Section 3A of the Maryland Constitution are exempt from the earnings limitation.

Background: As of June 30, 2007, there were 335 retired members of JRS.

Prior to July 1, 2007, JRS retirees were subject to an earnings limitation if they were reemployed by a unit of State government or a local government. Chapter 334 of 2007 eliminated the earnings limitation for JRS retirees who were reemployed by a local government (including local community colleges), making their earnings limitation consistent with that of other State retirees.

State Fiscal Effect: The State Retirement Agency (SRA) is aware of only one individual to whom this bill could potentially apply. The member retired with an annual salary of \$134,552 and earns a retirement benefit of \$84,343. Prior to retirement, the individual was also teaching at a public institution of higher education, but the agency does not know if the individual is still working in that capacity. Under current law, if the retiree continued teaching after retirement and his compensation as a faculty member exceeded the difference between those two figures (\$50,209), the retirement allowance would be offset by the excess amount. Under this bill, the retiree would be exempt from the benefit offset by SRA, resulting in a marginal "loss." Foregone offsets are not accounted for by the actuary for the State Retirement and Pension System in calculating pension liabilities, so there is no effect on liabilities or State contribution rates.

Additional Information

Prior Introductions: HB 630 of 2007, a similar bill, passed the House and was heard by the Senate Budget and Taxation Committee, but no further action was taken.

Cross File: None.

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

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