

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE

Senate Bill 282 (Chairman, Budget and Taxation Committee)
 (Departmental – Transportation)

Budget and Taxation

**Law Enforcement Officers' Pension System - Transfers of Members of the
 Maryland Transit Administration Police Force**

This departmental pension bill includes members of MTA police force in the Law Enforcement Officers' Pension System (LEOPS).

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: State pension contributions by MTA (Transportation Trust Fund) would increase in FY 2003 by \$1.8 million to reflect the higher contribution rate for LEOPS members. In addition, State pension liabilities would increase by \$22.1 million, resulting in increased employer pension contributions by MTA of \$2.8 million beginning in FY 2003, and increasing 5% per year thereafter based on actuarial assumptions. Special fund expenditures for the State Retirement Agency would increase by \$10,000 in FY 2003 only.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,751,300	2,812,000	2,962,000	3,119,000	3,286,000
SF Expenditure	10,000	0	0	0	0
Net Effect	(\$1,761,300)	(\$2,812,000)	(\$2,962,000)	(\$3,119,000)	(\$3,286,000)

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

Local Effect: None.

Small Business Effect: The Department of Transportation has determined that this bill will have minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: MTA police officers are currently in the same pension plan as other MTA employees. This plan is collectively bargained and does not include management employees. A member is eligible for a normal service retirement at age 52 with 30 years of service or at age 65 with five years of service. The benefit equals 1.3% of average final compensation times years of service; however, there is a minimum benefit of \$450 per month and a current maximum benefit (adjusted annually as part of collective bargaining) of \$45 per month times years of service. There is no mandatory employee contribution; however, the employee may contribute to fund a death benefit. The plan's assets are invested by the State Retirement and Pension System (SRPS) although the plan is not a part of SRPS. Milliman USA, SRPS's actuary, also provides actuarial services to the MTA plan.

The actuary advises that 99% of MTA police officers receive the maximum benefit at the time of retirement, which for the current year would be \$540 per year for each year of service (\$45 times 12 months).

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;
- Department of Labor, Licensing, and Regulation police officers; and
- Martin State Airport firefighters.

State Expenditures: There are currently 162 police officers employed by MTA with an average salary of approximately \$46,000. The actuary informally estimates MTA's current per-member contribution at \$5,716 for estimated total contributions for these members of \$926,000 for fiscal 2003. Under the bill, MTA would be required to pay the LEOPS contribution rate of 36.10% of pay, or \$2.7 million, for fiscal 2003. This represents an increase of \$1.8 million for fiscal 2003 only.

In addition, the actuary informally estimates that the net increased actuarial liabilities and additional normal costs under the proposal would be approximately \$22.1 million (including the additional liabilities to LEOPS offset somewhat by the transfer of assets from the MTA plan). This estimate reflects the required asset transfer from the officers' current pension system to LEOPS of accumulated employer contributions plus interest for the members who transfer. Amortizing these actuarial liabilities over 25 years results in a first-year cost of \$2.8 million beginning in fiscal 2004 and increasing 5% per year thereafter based on actuarial assumptions.

The State Retirement Agency would incur \$10,000 in additional administrative expenses in transferring these employees from the MTA plan to LEOPS.

Additional Information

Prior Introductions: SB 530 of 2001, a substantially similar bill, received an unfavorable report from the Senate Budget and Taxation Committee. HB 917 of 2001, the cross-file to SB 530, received an unfavorable report from the House Appropriations Committee.

Cross File: None.

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

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