

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

Senate Bill 13 (Chairman, Budget and Taxation Committee)
 (Departmental - Morgan State University)

Budget and Taxation

Morgan State University - Police Officers - Pensions and Retirement

This departmental pension bill authorizes certain members of the Morgan State University police force to participate in the Law Enforcement Officers' Pension System (LEOPS). The bill is effective July 1, 1999.

Fiscal Summary

State Effect: Increased general fund expenditures for employer pension contributions of \$200,700 beginning in FY 2000 due to an increased employer pension contribution rate, increasing to \$268,800 in FY 2001 due to increased actuarial liabilities, and increasing 5% per year thereafter.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
GF Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditures	200,700	268,800	282,200	296,400	311,200
Net Effect	(\$200,700)	(\$268,800)	(\$282,200)	(\$296,400)	(\$311,200)

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

Local Effect: None.

Small Business Effect: Morgan State University has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Fiscal Analysis

State Expenditures: Under current law, Morgan State University police officers are members of the Employees' Pension System (EPS) or Employees' Retirement System (ERS). Under this proposal, Morgan State University police officers employed by Morgan State University 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 EPS) and more generous benefits. Current employees would have until December 31, 1999 to switch. Future Morgan State University police officers would be in the LEOPS.

Current Morgan State University police officers would not be allowed into the LEOPS if they transferred from the ERS to the 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 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 Morgan State University police force consists of approximately 37 officers, of whom 10 were hired on January 20, 1999. The average salary is estimated to be \$34,303. It is assumed that all would transfer to LEOPS. As a result of the change, the employer contribution rate for these officers will increase from 7.15% of pay to 22.96%, an increase of 15.81% of pay per year. This amount is estimated at \$200,664 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 increased actuarial liabilities to the State Retirement and Pension System of Maryland under the proposal would be approximately \$922,000 (including the additional liabilities to LEOPS offset somewhat by decreased liabilities to the employees' systems). This liability is amortized over 20 years through the year 2020. The first year amortization payment is estimated at \$58,100 beginning in fiscal 2001, and increasing approximately 5% per year thereafter. In total, employer contributions are estimated to increase by \$200,664 in fiscal 2000 and by \$268,797 in fiscal 2001, increasing 5% per year thereafter.

Morgan State University police officers are State-supported positions. It is therefore assumed that the State would use general funds for the additional pension costs. If the State were not to provide such funds, then the university would be obliged to fund the costs from other sources (e.g., increased tuition and fees).

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

Fiscal Note History: First Reader - January 25, 1999

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