

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

Senate Bill 569 (Senator Hooper, *et al.*)

Budget and Taxation

Appropriations

**Law Enforcement Officers' Pension System - Membership**

This pension bill includes police officers employed by the Division of Rehabilitation Services in the State Department of Education (MSDE) in the Law Enforcement Officers' Pension System (LEOPS).

The bill takes effect July 1, 2002.

**Fiscal Summary**

**State Effect:** State pension contributions by MSDE (general funds) would increase by \$48,200 in FY 2003 to reflect the higher contribution rate for LEOPS members. In addition, State pension liabilities would increase by \$272,000, resulting in increased employer pension contributions by MSDE of \$44,600 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 Expenditure	48,200	44,600	46,800	49,200	51,600
Net Effect	(\$48,200)	(\$44,600)	(\$46,800)	(\$49,200)	(\$51,600)

*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 requires that these police officers be certified in accordance with the Maryland Police and Correctional Training Commissions. These officers would have the option (at least through December 31, 2002) to transfer to LEOPS. Future officers would be in the LEOPS.

**Current Law:** These officers are currently members of the Employees' Pension System (EPS), or in some cases, the Employees' Retirement System (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.

**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.

Existing law requires an asset transfer from the ERS and EPS to LEOPS of accumulated employer contributions plus interest when members are transferred.

Many of the groups of law enforcement officers listed above were transferred to LEOPS under Chapter 397 (HB 605) of 2000. HB 605 was the product of collective bargaining, and at the bill's hearing, the employer and employee representatives testified that it covered all State sworn law enforcement officers. It is not known why these law enforcement officers were not included in that bill.

**State Expenditures:** MSDE advises that there are four eligible police officers with a total payroll of \$157,100. It is assumed that all would transfer to LEOPS. As a result of the change, the fiscal 2003 employer contribution rate for these officers will increase from 5.74% of pay (under EPS) to 36.10%, an increase of 30.68% of pay per year. This amount is estimated at \$48,200 for fiscal 2003 only.

In addition, the actuary informally estimates that the net increased actuarial liabilities under the proposal would be approximately \$272,000 (including the additional liabilities to LEOPS offset somewhat by the transfer of assets from the employees' systems). The actuarial liabilities are amortized over 25 years. The total ongoing cost of the enhancement (including the amortization payments plus the difference in normal costs between EPS and LEOPS) is estimated at \$44,600 beginning in fiscal 2004 increasing approximately 5% per year thereafter.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 18, 2002  
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Analysis by: Matthew D. Riven

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510

