SB 783

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 783 (Senator Bromwell)
Budget and Taxation

Law Enforcement Officers' Pension System - Membership - Division of Parole and Probation of the Department of Public Safety and Correctional Services

This pension bill includes agents of the Division of Parole and Probation (DPP) of the Department of Public Safety and Correctional Services in the Law Enforcement Officers' Pension System (LEOPS).

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: State pension contributions by the DPP (general funds) would increase by $8.4 million in FY 2002 to reflect the higher contribution rate for LEOPS members. In addition, State pension liabilities would increase by $41.0 million, resulting in increased employer pension contributions by the DPP of $8.3 million beginning in FY 2003, and increasing 5% per year thereafter based on actuarial assumptions.

($ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	$0	$0	$0	$0	$0
GF Expenditure	8.4	8.3	8.8	9.2	9.6
Net Effect	($8.4)	($8.3)	($8.8)	($9.2)	($9.6)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: DPP agents would have the option (at least through December 31, 2001) to transfer to LEOPS. Future employees would be in the LEOPS. The bill also requires an asset transfer from the employees' systems to LEOPS of accumulated employer contributions plus interest for the members who transfer.

Current Law: DPP agents are currently members of the Employees' Pension System (EPS), or in some cases, the Employees' Retirement System (ERS) for older employees who did not transfer to EPS. The 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.

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 (DROP), 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 LEOPS of accumulated employer contributions plus interest when members are transferred.

DPP agents are not sworn police officers. Rather, they are certified by the Maryland Correctional Training Commission.

State Expenditures: There are currently 681 DPP agents, with an average salary of \$42,528. (As drafted, only agents, and not supervisory employees, would be eligible for LEOPS.) It is assumed that all agents 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 \$8.4 million for fiscal 2002 only.

In addition, the actuary informally estimates that the net increased actuarial liabilities under the proposal would be approximately \$41.0 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 \$8.3 million beginning in fiscal 2003, increasing approximately 5% per year thereafter.

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: None.

Cross File: HB 1437 (Delegate Hubbard) **-** Rules and Executive Nominations.

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

Fiscal Note History: First Reader – March 12, 2001
ncs/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510