

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE

Senate Bill 731 (Senator Stone)
 Budget and Taxation

**Law Enforcement Officers' Pension System - Service Credit - Former Sparrows
 Point Police Officers**

This pension bill allows a member of the Law Enforcement Officers' Pension System (LEOPS) to receive service credit for the period of time the member served as a Sparrows Point police officer, if the member: (1) is currently a Maryland Transportation Authority (MdTA) police officer; (2) prior to becoming an MdTA police officer, served as a Sparrows Point police officer; and (3) is eligible for a normal service retirement allowance.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: State pension liabilities would increase by \$855,400, resulting in increased employer pension contributions of \$60,600 (all funds) beginning in FY 2003, and increasing 5% per year thereafter based on actuarial assumptions.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	0	60,600	63,600	66,800	70,100
Net Effect	\$0	(\$60,600)	(\$63,600)	(\$66,800)	(\$70,100)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: The Sparrows' Point Police were employees of Bethlehem Steel, a private corporation, who were sworn law enforcement officers with certain police powers. They were not employees of a Maryland local government municipality.

State Expenditures: This proposal permits members of LEOPS who are employed as MdTA police officers to receive service credits for the period of time that the members were employed as Sparrows Point police officers. MdTA advises that it is aware of six such police officers, while the State Retirement Agency advises that it can identify only five. (The estimate below is based on six employees; should it turn out there are only five, the corresponding fiscal impact will be proportionally lower.)

The prior service of these members ranges from approximately three years to almost 14 years. Three of the members are age 50 or older (and therefore eligible for immediate retirement under current law) and hence could receive the additional credit immediately. The other members must still reach the current LEOPS retirement requirements (age 50 or 25 years of service) before they would be eligible for the additional service credits.

Assuming that these members received the additional years of service based on their Sparrows Point credit, the State's actuary informally estimates that LEOPS actuarial liabilities would increase by \$855,400 (or \$142,600 per person). Amortizing these liabilities over 18 years (through fiscal 2020) would result in additional pension contributions of \$60,600 beginning in fiscal 2003. Future year payments would increase by 5% per year based on actuarial assumptions. The impact of the additional liabilities to LEOPS would be spread across all agencies with LEOPS members.

Additional Comments: Two additional comments about this bill should be noted. First, there are currently no provisions within State pension law to permit any member of any State system to receive credit (or purchase service credits) for employment with a private corporation.

Second, it is not known whether these individuals are entitled to any pension benefits from Bethlehem Steel. It is possible that they may: (1) be receiving a pension from the company at the present time; (2) retain vested rights to a future company pension; or (3) have received a lump sum value of their benefit when they terminated. Under any of the three circumstances, the individuals have received a benefit for their Sparrows Point service. State pension law normally prohibits receiving two pensions for the same period of service (i.e., "double-dipping"); however, there is no such prohibition in this bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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