

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 599 (Delegates Proctor and Vallario)

Appropriations

Correctional Officers' Retirement System - Fire and Rescue Employees of the Aviation Administration

This pension bill includes fire and rescue employees of the Maryland Aviation Administration in the Correctional Officers' Retirement System. These employees are currently members of the Employees' Retirement System or Employees' Pension System. The bill requires the transfer of assets from the employees' systems to the correctional officers' system equal to the employer contributions made for these employees, plus interest.

The bill takes effect July 1, 1999.

Fiscal Summary

State Effect: Total increase in pension liabilities of \$2.7 million, resulting in an increase in annual employer pension contributions of \$181,000 beginning in FY 2001, and increasing thereafter based on actuarial assumptions.

(in dollars)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
All Revenues	\$0	\$0	\$0	\$0	\$0
All Expenditures	0	181,000	205,000	231,000	259,000
Net Effect	\$0	(\$181,000)	(\$205,000)	(\$231,000)	(\$259,000)

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

Local Effect: None.

Small Business Effect: None.

Fiscal Analysis

State Expenditures: Full-time employees of the Maryland Aviation Administration Fire Rescue Service who are hired on or after October 1, 1993 are enrolled in the Employees' Pension System (EPS). (Employees hired prior to 1993 had the option to remain in the Baltimore City Fire and Police Employees' Retirement System.)

The EPS contributory pension benefit requires 30 years of service to retire under age 62, and provides a bifurcated benefit that generally provides 1.2% of average final salary for each year of service prior to July 1, 1998, and 1.4% on service from July 1, 1998.

Under this bill, fire and rescue employees of the Maryland Aviation Administration will become members of the Correctional Officers' Retirement System (CORS). CORS is a contributory system requiring a 5% member contribution (EPS is 2% from July 1, 1998). Members are eligible for service retirement after 20 years of creditable service, the last five in an eligible position. Vested benefits are payable at age 55 with at least five years of creditable service.

The Maryland Aviation Administration advises that there are currently 32 fire and rescue employees working at Baltimore Washington Airport who are members of the EPS and have an average salary of \$33,902. (The State Retirement Agency notes that there are 39 employees who remain in the Baltimore City plan. There also are 22 fire and rescue employees at Martins' Airport who are employees of the Military Department and are in the EPS.)

The employer contribution rate for participation in CORS is the same as the contribution rate for the employees' retirement and pension systems (blended in the employees' system rate). Thus, the additional liabilities associated with this proposal will not affect the Maryland Aviation Administration directly, but will be spread across all agencies with employees that participate in the employees' systems.

The bill has not been presented to the State's actuary for a formal actuarial analysis. Based on the above demographic information, however, the actuary informally estimates that the proposal will increase system liabilities by \$2.65 million. Amortizing these liabilities over 19 years (through fiscal 2020) results in a first-year amortization payment of \$181,000 in fiscal 2001. These amortization payments would increase by more than 5% per year because the blended employees' rate does not reflect, and underestimates, the true cost of the CORS benefit provided to these employees.

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

Department of Legislative Services

Fiscal Note History:

First Reader - March 1, 1999

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