

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

Senate Bill 473 (Senator Jimeno)

Budget and Taxation

Appropriations

**Anne Arundel County Circuit Court Domestic Relations Division Employees -
 Pension and Retirement Health Benefits**

This bill affects employees of the Domestic Relations Division of the Anne Arundel County Circuit Court. It allows them to continue membership in the Anne Arundel County pension system and receive county retiree health benefits if they are transferred to the Child Support Enforcement Administration (CSEA) of the Maryland Department of Human Resources (DHR).

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Expenditures for CSEA could decrease by approximately \$34,200 in FY 2003 to reflect the county's lower pension contribution rate, of which one-third would be general funds and two-thirds federal funds. Future year savings reflect payroll growth. This estimate does not incorporate any savings from retiree health insurance.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	(11,600)	(12,200)	(12,700)	(13,300)
FF Expenditure	0	(22,600)	(23,600)	(24,700)	(25,800)
Net Effect	\$0	\$34,200	\$35,800	\$37,400	\$39,100

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: This bill applies only to employees of the Domestic Relations Division of the Anne Arundel County Circuit Court who, on or before June 30, 2002, are participants in the Anne Arundel County Retirement and Pension System. An employee of the Domestic Relations Division of the Anne Arundel County Circuit Court who is transferred on or before July 1, 2002 into the State Personnel Management System as an employee of CSEA, including an attorney representing CSEA, may elect to either: (1) remain as a participant in the Anne Arundel County Retirement and Pension System; or (2) become an enrollee in the Employees' Pension System of the State of Maryland.

If an employee elects to remain as a participant in the Anne Arundel County Retirement and Pension System, the election remains in effect only as long as the employee remains employed by CSEA. If the employee transfers to another position in State service, the employee will become an enrollee of the Employees' Pension System of Maryland.

Until the date that the last employee transferred to the State Personnel Management System leaves service in CSEA, DHR must provide to Anne Arundel County the appropriate employer and employee pension contributions for employees who remain in the county system. On or before May 15 of each year, the Board of Trustees of the Anne Arundel County Retirement and Pension System must certify to DHR the employer and employee contribution rates for pension benefits determined for the Anne Arundel County Retirement and Pension System for the next fiscal year.

The State may limit the employer contribution rate paid under the bill to the employer contribution rate paid by the State for State employees under the State Personnel Management System if the county rate is higher than the State rate.

A retiree covered under this section who elected to remain in the Anne Arundel County Retirement and Pension System may receive retirement health benefits equal to those received by retirees under the Anne Arundel County Retirement and Pension System if the State each month reimburses the county an amount equal to the employer's contribution for those health benefits.

Current Law: A county or circuit court with a local support enforcement office may request that the responsibility for support enforcement be transferred to CSEA. A request for transfer of responsibility under this section must be made to the Department of Human Resources by September 1 of the year preceding the fiscal year for which responsibility will be transferred.

The personnel of the local support enforcement office are transferred to the State Personnel Management System and placed in the closest comparable position. Accumulated leave is transferred and the employee's pension credit is transferred.

Background: Under current law State's Attorneys have the first option on whether to provide CSEA with legal representation in child support enforcement cases. Alternatively, local governments have the authority to request that their child support enforcement activities be transferred to CSEA. When the State's Attorneys provide legal representation, the costs are shared by the federal and local governments.

Currently, 13 counties and Baltimore City have transferred the legal responsibilities of support enforcement from their local State's Attorney offices to CSEA. Allegany County has applied to transfer its child support enforcement staff under HB 426, although individual legislation is not required for such a transfer. The Allegany County legislation is similar to Chapter 113 of 2000, which transferred Howard County's staff and provided additional seniority and salary protections to the transferred employees than is provided under the general transfer provisions.

Anne Arundel County has applied to transfer its child support enforcement employees as of July 1, 2002. It is estimated that the cost to the State of the additional 59 employees will be approximately \$3.1 million, of which one-third will be general funds and two-thirds federal funds.

State Expenditures: The bill allows the transferred employees to remain in the county pension system, with the State reimbursing the county for the pension costs. The county's pension contribution rate is 3.25% of pay, versus the State's rate of 4.73%. Thus, for each member that remains in the county system, the State would save 1.48% of pay. It is assumed that all the employees will remain in the county system, resulting in savings of approximately \$34,200 per year.

It is assumed that all the employees will remain in the county system because it offers a 2% per year accrual rate (60% of average final compensation after 30 years), versus the State's 1.4% accrual rate for service after July 1, 1998 (42% of average final compensation after 30 years). The county system requires a 4% employee contribution while the State requires a 2% contribution on service since July 1, 1998.

The county advises that retiree health insurance costs are approximately \$900 per year per retiree. The State's retiree health costs are difficult to ascertain. The Department of Budget and Management does not calculate a true retiree health insurance cost. Instead, it simply adds 30% to the cost of each active employee's budgeted health insurance amount in order to collect enough revenues to pay the premiums for both groups. A 1998

study by the Segal Company, the State's health insurance actuary, estimated the cost of the State's subsidy for retiree health to be \$3,934 for fiscal 2002. Given the imprecision of these numbers, this fiscal estimate does not include any savings for retiree health insurance. To the extent, however, that: (1) these employees remain in the county pension system and utilize retiree health insurance through the county; (2) the State reimburses the county for the county's retiree health insurance costs; and (3) the county's retiree health costs remain lower than the State's; then the State will realize a savings.

Additional Information

Prior Introductions: None.

Cross File: HB 929 (Delegates Love and Cadden) – Appropriations.

Information Source(s): Department of Human Resources, Anne Arundel County, Department of Legislative Services

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