

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 405 (Delegate Heller)

Appropriations

Maryland Port Administration Police Officers - Pensions and Retirement

This pension bill authorizes members of the Maryland Port Administration (MPA) police force to participate in the Law Enforcement Officers' Pension System (LEOPS). The bill takes effect on July 1, 1999.

Fiscal Summary

State Effect: Increased special fund expenditures for MPA pension contributions of \$338,400 beginning in FY 2000, increasing to \$497,300 in FY 2001 due to increased actuarial costs, and increasing 5% per year thereafter due to additional actuarial liabilities, as discussed below. Revenues would not be affected.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
SF Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditures	338,400	497,300	522,200	548,300	575,700
Net Effect	(\$338,400)	(\$497,300)	(\$522,200)	(\$548,300)	\$575,700

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: Under current law, MPA police officers are members of the Employees' Retirement System or the Employees' Pension System. Under this proposal, MPA police officers employed by MPA 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

employees' systems) and more generous benefits. Current officers must make their selection by December 31, 1999. 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 Employees' Pension system (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 there would be 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.

State Expenditures: The MPA police force currently consists of 48 officers (6 in the retirement system, 42 in the pension system), with, on average, an estimated salary of \$38,169 and 17.5 years of service. 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 \$338,391 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 additional actuarial liabilities to the Maryland State Retirement and Pension Systems (MSRPS) under the proposal would be \$2.3 million. The \$2.3 million liability is amortized over 20 years through the year 2020. The first year amortization payment is estimated at \$142,000 beginning in fiscal 2001, and increasing approximately 5% per year thereafter. In total, employer contributions are estimated to increase by \$338,391 in fiscal 2000 and by \$497,311 in fiscal 2001, increasing 5% per year thereafter.

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

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