**HB 1180**

# Department of Fiscal Services

Maryland General Assembly

## FISCAL NOTE

House Bill 1180 (Delegate Poole)
Appropriations

**Pension Systems - Cost-of-Living Adjustment**

This pension bill provides a 3% compound cost-of-living adjustment (COLA) for retirees of the Employees' Pension System (including participating municipal corporations), the Local Fire and Police System, the Natural Resources Pension System, and the Teachers' Pension System. Current law provides a 3% simple COLA for retirees of these systems. The bill is effective July 1, 1996.

## Fiscal Summary

**State Effect:** Retirement expenditures could increase by an estimated $49.6 million beginning in FY 1998. Future year expenditures reflect 5% growth.

| (in millions) | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 |
|---|---|---|---|---|---|
| GF Revenues | $0 | $0 | $0 | $0 | $0 |
| GF/SF/FF Expenditures | 0 | 49.6 | 52.1 | 54.7 | 57.5 |
| Net Effect | $0 | ($49.6) | ($52.1) | ($54.7) | ($57.5) |

*Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds*

**Local Effect:** Retirement expenditures for local governments with employees participating in the Employees' Pension System or the Local Fire and Police System would increase by $7.1 million beginning in FY 1998. No effect on revenues.

## Fiscal Analysis

**State Expenditures:** The State's actuary advises that the State's actuarial liability would increase by an estimated $937 million as a result of providing a 3% compound COLA. This liability would be amortized through the year 2020 with a first year cost of $49.6 million in fiscal 1998. These additional retirement expenditures are assumed to be shared 60% general fund, 20% special fund, and 20% federal funds. Out-year expenditures reflect the actuarially assumed 5% rate of growth.

**Local Expenditures:** Retirement expenditures would increase for local governments with employees participating in the municipal corporations pension system or the Local Fire and Police Systems. Actuarial liabilities of these pension systems would increase by an estimated $135 million as a result of providing a 3% compound COLA. These liabilities would be amortized through the year 2020 with a first year cost of $7.1 million in fiscal 1998. Out-year expenditures reflect the actuarially assumed 5% rate of growth.

---

**Information Source(s):** Maryland State Retirement Agency; Milliman and Robertson, Inc.; Department of Fiscal Services

**Fiscal Note History:** First Reader - March 12, 1996
ncs

---


Analysis by: Paul Ballou
Reviewed by: John Rixey

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 841-3710
(301) 858-3710