

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 334
Appropriations

(Delegate Griffith)(Chair, Joint Committee on Pensions)

State Retirement and Pension System - Completing and Submitting an
Application for Service Retirement

This bill allows a department head, State or local superintendent of schools, and the Secretary of State Police to complete and submit an application for normal service retirement instead of disability retirement on behalf of a member who is unable to do so. The authority applies only if, after consulting with the State Retirement Agency, it is determined that it is in the member's best interest to apply for a normal service retirement benefit instead of a disability benefit.

The bill takes effect July 1, 2011.

Fiscal Summary

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

Local Effect: No discernible effect on pension liabilities or contribution rates for participating governmental units.

Small Business Effect: None.

Analysis

Current Law: Exhibit 1 describes key characteristics of the major retirement and pension plans within the State Retirement and Pension System (SRPS).

Exhibit 1
Key Characteristics of State Retirement and Pension Plans

	<u>Employees and Teachers</u>	<u>State Police</u>	<u>Correctional Officers' System</u>	<u>Law Enforcement Officers' System</u>	<u>Judges</u>
Participation	Condition of employment	Condition of employment	Condition of employment	Condition of employment	Condition of employment
Vesting	5 years of service	5 years of service	5 years of service	5 years of service	Immediate
Employee Contribution	5% of salary	8% of salary	5% of salary	4% of salary	6% of salary (for 16 years)
Service Retirement Conditions	Age 62 or 30 years (age 55 with 15 years reduced benefit)	Age 50 or 22 years of service	20 years service, with at least the last 5 years as correctional officer	Age 50 or 25 years of service	Age 60
Allowance	1.8% per year of service after 7/1/98; plus 1.2% per year of service prior to 7/1/98	2.55% per year of service	1.8% per year of service	2.0% per year if subject to the LEOP's modified pension benefit; otherwise 2.3% for first 30 years and 1.0% for each year thereafter	2/3 of active judge's salary at 16 years
Post Retirement Adjustments	Limited to 3% annual COLA	Unlimited annual COLA	Unlimited annual COLA	Limited to 3% annual COLA	Based on salary of active judges

COLA = cost-of-living adjustment
Source: Department of Legislative Services

With the exception of judges and legislators, members of SRPS are eligible for an *ordinary* disability benefit if they are incapacitated for duty after five years of service; judges are eligible without regard to years of service and legislators are eligible after eight years of service. Ordinary disability benefits vary by system. For members of the Teachers' Pension System and Employees' Pension System, the ordinary disability

HB 334/ Page 2

benefit is computed as though members had continued to accrue service credits until age 62 without any change in the rate of earnable compensation. For members of the State Police Retirement System, the annual benefit equals the full service retirement allowance based on accumulated service and average final salary, or 35% of members' average final salary, whichever is greater.

Also with the exception of judges and legislators, SRPS members are eligible for an *accidental* disability benefit if they are permanently and totally disabled due to an accident in the performance of duty. In all cases, the benefit equals two-thirds of the member's salary plus an annuity based on accumulated member contributions. Judges and legislators are not eligible for an accidental disability benefit under any circumstances.

A department head, State or local superintendent of schools, and the Secretary of State Police may complete and submit an application to the Board of Trustees of SRPS for a disability benefit for a member who is unable to do. In addition, the Secretary of State Police may submit a disability application for a member of the State Police Retirement System who refuses to do so if:

- the Secretary believes that the member is permanently physically or mentally incapable of performing assigned duties;
- there is sufficient medical evidence from an independent medical practitioner with the appropriate expertise to support the Secretary's determination of permanent disability;
- the onset of the disability occurred at least one year earlier; and
- administrative leave allowed under current law has expired.

Background: The State Retirement Agency has determined that, in a limited number of cases, a member who is eligible for a disability benefit but is unable to complete and submit the application may be eligible for and derive a better benefit with a normal service retirement. However, department heads, school superintendents, and the Secretary of State Police lack the authority to submit an application for a normal service retirement if the member is unable to do so.

State Fiscal Effect: The State Retirement Agency advises that it receives only one or two disability applications each year on behalf of members who are unable to submit them, most of whom are not also eligible for a normal service retirement. In a limited number of cases, the bill may result in some of these members receiving a slightly higher benefit than is available under a disability benefit. Given the limited applicability of the bill, any increase in benefits does not have a discernible effect on State pension liabilities or contribution rates.

Local Fiscal Effect: The State Retirement Agency advises that it receives only one or two disability applications each year on behalf of members who are unable to submit them, most of whom are not also eligible for a normal service retirement. In a limited number of cases, the bill may result in some of these members receiving a slightly higher benefit than is available under a disability benefit. Given the limited applicability of the bill, any increase in benefits does not have a discernible effect on participating governmental unit pension liabilities or contribution rates.

Additional Information

Prior Introductions: None.

Cross File: SB 360 (Senator Jones-Rodwell)(Chair, Joint Committee on Pensions) - Budget and Taxation.

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

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