

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 538 (Senator Munson)

Budget and Taxation

State Police Retirement System - Benefits

This pension bill enhances retirement benefits for members of the State Police Retirement System (SPRS) by increasing the benefit formula from 1/45 (2.2%) to 1/38 (2.6%) per year of service for the member's first 25 years of service. In addition, any State Police Retirement System retiree who retired on or before June 30, 1998 would receive an annual lump-sum payment of \$1,500 for life. The bill is effective July 1, 1998.

Fiscal Summary

**State Effect:** General fund expenditures for employer retirement contributions would increase by \$6.7 million beginning in FY 2000. Future year expenditures reflect 5% growth consistent with actuarial assumptions. Revenues would not be affected.

(\$ in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	0	\$6.7	\$7.1	\$7.4	\$7.8
Net Effect	\$0	(\$6.7)	(\$7.1)	(\$7.4)	(\$7.80)

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

**Local Effect:** None.

**Small Business Effect:** None.

## **Fiscal Analysis**

**State Expenditures:** There were 1,588 active members of the State Police Retirement System on June 30, 1997, with an average annual salary of \$39,633. In addition, as of June 30, 1997, there were 1,175 SPRS retirees. While this bill has not been forwarded to the State's actuary for a detailed actuarial analysis, the actuary was able to offer an informal estimate. The actuary advises that the bill would increase total actuarial liabilities by \$114.5 million, amortized over 20 years until the year 2020. The first-year amortization payment, beginning in fiscal 2000, would be \$6.7 million, increasing 5% per year thereafter. As a percentage of payroll, the employer contribution rate would increase from 10.91% (fiscal 1999) to 19.78%.

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

**Fiscal Note History:** First Reader - February 25, 1998

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