

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE

Senate Bill 504

(Senator Stoltzfus)

Budget and Taxation

Appropriations

**Law Enforcement Officers' Pension System - Membership - Salisbury Fire
Department**

This pension bill authorizes the City of Salisbury to transfer its firefighters and paramedics from the Employees' Pension System (EPS) to the Law Enforcement Officers' Pension System (LEOPS).

The bill is effective July 1, 2004.

Fiscal Summary

State Effect: None. All liabilities and any associated costs are borne fully by the City of Salisbury.

Local Effect: Total actuarial liabilities would decrease, resulting in an annual actuarial credit for the City of Salisbury.

Small Business Effect: None.

Analysis

Bill Summary: The bill authorizes the City of Salisbury to participate in LEOPS on behalf of their firefighters and paramedics if 60% of their firefighters and paramedics who are members of EPS petition to become members of LEOPS. The legislative body of the City of Salisbury must approve the participation. A firefighter or paramedic employed by the Salisbury Fire Department on June 30, 2004 may elect membership on or before December 31, 2004. A firefighter or paramedic employed by the Salisbury Fire

Department on or after January 1, 2005 would be a member of LEOPS as a condition of employment.

The bill prohibits a firefighter or paramedic employed by the Salisbury Fire Department who transferred from the Employees' Retirement System (ERS) to EPS on or after April 1, 1998 from transferring to LEOPS.

Background: Membership in LEOPS includes law enforcement officers of the following local jurisdictions:

- Kent County – new to the State system on July 1, 2002;
- Hancock – new to the State system on January 1, 2004;
- Cambridge – from Local Fire and Police System (LFPS) on July 1, 2000;
- Greenbelt – from LFPS on July 1, 2002;
- Salisbury (police) – from LFPS on July 1, 2003;
- Hyattsville – from EPS on July 1, 2002; and
- Westminster – from EPS on July 1, 2003.

Local jurisdictions may enroll their law enforcement officers in LEOPS if 60% of eligible members petition to become members. While pension law does not provide for local firefighters to participate in LEOPS, several State groups of fire safety officers, including Martin State Airport and BWI Airport firefighters and State Fire Marshals are included in LEOPS.

Members of LEOPS 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. For fiscal 2005, the employer contribution rate is 37.73% of pay.

The State Retirement Agency notes that Salisbury’s law enforcement officers already participate in LEOPS.

Local Fiscal Effect: All costs associated with the transfer and membership in LEOPS would be borne by the City of Salisbury. The State’s actuary prepared an estimate of the actuarial liability involved in the transfer of current Salisbury firefighters and paramedics in EPS to LEOPS in August 2003. Based on data through June 30, 2002, the city would have had a negative liability of \$724,200 on July 1, 2003, resulting in an annual

amortized credit of \$65,281. The State's actuary informally estimates that adjusting this estimate for current actuarial assumptions and membership would still result in a net actuarial savings to the City of Salisbury.

Additional Information

Prior Introductions: None.

Cross File: HB 1255 (Delegate Conway, *et al.*) – Appropriations.

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

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ncs/jr

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