

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 188

(Senator Brochin, *et al.*)

Budget and Taxation

State Retirement and Pension System - Military Service Credit - Exception

This bill allows a member of the Judges' Retirement System (JRS) who has at least 8 years of service credit earned as a member of JRS, but is subject to mandatory retirement prior to earning 10 years of service credit, to claim service credit for military service that preceded membership in the State Retirement and Pension System (SRPS).

The bill takes effect July 1, 2014, and terminates June 30, 2015.

Fiscal Summary

State Effect: State pension liabilities increase by approximately \$58,000 for each year of additional service credit claimed under the bill, resulting in State pension contributions increasing by \$4,000 (general funds) in FY 2017, and increasing each year thereafter according to actuarial assumptions. Based on one individual being affected by the bill, a maximum of five years of additional service credit can be claimed under current law, resulting in a maximum first-year cost of \$20,000. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law:

Judges' Retirement System

Article IV, § 3 of the Maryland Constitution institutes mandatory retirement for judges at age 70.

Eligibility requirements for normal service retirements under JRS differ for members who joined before July 1, 2012, and those who joined on or after that date. Members who joined prior to that date vest immediately and are eligible to retire at age 60. Members who joined on or after that date vest after five years and are also eligible to retire at age 60. A full service retirement is equal to two-thirds of the salary of a judge sitting in a similar position as the retiree at the time of termination of employment or retirement; retirees with fewer than 16 years of service in JRS receive a prorated benefit based on their years of service.

Military Service Credit

In general, any member or vested former member of SRPS who accrues 10 years of service credit through employment as a member of a State system may receive one year of additional service credit for each year of *active* military duty – including active duty performed as a member of a reserve or National Guard unit – performed prior to membership in SRPS, up to a maximum of five years. That credit is granted at no cost to the member or former member. Prior to July 1, 2011, a member or former member who applied for credit for military service that preceded membership in a State system received credit at the accrual rate in effect at the time of retirement. However, a member who applies on or after that date receives credit using the accrual rate in effect when the application for credit is submitted to SRPS.

SRPS members or vested former members who claim credit for the same military service from another retirement system may not receive military service credit from SRPS, unless they claimed credit for that military service under:

- the Social Security Act;
- the National Railroad Retirement Act; or
- Title 3 or Title 10 of the U.S. Code (National Guard and Reserve pensions).

Members or vested former members who received military service credit for disability benefits from any pension or retirement system may also claim military service credit from SRPS.

Background: The State Retirement Agency is aware of one individual who is affected by this bill. The individual is a member of JRS and will turn 70 between July 1, 2014 (the bill's effective date), and June 30, 2015 (the bill's termination date). At the time of mandatory retirement, the individual will have nine years, five months of service credit and, therefore, will not be eligible to claim service credit for prior military service. The agency is not aware of how much military service the individual would be eligible to receive, but under statute it could not be more than five years. If the member claims the

full five years, military service credit would account for about one-third of the retirement benefit.

The agency notes that, if the bill did not terminate, an additional eight JRS members would be affected by the bill.

Additional Information

Prior Introductions: None.

Cross File: HB 128 (Delegate Frank) - Appropriations.

Information Source(s): Judiciary (Administrative Office of the Courts), Cheiron, Maryland State Retirement Agency, Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2014
ncs/rhh

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