

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
Revised

Senate Bill 533 (Senator Collins)

Budget and Taxation

Appropriations

Law Enforcement Officers' Pension System - Membership - Martin State Airport Firefighters

This pension bill includes firefighters for the Martin State Airport employed by the Military Department in the Law Enforcement Officers' Pension System (LEOPS).

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Pension contributions will increase by \$276,800 (federal funds) in FY 2002 due to an increased employer pension contribution rate for these employees. Pension liabilities and normal costs would increase by \$1.4 million, resulting in increased pension contributions of \$274,100 in FY 2003, increasing 5% per year thereafter.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
FF Expenditure	276,800	274,100	287,800	302,200	317,300
Net Effect	(\$276,800)	(\$274,100)	(\$287,800)	(\$302,200)	(\$317,300)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: Martin State Airport firefighters who were employed by the Military Department on June 30, 2001 may elect membership in LEOPS on or before December 31, 2001. All new firefighters would be required to join LEOPS as a condition of employment. The bill also mandates that current personnel would not be allowed into the LEOPS if they transferred from the Employees' Retirement System (ERS) to the Employees' Pension System (EPS) on or after April 1, 1998. This prohibition prevents these personnel 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.

Current Law: The firefighters covered under the bill are currently members of EPS (or in some cases, ERS for older employees who did not transfer to EPS). EPS is a "30 and out" retirement plan that provides a benefit equal to 1.4% of average final compensation for each year of service after July 1, 1998, and 1.2% of average final compensation for each year of service prior to that date. A 2% member contribution is required. The plan provides a 3% compound cost-of-living adjustment.

Background: LEOPS members may retire with full benefits at age 50 or with 25 years of service, regardless of age. There is a 4% mandatory employee contribution. The benefit formula provides 2% of average final compensation (AFC) for each year of service up to a maximum 30 years (or 60% of AFC.) LEOPS members are eligible for a Deferred Retirement Option Program, which allows them to technically "retire" while continuing to work, with their accrued pension benefits accumulating in an account for payment at termination of employment.

Membership in LEOPS includes the following public safety employees:

- Department of Natural Resources police and rangers;
- Maryland Investigative Services Unit officers (Comptroller's Office);
- Maryland Transportation Authority police officers;
- Baltimore City Deputy Sheriffs;
- University of Maryland police officers;
- Morgan State University police officers;
- State Fire Marshal and Deputy State Fire Marshals;
- law enforcement officers of an electing governmental unit;
- Maryland Aviation Administration Fire Rescue Service officers;
- Department of General Services police officers;
- Department of Health and Mental Hygiene police officers;
- Motor Vehicle Administration police officers; and
- Department of Labor, Licensing, and Regulation police officers.

Existing law requires an asset transfer from the ERS and EPS to the LEOPS of accumulated employer contributions plus interest when ERS or EPS members are transferred to LEOPS.

State Expenditures: There are currently 24 firefighters at Martin State Airport and Warfield Air National Guard Base, with an average salary of \$39,685. It is assumed that all 24 firefighters would transfer to LEOPS. As a result of the change, the fiscal 2002 employer contribution rate for these officers will increase from 4.73% of pay (under EPS) to 32.41%, an increase of 27.68% of pay per year. This amount is estimated at \$276,800 for fiscal 2002 only.

The actuary informally estimates that the net increased actuarial liabilities and additional normal costs under the proposal would be approximately \$1.4 million (including the additional liabilities to LEOPS offset somewhat by the transfer of assets from the employees' systems). The actuarial liabilities are amortized over 18 years through the year 2020. The total ongoing cost of the enhancement (including the amortization payments plus the difference in normal costs between EPS and LEOPS) is estimated at \$274,100 beginning in fiscal 2003, increasing approximately 5% per year thereafter. The Military Department advises that these positions are 100% federally funded.

The State Retirement Agency advises that it would incur \$10,000 in additional administrative expenses in transferring these employees from EPS to LEOPS.

Additional Information

Prior Introductions: HB 1228 of 1996, a substantially similar bill, received an unfavorable report from the House Appropriations Committee.

Cross File: HB 537 (Delegate Hubers, *et al.* – Appropriations) is identified as a cross file although it is not identical to this bill.

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

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