

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

House Bill 891
Appropriations

(Delegate James) (Chairman, Joint Committee on Pensions)

Budget and Taxation

Law Enforcement Officers' Pension System - DROP - Creditable Service

This pension bill provides that creditable service, not eligibility service, will be the service criterion used to determine whether a member of the Law Enforcement Officers Pension System (LEOPS) is eligible to participate in the system's deferred retirement option program (DROP).

The bill is effective July 1, 2004.

Fiscal Summary

State Effect: This bill would not materially affect LEOPS pension liabilities.

Local Effect: Potential minimal.

Small Business Effect: None.

Analysis

Current Law: Under DROP, a member elects to technically "retire" but agrees to work for no more than a fixed additional period of service. The member receives benefits payments into an interest-bearing account held by the State Retirement Agency. When the DROP period ends and "true" retirement begins, the retiree receives a monthly retirement benefit based on the years of service and salary at the time they entered DROP, plus a lump sum payment equal to the value of the DROP account.

Members of LEOPS are eligible to participate in DROP if they have at least 25 and less than 30 years of eligibility service. Eligible members elect to participate for a period not greater than the lesser of: five years, the difference between 30 years and the service credit as of the date of election to participate in DROP, or a term selected by the member.

Background: The Retirement Agency notes that basing eligibility to participate on accrued eligibility service means that a LEOPS member could be in DROP after serving less than 25 years because it takes no more than four months of full-time employment in any fiscal year to work the minimum 500 hours required to earn one year of eligibility service. The member then would be eligible to retire with 25 years of eligibility service and enter DROP after actually serving as a law enforcement officer for less than 25 years.

State Fiscal Effect: The State's actuary informally estimates that the provisions of this bill would have no discernible impact on the actuarial liabilities of LEOPS because the number of participants who have already entered DROP when eligible based on eligibility credit rather than service credit is not significant.

Local Fiscal Effect: Local jurisdictions that have any employees in LEOPS would have the same impact as the State's fiscal effect noted above.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 13, 2004
n/mdr

Analysis by: Daniel P. Tompkins

Direct Inquiries to:
(410) 946-5510
(301) 970-5510