SB 309

Department of Legislative Services

Maryland General Assembly
2002 Session

FISCAL NOTE

Senate Bill 309 (Senator Currie)
Budget and Taxation Appropriations

Law Enforcement Officers' Pension System - Membership

This pension bill provides State employees who were previously eligible for Law Enforcement Officers' Pension System (LEOPS) membership but elected not to transfer with an additional transfer opportunity, through December 31, 2002.

The bill takes effect July 1, 2002.

Fiscal Summary

State Effect: Personnel expenditures (general funds) would increase by $165,000 in FY 2003 to reflect the increase in employer pension contributions for new LEOPS members. In addition, State pension liabilities would increase by $942,000, resulting in increased pension contributions of $154,300 in FY 2004, and increasing thereafter based on actuarial assumptions.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Revenues	$0	$0	$0	$0	$0
GF Expenditure	165,000	154,300	162,000	170,100	178,600
Net Effect	($165,000)	($154,300)	($162,000)	($170,100)	($178,600)

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

Local Effect: None. The bill does not apply to employees of local governmental units that participate in LEOPS.

Small Business Effect: None.

Analysis

Bill Summary: Transferring members would receive a LEOPS benefit based on all the service transferred. There is no requirement that transferring members make contributions based on what they (or their employer) should have contributed had they timely transferred to LEOPS.

Current Law: 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.

Eligible employees of these agencies who were employed by their respective agencies prior to the agency participating in LEOPS were given until various dates certain to transfer to LEOPS. New law enforcement personnel automatically became members of the LEOPS at employment.

Existing law requires an asset transfer from the Employees' Retirement System (ERS) and or the Employees' Pension System (EPS) to LEOPS of accumulated employer contributions plus interest when members are transferred.

Background: When these agencies became eligible to enroll their law enforcement officers in LEOPS, their existing officers -- who were members of the ERS or the EPS -- were eligible to transfer from the employees' systems to LEOPS.

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.

Eligible employees of the above agencies who did not elect LEOPS membership remain members of the EPS, or in some cases, the ERS for older employees who did not transfer to EPS. The EPS is a "30 and out" retirement plan that provides a benefit equal to 1.4% of average final compensation for each year of service after July 1, 1998, and 1.2% of average final compensation for each year of service prior to that date. A 2% member contribution is required. The ERS provides a benefit of 1.8% of average final compensation for each year of service with a 5% or 7% member contribution, depending on the selected option for post-retirement adjustments.

Each bill adding groups to LEOPS provided for a closing date so that both the members and the State would make adequate contributions to LEOPS during a member's career. Allowing transfers late in an employee's career causes actuarial losses to the system.

State Expenditures: It is estimated that 11 law enforcement officers were eligible to transfer to LEOPS but did not do so during the transfer period. The employers of these members are as follows: University of Baltimore (4 members), University of Maryland at Baltimore (1), University of Maryland, College Park (1), Morgan State University (1), Coppin State (2), Bowie State (1), and Department of Natural Resources (1). Two are members of the ERS and nine are members of the EPS. Their average salary is $49,400; they have 18 years of service on average.

Eligible employees who transfer from EPS to LEOPS (pension tier) will increase their benefit multiplier from 1.4% (for service after July 1, 1998) to 2.0% for each year of service. Member contributions will increase from 2% of pay to 4%. Eligible employees who transfer from ERS to LEOPS (retirement tier) will increase their benefit multiplier from 1.8% to 2.3% for each year of service. Member contributions will remain the same.

For fiscal 2003, the agencies employing these members will experience an increase in employer contributions from 5.74% of pay to 36.1% of pay, resulting in increased contributions of approximately $165,000. In addition, the actuary informally estimates that pension liabilities will increase by $942,000 as a result of the legislation. Amortizing these additional liabilities over 25 years results in additional pension contributions of $154,300 beginning in fiscal 2004, and increasing 5% per year thereafter based on actuarial assumptions.

Additional Information

Prior Introductions: None.

Cross File: HB 216 (Delegate Branch, *et al.*) – Appropriations.

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

Fiscal Note History: First Reader - February 5, 2002
ncs/jr

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