

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 442
Appropriations

(Delegate Griffith) (Chair, Joint Committee on Pensions)

Budget and Taxation

Deferred Retirement Option Program Participants - Application of Line of Duty
Disability Benefits

This bill entitles a member of the State Police Retirement System (SPRS) or the Law Enforcement Officers' Pension System (LEOPS) who participates in the Deferred Retirement Option Program (DROP) to receive special/accidental disability benefits only if the member is injured or incapacitated after enrolling in DROP.

The bill takes effect July 1, 2008 and applies only prospectively to any SPRS or LEOPS member who enrolls in DROP on or after that date.

Fiscal Summary

State Effect: No discernable effect on State pension liabilities or contribution rates.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: DROP programs allow SPRS and LEOPS members to technically retire while continuing to work in their same position for a fixed period of time. During their participation in DROP, the members earn their regular compensation but do not accumulate any additional pension service credit. The State Retirement Agency holds the members' pension benefits in DROP accounts that earn 6% interest. At the end of the

DROP period, the retired members receive the accumulated amounts in their DROP accounts plus their regular monthly benefits.

DROP participants may file for and receive, if eligible, special/accidental disability benefits, which are generally more generous than normal service retirements and are tax free. A LEOPS member is eligible for accidental disability benefits if the member is totally and permanently incapacitated for duty arising out of or in the course of the actual performance of duty without willful negligence by the member, and the medical board certifies that the incapacity is likely to be permanent. A member of SPRS is entitled to a special disability retirement under the same terms. For DROP members, these benefits can be claimed based on a condition or accident that existed or occurred prior to enrollment in DROP. If granted, members receive not only the more generous benefit, but also the DROP benefit.

Background: DROP programs were designed to increase retention among experienced law enforcement officers by providing a tangible benefit if they continued to work beyond normal retirement age. The State Retirement Agency reports that 334 SPRS members have participated in DROP, including 120 current members. Of the total number, more than 19% have applied for and received special disability benefits, often for pre-existing conditions. In LEOPS, only 3 of 132 previous DROP participants have received accidental disability benefits.

State Fiscal Effect: The bill applies only prospectively to members who join DROP after June 30, 2008, so there is no effect on the State's current pension liabilities nor, for that matter, on liabilities in the proximate years as current DROP members gradually exit the program. Future pension liabilities could decrease minimally as a result of fewer DROP members receiving special/accidental disability benefits, which could result in a negligible reduction in State pension contributions.

Additional Information

Prior Introductions: None.

Cross File: SB 422 (Senator McFadden, *et al.*) (Chair, Joint Committee on Pensions) – Budget and Taxation.

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

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mll/jr

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