

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 725
 Appropriations

(Delegate Rudolph, *et al.*)

Budget and Taxation

State Retirement and Pension System - Line of Duty Death Benefits

This bill creates a line of duty death benefit for members of the Employees’ Retirement System, Employees’ Pension System, Teachers’ Retirement System, or Teachers’ Pension System who are killed while performing their duties. The bill also entitles surviving minor children and dependent parents of State employees who receive the death benefit to join the State Employee and Retiree Health and Welfare Benefits Program.

The bill takes effect June 1, 2008 and applies retroactively to any individual who died on or after January 1, 2007 as an employee of the State Highway Administration and meets the bill’s criteria for the line of duty death benefit.

Fiscal Summary

State Effect: Special fund expenditures by the Maryland Department of Transportation increase by approximately \$10,650 in FY 2009 to provide subsidized health insurance benefits to surviving minor children and dependent parents of the SHA employee killed in the line of duty in 2007. Out-year costs reflect one additional member qualifying for the benefit each year plus 7% medical inflation. No discernable effect on State pension liabilities or contribution rates.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	10,700	0	0	0	0
GF/SF/FF Exp.	0	22,800	36,600	52,200	69,800
Net Effect	(\$10,700)	(\$22,800)	(\$36,600)	(\$52,200)	(\$69,800)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The line of duty death benefit is available only to a member of one of the four qualifying plans who dies in the line of duty without willful negligence on the member's part. The benefit equals:

- a lump sum distribution of the member's accumulated contributions; and
- an allowance of two-thirds of the member's average final compensation.

The benefit is payable only if the member is survived by a dependent spouse, dependent minor children, or dependent parents, in that order of preference. If the benefit is paid to minor children, the allowance is divided equally among them until each child reaches age 18.

Surviving family members who receive this death benefit are not entitled to receive a lump sum payment equal to the member's annual earnable compensation at the time of death, as described in the Current Law section. However, they are still entitled to a refund of the member's contributions and the \$100,000 payment from the Department of Budget and Management.

Current Law: Beneficiaries of ERS/EPS and TRS/TPS members who are killed in the line of duty or after completing one year of eligibility service are entitled to two lump sum death benefit payments from the State Retirement and Pension System equal to the member's annual earnable compensation at the time of death and the member's accumulated contributions. State employees who are not law enforcement officers who are killed in the line of duty are also entitled to a \$100,000 payment from the Department of Budget and Management. For ERS/EPS and TRS/TPS members, surviving spouses may elect a 100% survivor annuity rather than a lump sum payment if the spouse is the sole primary beneficiary and the member was eligible to retire or was at least 55 years of age and had at least 15 years of eligibility service. For EPS and TPS members, surviving spouses may also elect a 100% survivor annuity if the member had at least 25 years of eligibility service.

Surviving spouses of State Retirement and Pension System members must receive a regular death benefit allowance as a condition of membership in the State Employee and Retiree Health and Welfare Benefits Program. Surviving spouses who receive only a lump sum death benefit are not eligible to join the program.

Members of the State Police Retirement System, the Law Enforcement Officers' Pension System, and the Correctional Officers' Retirement System are entitled to special line-of-duty death benefits that are similar to the benefit created by this bill for State employees and teachers.

State Fiscal Effect: SHA reports that since 1984, 13 employees have been killed while on duty, including one since January 1, 2007. The State Retirement Agency reports that, on average, about one TRS/TPS member is killed in the line of duty every five years. DBM reports that only one nonlaw enforcement State employee has qualified for the \$100,000 lump sum death benefit since it was instituted in 2000. Legislative Services therefore estimates that, on average, one eligible employee will be killed while on duty each year and receive this benefit. Assuming an average salary of \$40,000, the surviving spouse or other dependents of the member killed in 2007 will be entitled to an allowance of approximately \$26,667, subject to annual cost-of-living adjustments. The increase in State pension liabilities resulting from this new benefit is negligible and is assumed not to have any discernable effect on State pension contribution rates.

The State pays an average subsidy of \$10,650 for health insurance coverage for an individual employee or retiree, which accounts for those members who select family coverage. Therefore, the Maryland Department of Transportation will pay \$10,650 in fiscal 2009 in health insurance subsidies to provide subsidized health insurance for surviving family members of the SHA employee who was killed in 2007. Payments are expected to grow by 7% annually, reflecting recent medical inflation rates.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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