

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

House Bill 37  
Appropriations

(Delegate Kullen)

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Judges' Retirement System - Disability Retirement

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This bill allows a member or former member of the Judges' Retirement System (JRS) who has been reappointed or elected to a second term as a judge, and has at least 10 years of service credit before retiring with a disability benefit, to receive a retirement allowance equal to two-thirds of the salary earned by a member holding the same judicial position held by the retiree upon termination of service.

The bill takes effect July 1, 2009.

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Fiscal Summary

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

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Current Law:** A JRS member with 16 years of service is entitled to a retirement allowance equal to two-thirds of the salary paid to a member holding the same judicial position as that held by the retiree upon termination of service. A retiree with less than 16 years of service receives a pro-rated benefit. A JRS member who retires on disability with at least three years of service is entitled to a retirement allowance equal to at least one-third of the member's or former member's salary at the time of retirement. However, if a disabled retiree's pro-rated benefit would be greater than one-third of salary, the member receives the higher pro-rated benefit.

JRS members are eligible to retire at age 60 and must retire at age 70. They pay an employee contribution of 6% of their earnable compensation, up to 16 years. After 16 years of service, they pay no employee contribution.

**Background:** As of June 30, 2008, there were 286 active members of JRS with an average annual salary of \$132,669. There were 342 JRS retirees and beneficiaries with an average annual benefit of \$67,644.

**State Fiscal Effect:** The State Retirement Agency (SRA) is not aware of any current or former JRS member who would qualify for the increased disability benefits provided by this bill. Based on data provided by SRA and the General Assembly's consulting actuary, Legislative Services estimates that this bill could apply to one JRS member who retires on disability every three to five years.

To estimate the bill's potential fiscal effect, Legislative Services developed a hypothetical member profile of a District Court judge who has been reappointed to the bench, has 11 years and 1 month of service credit, and chooses a joint and survivor benefit for his or her spouse. The salary for a current District Court judge is \$127,252; two-thirds of that amount is \$84,835. If the hypothetical member retires on disability during the current fiscal year, he or she is eligible for a pro-rated benefit equal to 46.2% of a judge's salary, or \$58,766. The difference between the two-thirds benefit provided by this bill and the current pro-rated benefit is \$26,069. Based on that figure, the actuary estimates that State pension liabilities increase by \$380,000. Amortizing that amount over 25 years results in a first-year cost of \$25,000 in fiscal 2011. That cost is projected to increase annually according to actuarial assumptions.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Mercer Human Resources Consulting, Maryland State Retirement Agency, Department of Legislative Services

**Fiscal Note History:** First Reader - February 2, 2009  
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