

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1337 (Delegate Poole)

Appropriations

Retirement and Pensions - State Employees - Credit for Unused Sick Leave

This pension bill alters the computation of credit for unused sick leave for State employees who are members of any of the Maryland State Retirement and Pension System (MSRPS) plans, except the Judges' Retirement System and the Legislative Pension Plan. The bill increases the sick leave pension credit by up to four times for State employees with at least 16 years of service who have not used at least 50% of the sick leave credit they have earned. The bill takes effect July 1, 1998.

Fiscal Summary

State Effect: Increase in employer pension contributions of \$9.4 million beginning in FY 2000, and increasing 5% per year thereafter based on actuarial assumptions.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
All Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All Expenditures	\$0.0	\$9.4	\$9.9	\$10.4	\$10.9
Net Effect	\$0.0	(\$9.4)	(\$9.9)	(\$10.4)	(\$10.9)

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

Bill Summary: The bill increases the sick leave pension credit for State employees with at least 16 years of service who have not used at least 50% of the sick leave credit they have earned.

- Employees who have unused sick leave credit of between 50% and 70% of the amount earned would receive twice the sick leave to which the member would currently be entitled.
- Employees who have unused sick leave credit of between 70% and 80% of the amount earned would receive three times the sick leave to which the member would currently be entitled.
- Employees who have unused sick leave credit of between 80% and 100% of the amount earned would receive four times the sick leave to which the member would currently be entitled.

(Under current law, sick leave credit may be used to increase the number of years of service credit for benefit calculation purposes, but cannot be used to achieve full or early retirement service not otherwise obtained. This would not change under the proposal.)

State Expenditures: Currently, employees receive one month of pension service credit for each 22 days of unused sick leave. Under the proposal, therefore, employees could receive up to four months of pension service credit for each 22 days of unused sick leave.

The State Retirement Agency advises that employees with 18 years or more of service are likely to have at least one full year of accrued sick leave credit at retirement. If such sick leave was more than 80% of the sick leave ever earned by that employee, the employee would be eligible for four times the current credit, or four years of additional service credit.

The proposal has not been presented to the State’s actuary for a formal actuarial analysis. The actuary, however, has reviewed the bill and has informally estimated that the proposal would add the following additional liabilities to the MSRPS:

	Total Add'l. Liabilities	First-Year Amortization Pmt.
Employees’ Retirement System (ERS) including Correctional Officers	\$68.1 million	\$4.1 million
Employees’ Pension System (EPS)	\$67.1 million	\$3.9 million
State Police Retirement System (SPRS)	\$23.8 million	\$1.4 million
Total	\$159 million	\$9.4 million

These liabilities would be amortized over 20 years (through fiscal 2020) with a first-year amortization payment in fiscal 2000 of \$9.4 million. This annual payment is projected to

increase 5% per year thereafter based on actuarial assumptions.

These estimates are based on the assumption that employees on average will retire with between 50% and 70% of their sick leave unused, and hence will be eligible for pension credits equal to twice their accrued sick leave. (If, on average, employees retire with more unused sick leave, then the costs will be higher.) For example, it is assumed that a current ERS member will retire with 30 years of creditable service plus one year of service for accrued sick leave. Under the bill, it is further assumed that the same employee will earn an additional year of service for a total of 32 years of service.

The Law Enforcement Officers' Pension System is excluded from the above analysis because of its small number of members. The teachers' systems are excluded because the number of State employees in those systems cannot be reliably estimated but is assumed to be relatively small. Additional costs from these plans would be minimal (and proportionate to the above costs on a per person basis).

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

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