

Department of Legislative Services  
Maryland General Assembly  
2010 Session

FISCAL AND POLICY NOTE  
Revised

Senate Bill 709

(Senator Kasemeyer)

Budget and Taxation

Appropriations

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State Retirement and Pension System - Disability Retirement Application -  
Surviving Beneficiary

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This bill allows the surviving beneficiary of a deceased member of designated plans within the State Retirement and Pension System (SRPS) to file an application for disability retirement benefits on behalf of the deceased member if (1) a preliminary application or application for disability benefits is signed and dated by the deceased member within seven days before his or her death; and (2) is received by the Board of Trustees on or before 30 days after his or her death.

The bill takes effect June 1, 2010, and applies retroactively to any member of the Employees' Retirement System (ERS) or Employees' Pension System (EPS) who died on or after May 1, 2009, while employed by the State.

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Fiscal Summary

**State Effect:** Negligible increase in State pension liabilities and employer contribution rates due to the bill's retroactive provision. Prospective costs are also expected to be negligible due to the bill's limited application.

**Local Effect:** None.

**Small Business Effect:** None.

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Analysis

**Bill Summary:** The Board of Trustees of SRPS must review an application submitted under the terms specified in the bill to determine if the member's signature is valid. For a

signature to be considered valid, the surviving spouse must submit an affidavit signed by a third party who witnessed the former member signing the application or preliminary application. The board's medical board must review the application to determine if the member was eligible for disability retirement at the time the application was signed. If the board concludes that the signature is valid and the member would have qualified for disability benefits, the board must grant a disability retirement benefit. The benefit is effective retroactively to the first day of the month after the board received the application.

**Current Law:** In general, an application for disability retirement must be submitted before membership in SRPS ends. Membership ends upon:

- the passage of four years after paid employment terminates;
- withdrawal of member contributions;
- retirement of the member; or
- death of the member.

A member of EPS is eligible for an ordinary disability retirement allowance after completing five years of eligibility service and if the medical board certifies that the member is permanently incapable of performing the necessary functions of the job. If the member is at least age 62, the disability allowance is equal to the full-service pension allowance. Otherwise, the allowance equals the full-service pension allowance computed as though the member had continued to accrue service credits until age 62 without any change in pay.

Upon the death of an active member of the affected State systems who has at least one year of service credit, SRPS pays to the member's designated beneficiary the member's accumulated contributions and a lump sum payment equal to the member's annual earnable compensation. However, if at the time of death, an ERS/EPS member is either eligible to retire or is at least 55 years old and has at least 15 years of eligibility service, the surviving spouse may choose an allowance with a survivor benefit instead of the lump sum death benefit payment. This monthly allowance is known as the Spouse Law Benefit, which pays the designated beneficiary 100% of the retiree's reduced retirement allowance for the remainder of the beneficiary's life.

**State Fiscal Effect:** The State Retirement Agency (SRA) is aware of one case that is affected by the bill's retroactive provision. In that case, the EPS member completed a preliminary application for ordinary disability but died before SRA received the application. Since membership ended upon the member's death, SRA cannot accept the application. Also, the member did not have the age or years of service necessary for the surviving spouse to qualify for the Spouse Law Benefit. Therefore, she is entitled to a

lump sum survivor benefit equal to \$144,000, but no regular retirement allowance. If a disability application is accepted and a benefit is granted, the surviving spouse foregoes the lump sum benefit and likely receives a monthly survivor benefit equal to approximately \$1,000, based on the member's age and years of service.

The prospective number of SRPS members who die after completing a disability application but before the application is received cannot be estimated but is expected to be negligible.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - March 3, 2010  
mam/rhh Revised - Senate Third Reader - April 2, 2010

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