

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

Senate Bill 434 (Senator Stone)
Budget and Taxation

University of Maryland Police Officers - Pensions and Retirement

This pension bill authorizes certain members of the University of Maryland police force to participate in the Law Enforcement Officers' Pension System (LEOPS). The bill is effective July 1, 1999.

Fiscal Summary

State Effect: Increased general fund expenditures for employer pension contributions of \$1.7 million beginning in FY 2000 due to an increased employer pension contribution rate, increasing to \$2.4 million in FY 2001 due to increased actuarial liabilities, and increasing 5% per year thereafter.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	\$1,747,500	\$2,380,900	\$2,500,000	\$2,625,000	\$2,756,200
Net Effect	(\$1,747,500)	(\$2,380,900)	(\$2,500,000)	(\$2,625,000)	\$2,756,200

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: Under current law, University of Maryland police officers are members of the Employees' Pension System (EPS) or Employees' Retirement System (ERS). Under this proposal, University of Maryland police officers employed by University of Maryland on or before June 30, 1999 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. Current employees would have until December 31, 1999 to switch. Future University of Maryland police officers would be in the LEOPS.

Current University of Maryland police officers would not be allowed into the LEOPS if they transferred from the 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. 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 University of Maryland police force consists of approximately 269 officers. The average salary is estimated to be \$35,173; average years of service is 11.57 years. It is assumed that all would transfer to LEOPS. As a result of the change, the employer contribution rate will increase from 7.13% of pay to 25.6%, an increase of 18.47% of pay per year. This amount is estimated at \$1,747,546 beginning in fiscal 2000, increasing 5% per year thereafter because of payroll growth. (The LEOPS rate may decline slightly in the out-years because existing liabilities will be spread over a larger pool of participants.)

In addition, the actuary informally estimates that the net increased actuarial liabilities to the MSRPS under the proposal would be approximately \$9 million. The \$9 million liability is amortized over 20 years through the year 2020. The first year amortization payment is estimated at \$546,000 beginning in fiscal 2001, and increasing approximately 5% per year thereafter. In total, employer contributions are estimated to increase by \$1,747,546 in fiscal 2000 and by \$2,380,923 in fiscal 2001, increasing 5% per year thereafter.

University of Maryland System (UMS) police officers are State-supported positions within the UMS. It is therefore assumed that the State would provide additional general funds for the additional pension costs. If the State were not to provide such funds, then the UMS would be obliged to fund the costs from other sources, (e.g., increased tuition and fees).

Information Source(s): State Retirement Agency, University System of Maryland,
Milliman & Robertson, Department of Legislative Services

Fiscal Note History: First Reader - February 16, 1998
Inc Revised - Corrected - February 20, 1998
Revised - Senate Third Reader - March 27, 1998

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