

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE
Revised

Senate Bill 402 (Senator Munson. *et al.*)

Budget and Taxation

State Police Retirement System - Benefits

This pension bill increases the normal service retirement allowances of State Police Retirement System members who are retired or who retire before June 30, 1999 by providing annual lump sum payments, as follows:

- \$1,200 for retirees who have been retired not more than 5 years;
- \$1,500 for retirees who have been retired more than 5 but less than 10 years;
- \$1,800 for retirees who have been retired more than 10 but less than 15 years; and
- \$2,100 for retirees who have been retired more than 15 years.

Normal service retirees will receive an annual unlimited cost of living adjustment (COLA) on this annual lump sum in addition to their existing benefit and COLA.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: State Police pension expenditures will increase by approximately \$1.2 million beginning in FY 2001. Future year expenditures reflect 5% growth consistent with actuarial assumptions. Administrative expenses for the State Retirement Agency could increase by \$50,000 per year beginning in FY 2000. Revenues would not be affected.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Revenues	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GF Expenditures	0.00	0.97	1.02	1.08	1.13
SF Expenditures	0.05	0.29	0.31	0.32	0.33
Net Effect	(\$0.05)	(\$1.27)	(\$1.33)	(\$1.39)	(\$1.46)

*Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect
 Numbers may not total due to rounding.*

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: There were 1,234 retirees and beneficiaries of the State Police Retirement System as of June 30, 1998 of whom 230 were disability retirees or their beneficiaries. These disability retirees and their beneficiaries are not included in the bill and hence are not included in the fiscal estimate.

The actuary estimates that the annual lump sum payments and attendant COLAs will increase the system's actuarial liabilities by \$19.3 million, amortized over the 19 years until 2020. The first year amortization payment in fiscal 2001 will be \$1,217,000, increasing 5% per year thereafter. It is assumed that the additional personnel expenditures for the Department of State Police would be split 80% general fund, 20% special fund.

Administrative expenses for the State Retirement Agency could increase by approximately \$50,000 per year to implement the new formula manually with the system's current mainframe computer system. Programming the new formula into the system's pending computer system will require indeterminate costs to change the procurement specifications.

Additional Comments: In addition to the appropriation process, the State Retirement Agency's annual spending authority for administrative and operational expenses is capped by Section 21-315(c) of the State Personnel and Pensions Article at 0.2% of the payroll of members. The Governor's proposed fiscal 2000 budget for the agency is extremely close (within \$700) of the statutory administrative expenditure cap.

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

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