

Department of Legislative Services
 Maryland General Assembly
 2002 Session

FISCAL NOTE
Revised

House Bill 1416
 Appropriations

(Delegate Marriott)

Budget and Taxation

Retirement and Pensions - Baltimore City Jail Employees

This pension bill allows certain employees of the Baltimore City Jail who were transferred from Baltimore City employment to State employment in 1991 to receive up to five years of additional service credit for their city service prior to transfer.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: Pension liabilities would increase by approximately \$2.9 million, resulting in increased State pension contributions of \$179,800 in FY 2004, increasing 5% per year thereafter. Administrative expenses for the State Retirement Agency could increase by \$25,000 in FY 2003 only.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	25,000	0	0	0	0
GF/SF/FF Exp.	0	179,800	189,800	198,700	208,800
Net Effect	(\$25,000)	(\$179,800)	(\$189,800)	(\$198,700)	(\$208,800)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies only to a Baltimore City Jail employee who: (1) on or before June 30, 1991, was employed by the City of Baltimore as an employee of the jail for at least five years; (2) enrolled in and became a member of one of the systems of the State Retirement and Pension System (SRPS) on July 1, 1991; and (3) (i) is not eligible to receive a vested allowance from the Employees' Retirement System of the City of Baltimore; and (ii) after becoming a member of one of the State systems, received a cash payment from the city system equivalent to the value of the employee's accrued benefit as of June 30, 1991, in the Employees' Retirement System of the City of Baltimore, as determined by the city's actuary.

An eligible member is entitled to receive up to five years of service credit for employment with the City of Baltimore as an employee of the Baltimore City Jail on the attainment of ten years of creditable service with the State. On or before June 30, 2005, a member who receives service credit under the bill must pay to the SRPS the portion of the cash payment that the member received that equals the amount of additional service credit the member will receive, plus the interest at the rate of 5% on that portion of the cash payment through the date of deposit. Alternatively, if the member elects not to pay the cash payment to the SRPS, the member's retirement allowance would be reduced by an actuarially equivalent amount, but the member would still receive the additional five years of eligibility service.

Current Law: Pension law permits members of the Employees' Pension System (EPS) and Correctional Officers' Retirement System (CORS) to purchase previous service for periods of employment (up to ten years) with a political subdivision in the State at full actuarial cost (the total amount equal to the annuity and pension reserves required to fund the additional allowance).

Background: As of July 1, 1991, employees of the Baltimore City Jail (now the Division of Pretrial Detention and Services) became State employees and were enrolled in either EPS or CORS. No previous service credit under the Baltimore City Employees' Retirement System could be transferred to these State systems. Employees who were vested in Baltimore City's Employees' Retirement System kept their vested benefit in that system, while nonvested employees were given a cash benefit equal to the value of their existing credit.

State Expenditures: The Baltimore City Employees' Retirement System requires the city employees to purchase the service credit associated with their first year of employment. The city system advises that there were 282 Baltimore City Jail employees with more than four years of membership service (and hence presumably had five years of employment with Baltimore City) who received lump sum payments and transferred to

one of the State systems as of July 1, 1991. Of these, the Division of Pretrial Detention and Services advises that 96 remain employed with the division and hence would be eligible to receive service credit on the bill. (An additional number of transferred employees had less than five years of employment at the time of the transfer and would not be subject to the bill.)

Employees who apply for credit under this bill could receive up to five years of service. The increase to a member's benefit under the bill would depend on whether the member repaid the cash payment or instead was subject to the actuarial reduction. In any event, the member would be eligible to retire up to five years earlier than under current law.

Of the 96 remaining people, it is estimated that 14 transferred to the EPS while 82 transferred to CORS. The average refund at the time of the transfer is assumed to be \$13,500 (or \$21,990 in today's dollars with interest). If the member failed to repay that amount, the member would be subject to an actuarial deficiency, but all members would receive the additional five years of service eligibility. The State's actuary informally estimates that actuarial liabilities would increase by approximately \$2.9 million as a result of this proposal. Amortizing these liabilities over 25 years results in increased State pension contributions of \$161,000 beginning in fiscal 2004 and increasing 5% per year thereafter based on actuarial assumptions.

As amended, the bill provides an additional two years for members to repay their payments. Assuming that all the members took advantage of the extended repayment date, the lost interest income to the pension system would be approximately \$340,000. Amortizing these additional liabilities over 25 years would result in increased State contributions of approximately \$19,000 beginning in fiscal 2004 and increasing 5% per year thereafter based on actuarial liabilities.

The State Retirement Agency would incur approximately \$25,000 in administrative expenses (including additional overtime or contractual personnel expenditures) in fiscal 2003 to administer the bill.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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