SB 287

Department of Legislative Services

Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

Senate Bill 287 (Senator McFadden)(Chair, Joint Committee on Pensions)
Budget and Taxation

State or Local Retirement or Pension System - Transfer of Service Credit - Ordinary Disability Retirees

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This bill allows a member of a State or local retirement or pension system who retires with an ordinary disability benefit within five years of transferring into a new system to receive the benefits provided by the new system. The bill does not apply to any member whose disability is determined to have been caused by a preexisting condition that existed prior to the transfer.

The bill takes effect July 1, 2009.

Fiscal Summary

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

Local Effect: No discernible effect on local pension liabilities or contribution rates.

Small Business Effect: None.

Analysis

Current Law: A member of a State or local retirement or pension system who changes employers may transfer service credit from the previous system to the new system if:

- there is no break in employment greater than 30 days; and
- the individual applies to transfer service credit to the new system within one year (subject to a waiver by the Executive Director of the State Retirement Agency).

Benefits paid to any member of a local or State retirement or pension plan who retires within five years of transferring into a new system, including those who retire with an ordinary disability benefit, may not be greater than the benefits that would have been paid in the previous system.

A State Retirement and Pension System (SRPS) member is eligible for ordinary disability benefits if the member has at least five years of eligibility service and the medical board certifies that:

- the member can no longer perform his or her duties due to a mental or physical incapacity;
- the incapacity is likely to be permanent; and
- the member should be retired.

Ordinary disability benefits vary by plan.

State Fiscal Effect: The bill results in a negligible increase in State pension liabilities for any individual who transfers into a State system that is more generous than the previous system and then retires on ordinary disability within five years. For instance, the General Assembly's consulting actuary advises that the hypothetical case of a 35-year-old member of the Baltimore Fire and Police Employees' Retirement System with 10 years of service who transfers to the State Police Retirement System and then retires on ordinary disability within one month adds $105,000 to the State's pension liability. State pension contributions in that example increase by $7,000 in the first year. The State Retirement Agency advises that it is aware of just one individual in recent history who retired on ordinary disability within five years of transferring into a more generous State system. For these reasons, Legislative Services believes the bill has no meaningful fiscal effect. Legislative Services notes, however, that the SRPS's medical board does not determine preexisting conditions for ordinary disability so it is unlikely the provision of the bill excluding preexisting conditions would mitigate any fiscal impact of the bill.

Local Fiscal Effect: Negligible increase in local pension liabilities for participating governmental units.

Additional Comments: Although the bill as drafted does not apply to transfers to or from the contributory portions of the Employees' Pension System, Teachers' Pension System, or the Law Enforcement Officers' Pension System, the Joint Committee on Pensions' intent is that the bill apply to all transfers.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mcp/rhh

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