

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 275 (Senator Baker, *et al.*)

Budget and Taxation

Appropriations

State Police Retirement System - Special Death Benefits

This pension bill increases the allowance paid to the surviving beneficiary (or beneficiaries) of a member of the State Police Retirement System whose death arose out of or in the course of the actual performance of duty on or after July 1, 1972, but before January 1, 2002. The allowance is increased from 50% of the member's average final compensation to two-thirds of average final compensation.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Pension liabilities of the State Police Retirement System would increase by \$1.4 million, resulting in increased pension costs for the Department of State Police of \$96,100 (general funds) beginning in FY 2003 and increasing 5% per year thereafter based on actuarial assumptions. Revenues would not be affected.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	96,100	100,900	106,000	111,200
Net Effect	\$0	(\$96,100)	(\$100,900)	(\$106,000)	(\$111,200)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The State Police Retirement System provides a special death benefit if a member of that system dies (without willful negligence by the member) with more than two years of eligibility service or if death arises out of or in the course of the actual performance of duty. In that event, the system pays: (1) the member's accumulated contributions to the designated beneficiary, or otherwise to the member's estate; and (2) an annual retirement allowance equal to 50% of the member's average final compensation (AFC) to the surviving spouse. If there is no surviving spouse or if the surviving spouse dies before the youngest child of the member is 18 years old, payments are made to the child or children under age 18. If there is no surviving spouse or children younger than age 18, the member's dependent parents receive the payment for the rest of the parents' lives.

Background: State Police retirement benefits were last changed substantially under Chapter 123 of 1999, which was the product of collective bargaining; no change in the system's death benefit was made at that time. For certain troopers killed in the line of duty in the early 1990s, Chapter 137 of 1997 retroactively increased their average final compensation for salary increases that were not provided during that period.

State Expenditures: To provide the benefit increase retroactively to the 13 spouses of those killed in the line of duty since 1972, the actuary informally estimates that actuarial liabilities would increase by \$1.4 million, with a first year payment in fiscal 2003 of \$96,100, increasing 5% per year thereafter.

The Retirement Agency advises that the change in benefit structure will result in approximately \$300,000 in additional programming costs and \$5,000 in administrative costs. Legislative Services advises that the proposed benefit structure change is relatively straightforward and could be handled with existing budgeted resources.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader – February 5, 2001
mld/jr Revised – Senate Third Reader – March 21, 2001
Revised – Enrolled Bill – April 25, 2001

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