Department of Legislative Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 622 (Delegate Proctor, *et al.*)
Appropriations

Local Law Enforcement Officers - Participation in State System

This pension bill allows counties and municipal corporations to include their law enforcement officers in the Law Enforcement Officers Pension System (LEOPS), under certain circumstances.

Fiscal Summary

State Effect: Increase in administrative expenditures by the State Retirement Agency of $20,000 to create a new pension system; indeterminate increase in personnel expenditures depending on the number of new LEOPS members.

Local Effect: Indeterminate effect on employer pension contributions of local governments, depending on whether they elect to participate in a "local LEOPS," and the difference between their existing employer contribution rate and the LEOPS contribution rate.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: LEOPS provides its members with full benefits at age 50 or after 25 years of service, regardless of age. Members receive a bifurcated benefit of 1.0% of final average compensation up to the Social Security Integration Level (SSIL) multiplied by service credits, plus 1.7% of final average compensation in excess of the SSIL times service. Up to age 62, when members qualify for reduced Social Security benefits, a supplemental benefit is paid to provide an allowance of 1.7% on all salary. LEOPS also provides enhanced death and disability benefits reflective of the hazardous nature of law enforcement.

LEOPS is available to State employees who are: (1) Natural Resources police officers, other law enforcement officers within the Department of Natural Resources; (2) law enforcement officers employed by the Maryland Investigative Service Unit; (3) members of the Maryland Transportation Authority Police Force who have police powers under Section 4-208 of the

Transportation Article; and (4) Baltimore City deputy sheriffs.

Currently, law enforcement personnel who work for governmental units throughout the State are not eligible for participation in LEOPS. These law enforcement personnel either participate in the Local Fire and Police System (LFPS, a 25-year plan), the Employees' Pension System (EPS) as part of the general employee group (a 30-year plan), or a local system established by the employer that may or may not be solely for law enforcement personnel.

This proposal permits governmental units (counties and municipal corporations in the State) to elect to participate in a LEOPS, funded separately for this specific benefit, but no local government is required to participate. As is required with governmental units that want to participate in the EPS, 60% of the law enforcement officers of that employer must elect to participate. Law enforcement officers would have six months from the date the employer participates in LEOPS to elect membership and receive prior service credits.

The proposal establishes the funding requirements for a participating unit, creating a separate pool for their assets and liabilities. Funding for State employees enrolled in LEOPS would be maintained separately. Assets associated with the service credits of law enforcement officers who transfer to LEOPS, whether held in a State system or local system, would be transferred to LEOPS.

The initial entrance date for a governmental unit into LEOPS would be July 1, 1999. Once the governmental unit elects to participate in LEOPS, all employees hired after that date would be enrolled in LEOPS as a condition of employment. The proposal also establishes the requirements for a governmental unit to withdraw from LEOPS.

State Expenditures: To administer a "local LEOPS," the retirement agency will need an accounting system unique to this local pool and separate from the current State LEOPS pool. This additional accounting system is estimated to cost $20,000 in additional record-keeping services. In addition, depending on the number of new members to the "local LEOPS," the agency may require additional overtime expenditures or temporary personnel; however, these additional requirements are dependent on the number of new participants and cannot be determined at this time.

Local Expenditures: A local government would only be affected by this legislation if that employer elected to place its law enforcement officers in LEOPS. The cost for participation would be determined by the State's actuary prior to the employer's participation. For illustrative purposes, however, the fiscal 1999 State LEOPS contribution rate is 25.6% of payroll. An employer transferring officers from the municipal pool of the EPS to the "local LEOPS" would experience an increase in employer contribution rate from 5.91% to 25.6% of payroll, an increase of 19.69 percentage points. Similarly, employers transferring from the LFPS would experience an increase from 16.42% to 25.6% of payroll, an increase of 9.18 percentage points. Finally, for employers transferring from their own system, the change in employer contributions would be the difference between their current rate and the LEOPS rate.

This bill prohibits entry by officers into LEOPS if they transferred from the Employees' Retirement System (ERS) to the EPS on or after December 1, 1997. 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.

Additional Comments: If a "local LEOPS" is created, consideration might be given to closing the LFPS or merging it with the "local LEOPS," to reduce duplication and associated administrative costs. LFPS currently has three participating employers with a total of 168 active members.

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

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Analysis by:	Matthew D. Riven	Direct Inquiries to:
Reviewed by:	John Rixey	John Rixey, Coordinating Analyst
		(410) 841-3710
		(301) 858-3710