

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 860

(Delegate B. Barnes)(Chair, Joint Committee on
Pensions)

Appropriations

Budget and Taxation

Employees', Teachers', and Correctional Officers' Systems - Active Members -
Death Benefits

This bill provides a survivor benefit equal to 50% of the basic allowance that would have been paid to the deceased member to specified surviving children of specified deceased members of State retirement and pension plans if there is no surviving spouse. It also allows specified surviving children to enroll in the State Employee and Retiree Health and Welfare Benefits Program (State plan) under specified circumstances. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Since it is assumed that the bill applies in a limited number of cases, it has only a negligible effect on State pension and other postemployment benefits (OPEB) liabilities. No discernible effect on State pension contributions and only a potential minimal effect on State expenditures for employee and retiree health coverage. No effect on revenues.

Local Effect: No discernible effect on local pension contributions.

Small Business Effect: None.

Analysis

Bill Summary: If a member of the Correctional Officers' Retirement System (CORS), Employees' Retirement System (ERS), or the Teachers' Retirement System (TRS) dies without a surviving spouse and that member was *either* eligible to retire *or* age 55 or older

with at least 15 years of service, then a surviving child younger than age 26, or a surviving disabled child regardless of age, may elect to receive either:

- a regular death benefit consisting of a lump sum payment consisting of the member's accumulated contribution and, under specified circumstances, the member's annual compensation; or
- an allowance equal to 50% of the basic allowance that would have been paid to the deceased member.

The bill includes identical provisions for members of the Employees' Pension System (EPS) and Teachers' Pension System (TPS) if the member (1) was eligible to retire; (2) had at least 25 years of service; or (3) was eligible for early retirement under current law. The bill also specifies how the benefits are to be divided among multiple children.

Any surviving child receiving an allowance (but not the lump sum payment) under the bill is eligible to enroll in the State plan until reaching age 26. A disabled surviving child may continue to receive an allowance and be enrolled in the State plan beyond age 26.

Current Law: In general, when an active member of the State Retirement and Pension System (SRPS) dies, the designated beneficiary is entitled to a lump sum death benefit consisting of:

- the member's accumulated contributions; and
- if the member died in the course of performing his or her duties or had at least one year of service credit, the member's annual compensation.

If the member had more than one designated beneficiary, each beneficiary receives an equal share of the death benefit. If no beneficiary is designated, the payment is made to the deceased member's estate.

Spouses of members of CORS, ERS, and TRS who, at the time of their death, are either eligible for retirement or are age 55 or older with at least 15 years of service may elect to receive a 100% joint and survivor annuity instead of the regular death benefit.

Similarly, spouses of members of EPS and TPS who, at the time of their death, are (1) eligible for retirement; (2) have 25 years of service credit; or (3) are age 55 or older with at least 15 years of service may elect to receive a 100% joint and survivor annuity payment instead of the regular death benefit.

Members of EPS and TPS who are not subject to the Reformed Contributory Pension Benefit (RCPB) are eligible for early retirement when they reach age 55 and have at least

15 years of service credit. EPS and TPS members who are subject to RCPB are eligible for early retirement when they reach age 60 and have at least 15 years of eligibility service.

Specified surviving spouses, children, and parents who are receiving an allowance from SRPS are eligible to enroll in the State plan. Beneficiaries who receive a lump sum death benefit are not eligible to enroll in the State plan.

State Expenditures: The bill increases State pension liabilities to the extent that an allowance – instead of the regular death benefit – is paid to surviving children under the bill. The State Retirement Agency reviewed records of in-service deaths for the past five years and found that the bill would have applied to, at most, 12 cases in any given year. However, some of the identified members may not have had surviving children who would have qualified for the allowance (*i.e.*, either disabled or younger than age 26), so the effect may be even less. Given the limited applicability of the bill, it has only a negligible effect on State pension liabilities and no discernible effect on State pension contributions.

Similarly, the bill increases the number of surviving children who become eligible to enroll in the State plan by virtue of receiving an allowance from SRPS. However, given the limited number of children who become eligible, the bill has only a negligible effect on the State's OPEB liabilities, and it may have only a minimal effect on State expenditures for health coverage to the extent that eligible children enroll in the State plan.

Additional Information

Prior Introductions: None.

Cross File: SB 828 (Senator Griffith)(Chair, Joint Committee on Pensions) - Budget and Taxation.

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

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