

Department of Legislative Services  
Maryland General Assembly  
2021 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 607

(Health and Government Operations Committee)

Health and Government Operations and  
Appropriations

Budget and Taxation

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**Judges' Retirement System - Retiree Health Benefits - Mandatory Retirement**

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This bill makes an individual who retires directly from the Judges' Retirement System (JRS) at the mandatory retirement age and with fewer than five years of creditable service eligible to enroll and participate in the health insurance benefit under the State Employee and Retiree Health and Welfare Benefits Program (State plan). It also entitles the retiree or the retiree's surviving spouse or dependent child to a State subsidy of the insurance premium equal to one-sixteenth of the full State subsidy for each year of the retiree's creditable service. **The bill takes effect June 1, 2021.**

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**Fiscal Summary**

**State Effect:** State retiree health liabilities and expenditures (all funds) increase minimally, as discussed below. Revenues are not affected.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Current Law:**

*Mandatory Retirement for Judges*

Article IV, § 3 of the Maryland Constitution institutes mandatory retirement for all circuit, District, and appellate court judges at age 70. However, retired judges, except retired Orphans' Court judges, may be appointed on a temporary basis by the Chief Judge of the Court of Appeals to serve as a judge on any court except an Orphans' Court, regardless of

age. Exceptions allow former circuit court judges in Harford and Montgomery counties to perform acts that a judge of the Orphans' Court in their respective counties is authorized to perform.

#### *Judges' Retirement System – Retirement Benefit Eligibility*

A member of JRS is entitled to a normal retirement allowance if the member:

- is at least age 60 with at least five years of eligibility service at the time of retirement;
- resigns because of a disability at the recommendation of the medical board;
- retires by order of the Court of Appeals with at least five years of eligibility service;
- retires at mandatory retirement age with fewer than five years of eligibility service, if the eligibility service equals the mandatory retirement age minus the member's age when the member first became a member; or
- upon attaining age 60, is a former member who terminated service before reaching age 60 and had at least five years of eligibility service at the time of termination.

#### *Retiree Eligibility for Health Insurance Coverage and Subsidies*

Statute requires the Secretary of Budget and Management to develop and administer the State plan to provide health insurance benefit options to employees of all units in the Executive, Judicial, and Legislative branches, including units with independent personnel systems. The plan must include health benefit options established by the Secretary.

Upon their retirement, and provided they receive a retirement allowance from the State Retirement and Pension System, retired State employees may enroll and participate in any of the health insurance options provided by the State plan. In addition, active State employees earn eligibility for a partial State subsidy of the cost of health insurance coverage when they retire.

Chapter 397 of 2011 established new eligibility requirements for retirees to enroll in the State plan and qualify for the premium subsidy. For purposes of the bill, a retiree of JRS is eligible to enroll and participate in the State plan if he or she (1) retired directly from State service with a retirement allowance and (2) had at least five years of creditable service. A JRS retiree must have at least 16 years of service to receive the same subsidy of health insurance premiums that is provided to active employees, specifically:

- 80% of preferred provider organization premiums;
- 83% of point of service premiums; and

- 85% of premiums for exclusive provider organizations and integrated health models.

If a retiree has fewer than 16 years of State service (but at least five years), the benefit is prorated.

**State Expenditures:** As of June 30, 2020, JRS had 324 active members and 441 retirees. The bill provides a State-subsidized health insurance benefit to individuals who are not currently eligible for coverage under the State plan (*i.e.*, those who have fewer than five years of service). It also provides a prorated State subsidy of the premium for that coverage. The Administrative Office of the Courts advises that there are currently two active judges who are scheduled to reach mandatory retirement age before completing five years of service and, therefore, may benefit from the bill's provisions if they wish to enroll in the State plan. Moreover, counsel to the General Assembly advises that individuals who already retired from JRS and qualify under the bill likely are eligible to enroll in the State plan. However, the State Retirement Agency is aware of only one judge in the past six years who retired at mandatory retirement age with fewer than five years of service. Therefore, the overall effect on State retiree health liabilities and expenditures is expected to be minimal. To the extent that more judges older than age 65 are appointed to the courts, retiree health liabilities and costs may increase in future years.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** State Retirement Agency; Judiciary (Administrative Office of the Courts); Department of Legislative Services

**Fiscal Note History:** First Reader - February 8, 2021  
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Revised - Amendment(s) - April 12, 2021  
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