HB 549

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE
Revised

House Bill 549 (Delegate Cadden, *et al.*)
Appropriations Budget and Taxation

Law Enforcement Officers' Pension System - Benefits

This pension bill increases the pension benefit of certain retirees of the Law Enforcement Officers' Pension System (LEOPS).

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: State pension liabilities would increase by approximately $3.4 million, resulting in increased pension contributions of $187,300 (all funds) beginning in FY 2004 and increasing 5% per year thereafter based on actuarial assumptions.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	$0	$0	$0	$0	$0
GF/SF/FF Exp.	0	187,300	196,600	206,400	216,700
Net Effect	$0	($187,300)	($196,600)	($206,400)	($216,700)

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

Local Effect: None. Few or no retirees who were employed by a governmental unit that participated in LEOPS are affected by this proposal.

Small Business Effect: None.

Analysis

Bill Summary: This bill applies to: (1) a retiree, or beneficiary of a retiree, who retired with a service retirement allowance on or before June 30, 2000; or (2) a retiree, or beneficiary of a retiree, who: (a) prior to retirement, was not subject to the Law Enforcement Officers' modified pension benefit; and (b) retired with a service retirement allowance between July 1, 2000 and June 30, 2001, both inclusive.

These retirees, or their beneficiaries, would receive an annual retirement allowance adjustment as of July 1, 2002, as follows:

- $1,200 for a retiree who has been retired not more than five years;
- $1,500 for a retiree who has been retired more than five years but not more than ten years; and
- $1,800 for a retiree who has been retired more than ten years.

This adjustment is increased by an unlimited cost-of-living adjustment (COLA) based on the consumer price index.

Current Law: LEOPS "retirement tier" retirees who retired prior to enactment of Chapter 737 (HB 315) of 2001 received an initial allowance calculated as 2% of average final compensation (AFC) for the first 30 years of membership and 1% of AFC for each year over 30. LEOPS "pension tier" retirees who retired prior to enactment of Chapter 395 of 2000, upon reaching age 62, receive 1% of AFC up to the Social Security Integration Level and 1.7% of AFC in excess of the integration level, for each year of service. From the period from retirement to age 62, the member receives a supplement so that the total benefit equals 1.7% of AFC for each year of service until the member reaches age 62 (and becomes eligible for Social Security).

Background: Within LEOPS, "retirement tier" members are those members who transferred into LEOPS from the Employees' Retirement System. "Pension tier" members are those members who transferred into LEOPS from the Employees' Pension System, or who joined directly into LEOPS.

Chapter 395 of 2000 enhanced the benefit of members of the LEOPS "pension tier" from the formula described above to 2% of AFC for each year of service. The enhancement applied only to active members of the LEOPS "pension tier;" it did not apply to "pension tier" retirees who had retired prior to June 30, 2000.

Chapter 737 of 2001 increased the benefit formula of the LEOPS "retirement tier" from a 2.0% accrual rate to 2.3% of a member's average final compensation for each year of service. The enhancement applied only to active members of the LEOPS "retirement tier;" it did not apply to "retirement tier" retirees who had retired prior to June 30, 2001.

State Expenditures: There are 213 retirees (158 from the "pension tier" and 55 from the "retirement tier") who would be affected by this proposal. The actuary informally estimates that the increased benefit payments will increase State liabilities by $3.4 million. Amortizing these liabilities over 25 years results in an increase in State pension contributions of $187,300 beginning in fiscal 2004 and increasing 5% per year thereafter based on actuarial assumptions.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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