

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE
Revised

House Bill 1442

(Chairman, Appropriations Committee)

Appropriations

Budget and Taxation

**Law Enforcement Officers' Pension System and State Police Retirement System -
 Death Benefits**

This pension bill increases the special death benefit paid to surviving beneficiaries of a member of the Law Enforcement Officers' Pension System (LEOPS) or the State Police Retirement System whose death arises out of or in the course of the actual performance of duty.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: State pension liabilities could increase by approximately \$762,000 resulting in additional State pension contributions by the Department of State Police of \$41,200 and by agencies that participate in LEOPS of \$137,000 beginning in FY 2004, and increasing 5% per year thereafter.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	33,000	34,600	36,300	38,200
SF Expenditure	0	8,200	8,700	9,100	9,500
GF/SF/FF Exp.	0	137,000	143,000	151,000	158,000
Net Effect	\$0	(\$178,200)	(\$186,300)	(\$196,400)	(\$205,700)

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

Local Effect: Local pension contributions for the City of Cambridge, which participates in LEOPS, could increase by approximately \$1,600 per year beginning in FY 2004.

Small Business Effect: None.

Analysis

Bill Summary: For LEOPS, the bill increases the special death benefit from 50% of the ordinary disability retirement allowance to two-thirds of the member's average final compensation (AFC) for members killed in the line of duty.

For active State Police members alive after January 1, 2002, the bill increases the special death benefit from 50% of AFC to two-thirds of AFC for members killed in the line of duty.

Current Law: A LEOPS or State Police member is entitled to a special death benefit if the member dies while employed: (1) without willful negligence by the member; and (2) (i) with more than two years of eligibility service; or (ii) with death arising out of or in the course of the actual performance of duty.

Background: This bill is the product of collective bargaining. Chapter 588 (SB 275) of 2001 increased the special death benefit for the spouses of State Police members 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, from 50% of AFC to two-thirds of AFC.

SB 275 of 2001 was amended to limit its scope to existing spouses of troopers whose deaths arose out of or in the course of the actual performance of duty from 1972 through 2001. It was noted that prospective changes regarding death benefits and other provisions of the benefit structure could be collectively bargained, and this bill reflects that bargaining. It should be noted that this year's bill applies to both the State Police Retirement System and LEOPS, while Chapter 588 applied only to the State Police.

State Expenditures: There are currently 1,578 active State Police members (average salary of \$51,223) and 1,275 active LEOPS members (average salary of \$47,330). The State's actuary informally estimates that the bill will increase State pension liabilities by \$700,000 for the State Police component and \$62,400 for the LEOPS component. This estimate is based on current actuarial mortality tables and assumptions that 50% of active State Police deaths are line of duty and 10% of active LEOPS member deaths are line of duty. Amortizing these additional liabilities over 25 years and reflecting the additional normal costs results in a first year payment in fiscal 2004 of \$41,200 for the State Police and \$137,000 for LEOPS. Future year payments would increase by 5% per year to reflect actuarial assumptions. State Police personnel costs are assumed to be 80% general fund and 20% special fund.

The State Retirement Agency advises that it could cost up to \$300,000 to reprogram its new computer system to reflect the changed death benefit formula. Legislative Services notes that development of the new computer system is currently and indefinitely halted. In the meantime, the relatively few number of cases of member deaths could be processed manually with existing resources.

Local Expenditures: At least one local government -- the City of Cambridge -- participates in LEOPS at its own cost. The bill changes the LEOPS death benefit for this employer, although it is not clear whether that was intended. Pro-rating the costs of State LEOPS to the local LEOPS, local LEOPS liabilities would increase by approximately \$2,000, resulting in additional annual contributions of approximately \$1,600.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Retirement Agency, Milliman USA, Department of Legislative Services

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