

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 197 (Delegate Cadden, et al.)
Appropriations

Pensions and Retirement - Records of State Systems

This pension bill requires the Board of Trustees of the Maryland State Retirement and Pension Systems to keep separate records for the Correctional Officers' Retirement System and the Legislative Pension Plan. The bill is effective July 1, 1996.

Fiscal Summary

State Effect: General fund expenditures could increase and special and federal fund expenditures could decrease by equivalent amounts as discussed below. Special fund administrative expenditures could increase by \$9,000 in FY 1997 and \$3,000 each year thereafter.

Local Effect: None.

Fiscal Analysis

State Expenditures: The provisions of this bill would not affect the aggregate actuarial liabilities of the retirement and pension systems or the annual State contributions necessary to fund these liabilities. Only the source of such funding would change. The actuary estimates a 33.2% employer contribution rate for the Legislative Pension Plan. Under current law the Legislative Pension Plan is included in the Employees' Retirement and Pension System. In fiscal 1997 the employer contribution rate for this system is 8.54%. Thus, retirement contributions in the legislative budget could increase by 24.66% of the payroll for members of the General Assembly, approximately \$1.4 million.

The increase in retirement contributions from the legislative budget would be offset by equivalent decreases in the contributions of all other State agencies with employees participating in the Employees' Retirement and Pension Systems. In the aggregate, the State payroll consists of approximately 60% general funds and 40% special and federal funds. Because the legislative budget is funded solely by general funds, this bill could increase general fund spending by approximately \$550,000 annually. Special and federal fund expenditures would decrease by a like amount. While the actuary has not been consulted to determine the contribution rate that would be applied to the Correctional Officers' Retirement System, Fiscal Services advises that a similar shift in general, special, and federal fund expenditures could occur as a result of this bill.

The Retirement Agency would incur a special fund expenditure increase of approximately \$9,000 for actuarial services in fiscal 1997 and \$3,000 annually beginning in fiscal 1998. Other increases in workload of the Retirement Agency can be absorbed within the existing resources of the agency.

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

Fiscal Note History: First Reader - January 31, 1996
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