

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 896 (Senator McFadden)
Budget and Taxation

State Police Retirement System - Special Disability Retirees - Reemployment

This bill temporarily suspends the retirement allowance of a special disability retiree of the State Police Retirement System (SPRS) who is employed by a participating employer or any political subdivision of the State in a position that authorizes the individual, by law, to make arrests. The retiree's special disability allowance is reinstated, with accumulated cost-of-living adjustments, only when the retiree no longer is employed in that capacity.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Potential minimal decrease in State pension liabilities in FY 2013 due to the possible suspension of retirement allowances for affected SPRS special disability retirees. The effect on State pension contribution rates is expected to be negligible.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A member of SPRS is entitled to a special disability retirement if the member is totally and permanently incapacitated for duty in the course of performing in the line of duty, without willful negligence on the part of the member. In addition, the State Retirement and Pension System's medical board must certify that the member is

totally incapacitated for duty, that the incapacity is likely to be permanent, and that the member should be retired.

A special disability allowance is equal to the lesser of the member's average final compensation or the sum of an annuity based on the member's accumulated contributions and a pension equal to two-thirds of the member's average final compensation. An SPRS member who is at least normal retirement age and eligible for a special disability retirement receives the greater of a normal service retirement or a special disability allowance.

In general, the State Retirement and Pension System suspends the retirement allowance of any disability retiree who began receiving a disability allowance on or after July 1, 1998, and is employed by a participating employer at an annual compensation that is at least equal to the retiree's average final compensation. A participating employer includes any State agency or participating governmental unit. However, SPRS and other State and local law enforcement disability retirees are exempt from this provision and therefore are not subject to any suspension of benefits for reemployment.

Background: SPRS has 1,408 active members and 2,226 retirees. Members pay 8% of earnable compensation during employment and are eligible for a normal service retirement at age 50 or with 22 years of eligibility service. Their normal service retirement allowance is equal to 2.55% of their average final compensation for each year of service, up to 28 years. SPRS members have mandatory retirement at age 60.

State Fiscal Effect: The Maryland State Police (MSP) is aware of approximately 5 to 10 SPRS special disability retirees who are employed as police officers by either State or local law enforcement agencies. Neither MSP nor Legislative Services can predict whether, if this bill is enacted, these individuals will remain employed or choose to leave their employment. If they remain employed, their retirement allowances will be suspended, generating a savings to the State Retirement and Pension System that will be reflected in the June 30, 2011 actuarial valuation, which determines State contribution rates for fiscal 2013. If they leave their current employment, there is no effect on system finances. Given the small number of individuals affected and the potential for some to leave their current employment, the overall savings generated by the bill is expected to be negligible and have no discernible effect on State pension liabilities or contribution rates.

Additional Information

Prior Introductions: None.

Cross File: HB 509 (Delegates G. Clagett and DeBoy) - Appropriations.

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

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