Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE

Senate Bill 631 (Senator Stone)
Budget and Taxation

Maryland Port Administration Police Officers - Pensions and Retirement

This pension bill authorizes certain members of the Maryland Port Administration (MPA) police force to participate in the Law Enforcement Officers' Pension System (LEOPS). The bill is effective July 1, 1998.

Fiscal Summary

State Effect: Increased special fund expenditures for employer pension contributions of $286,200 beginning in FY 1999, increasing to $461,000 in FY 2000 due to additional actuarial liabilities, and increasing 5% per year thereafter, as discussed below. Revenues would not be affected.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	0	0	0	0	0
SF Expenditures	$286,200	$461,000	$484,100	$508,300	$533,700
Net Effect	($286,200)	($461,000)	($484,100)	($508,300)	($533,700)

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

Local Effect: None.

Small Business Effect: None. This bill would not directly affect small businesses.

Fiscal Analysis

State Expenditures: Under current law, MPA police officers are members of the Employees' Pension System (EPS). Under this proposal, current MPA police officers (employed by MPA on or before June 30, 1998) would have the option to transfer to the LEOPS, which offers unreduced retirement benefits after 25 years (versus 30 years in the EPS) and more generous benefits. Future MPA police officers would be in the LEOPS.
Current MPA police officers would not be allowed into the LEOPS if they transferred from

the Employees' Retirement System (ERS) to the EPS on or after December 1, 1996. This prevents these police officers from receiving a transfer refund of employee contributions by switching to the EPS, and then transferring to the LEOPS, where they would receive no reduction for their lack of employee contributions. The bill also requires an asset transfer from the ERS and EPS to the LEOPS of accumulated employer contributions plus interest for the members who transfer.

The MPA police force currently consists of 57 officers, of whom 6 are in the ERS and 51 are in the EPS. These officers have an estimated average salary of $37,200. It is assumed that all 57 would transfer to LEOPS. Current payroll at the time they enter LEOPS is estimated to be $2.4 million. While this bill has not been forwarded to the State's actuary for a detailed actuarial analysis, based on a study performed by the actuary for the MPA in 1994, the actuary was able to offer an informal estimate. The actuary estimates that the net increased actuarial liabilities to the MSRPS under the proposal would be $2.8 million. These net additional liabilities reflect additional liabilities to LEOPS offset somewhat by decreased liabilities to the EPS. The $2.8 million liability is amortized over 20 years through the year 2020. The first year amortization payment is estimated at $159,800 beginning in fiscal 2000, and increasing approximately 5% per year thereafter.
In addition, the normal cost of employer contributions -- the amount the employer must contribute to fund future benefits exclusive of existing liabilities -- will increase from 6% of payroll (under the EPS) to 18.5% (under LEOPS), for an additional normal cost of 12.5% of payroll permanently. This amount is estimated at $286,200 beginning in fiscal 1999, also increasing 5% per year thereafter. In total, employer contributions are estimated to increase by $286,200 in fiscal 1999 and by $461,000 in fiscal 2000, increasing 5% per year thereafter.

Information Source(s): State Retirement Agency, Milliman & Robertson, Inc., Department of Fiscal Services

Fiscal Note History: First Reader - February 17, 1997
brd

Analysis by: Matthew D. Riven
Reviewed by: John Rixey

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