Department of Legislative Services

Maryland General Assembly

FISCAL NOTE

House Bill 1298 (Delegate Harkins, *et al.*)
Appropriations

State Fire Marshal and Deputies - Pensions and Retirement

This pension bill authorizes the State Fire Marshal and deputy fire marshals to participate in the Law Enforcement Officers' Pension System (LEOPS). The bill is effective July 1, 1998.

Fiscal Summary

State Effect: Increased general fund expenditures for employer pension contributions of $203,200 beginning in FY 1999 due to an increased employer pension contribution rate, increasing to $298,500 in FY 2000 due to increased actuarial liabilities, and increasing 5% per year thereafter.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	$0	$0	$0	$0	$0
GF Expenditures	203,200	298,500	313,500	329,200	345,700
Net Effect	($203,200)	($298,500)	($313,500)	($329,200)	($345,700)

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, the State Fire Marshal and deputy fire marshals are members of the Employees' Pension System (EPS) or Employees' Retirement System (ERS). Under this proposal, these employees (if employed by the Office of the State Fire Marshal 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 ERS) and more generous benefits. Current employees would have until December 31, 1998 to switch. Future employees would be in the LEOPS.

Current employees would not be allowed into the LEOPS if they transferred from the ERS to the EPS on or after December 1, 1996. This prevents these employees 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 Office of the State Fire Marshal consists of approximately 35 deputy fire marshals plus the State Fire Marshal. The average salary is estimated at $31,542. It is assumed that all the deputy fire marshals 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 $203,170 beginning in fiscal 1999, 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 Maryland State Retirement and Pension System under the proposal would be approximately $1.4 million, after accounting for the asset transfer. That liability is amortized over 20 years through the year 2020. The first year amortization payment is estimated at $85,200 beginning in fiscal 2000, and increasing approximately 5% per year thereafter. In total, employer contributions are estimated to increase by $203,170 in fiscal 1999 and by $298,529 in fiscal 2000, increasing 5% per year thereafter.

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

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lnc

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

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