

Department of Legislative Services
Maryland General Assembly
2022 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 486
Appropriations
(Delegate Ebersole)

State Retirement and Pension System - Prorated Payment of Benefits on Death

This bill requires that, when a retiree of the State Retirement and Pension System (SRPS) dies, the SRPS Board of Trustees pay a prorated survivor benefit to the retiree's designated beneficiary or estate (if there is no beneficiary) for the month in which the death occurred. Similarly, it requires, when a beneficiary dies, that the SRPS Board of Trustees pay a prorated benefit to the beneficiary's estate for the month in which the death occurred. **The bill takes effect July 1, 2022.**

Fiscal Summary

State Effect: The bill is not anticipated to have a meaningful effect on State pension liabilities or contribution rates as any changes in monthly benefit payments likely net to zero. However, the bill may have operational effects on the State Retirement Agency (SRA), as discussed below. No effect on revenues.

Local Effect: As with the State, the bill is not anticipated to have a meaningful effect on pension liabilities or contributions for participating governmental units in SRPS. No effect on revenues.

Small Business Effect: None.

Analysis

Current Law: If a retiree of SRPS dies on or before the fifteenth day of a month, the SRPS board does not pay any portion of the retiree's allowance to the designated beneficiary or the retiree's estate for the month in which the death occurred. Similarly, if a

beneficiary dies on or before the fifteenth day of a month, the SRPS board does not pay any portion of the beneficiary's allowance for that month to the beneficiary's estate.

If a retiree or beneficiary of SRPS dies after the fifteenth day of a month, the SRPS board pays the full allowance payable for that month to the beneficiary or estate, as appropriate.

State Fiscal Effect: SRA advises that the current policy regarding payment of survivor benefits was enacted in 2005 because SRA determined that many beneficiaries did not have open estates into which final partial payments could be made. This resulted in SRA maintaining a substantial number of unclaimed benefits in open accounts. SRA advises, therefore, that the bill may have a similar effect.

SRA further advises that it will have to reprogram the Maryland Pension Administration System to allow for payment of prorated benefits. This may have a short-term disruptive effect on members' and retirees' access to their individual accounts on the MySRPS online portal.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Department of Budget and Management; State Retirement Agency; Department of Legislative Services

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