

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE

Senate Bill 846 (Senator Conway, *et al.*)
 Budget and Taxation

**Law Enforcement Officers' Pension System - Membership - Baltimore City
 Community College Police Officers**

This pension bill permits police officers employed by Baltimore City Community College (BCCC) to participate in the Law Enforcement Officers' Pension System (LEOPS). The police officer must elect membership on or before December 31, 2005. Membership is optional for police officers employed by BCCC on June 30, 2005. A police officer employed by BCCC on or after July 1, 2005 becomes a member of LEOPS as a condition of employment. The bill prohibits a police officer employed by BCCC who transferred from the Employees' Retirement System (ERS) to the Employees' Pension System (EPS) on or after April 1, 1998, from participating in LEOPS.

The bill is effective July 1, 2005.

Fiscal Summary

State Effect: State pension liabilities will increase \$482,000, resulting in a first-year (FY 2007) amortized cost of \$187,800. FY 2006 costs will increase \$178,000 to reflect the increased contribution rate associated with the transfer to LEOPS.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF/SF/FF Exp.	0	109,100	113,000	118,000	122,900
Higher Ed Exp.	178,000	78,800	81,900	85,200	88,600
Net Effect	(\$178,000)	(\$187,900)	(\$194,900)	(\$203,200)	(\$211,500)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law/Background: BCCC police and public safety officers who are permanent employees are members of ERS or EPS. LEOPS is made up of police officers from Executive Branch agencies (*e.g.*, the Departments of General Services; Natural Resources; Health and Mental Hygiene; Labor, Licensing, and Regulation) as well as the Maryland Transportation Authority, the University System of Maryland, Morgan State University, and other State entities. Baltimore City police officers and the State Fire Marshal and deputy marshals are also members of LEOPS.

Service retirement in EPS is available after 30 years or at age 62 versus after 25 years or age 50 in LEOPS. EPS members contribute 2% of salary and receive an annual retirement benefit equal to the product of years of service times 1.4% of average final salary versus 7% contribution and 2% multiplier in LEOPS.

The BCCC public safety force has 50 members. The State Retirement Agency notes that of these, only 14 are commissioned police officers.

State Fiscal Effect: The proposed transfer to LEOPS affects both components used to calculate pension contributions: the increase in payroll upon which the contributions are made and the level of actuarial pension liabilities.

Employer Contribution Rate

The total payroll associated with these 14 officers is \$544,100. Based on a 38.47% employer contribution rate versus the 5.76% contribution rate for EPS, State pension contributions would increase by \$178,000 in fiscal 2006.

Actuarial Liabilities

Transferring these 14 officers to LEOPS would have two offsetting effects on State pension liabilities. By moving these employees to a system with a better benefit, pension liabilities will increase. On the other hand, pension assets will increase, because the contributions, which are based on the normal cost rate and the unfunded actuarial liability contribution rates, will also increase. It is estimated that net actuarial liabilities will increase by approximately \$482,000 as a result of the transfer of these pilots. Amortizing these liabilities and the normal cost of benefits over 25 years will result in a first-year

increase in State pension contributions of \$187,800 beginning in fiscal 2007, and increasing 4% per year thereafter, based on actuarial assumptions.

Additional Information

Prior Introductions: None.

Cross File: HB 1008 (Delegate Proctor) – Appropriations.

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

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ncs/jr

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