

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 65

(Chair, Budget and Taxation Committee, *et al.*)
 (By Request - Departmental - Transportation)

Budget and Taxation

Appropriations

**State Retirement and Pension System - Line of Duty Death Benefits - Maryland
 Transportation Authority Employees**

This emergency departmental bill amends Chapter 519 of 2008 to provide a line of duty death benefit retroactive to January 1, 2007, to any employee of the Maryland Transportation Authority (MdTA) who is a member of either the Employees' Retirement System or the Employees' Pension System. By virtue of providing a regular pension allowance to the families of eligible members, the bill also entitles the surviving spouse, minor children, and dependent parents of affected members to join the State Employee and Retiree Health and Welfare Benefits Program.

Fiscal Summary

State Effect: Nonbudgeted expenditures by MdTA increase by approximately \$8,700 in FY 2009 to provide State-subsidized health coverage to the family of one MdTA employee killed in the line of duty in 2008. Out-year costs reflect 7% annual medical inflation. No discernible 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
NonBud Exp.	8,700	9,300	10,000	10,700	11,400
Net Effect	(\$8,700)	(\$9,300)	(\$10,000)	(\$10,700)	(\$11,400)

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

Local Effect: None.

Small Business Effect: The Maryland Transportation Authority has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: Chapter 519 of 2008 created a line of duty death benefit for any member of the Employees' Retirement System, Employees' Pension System, Teachers' Retirement System, or Teachers' Pension System who is killed while performing official duties without willful negligence on the member's part. The benefit is available only to a surviving spouse, minor child, or dependent parent, in that order of preference. If the benefit is paid to minor children, the allowance is divided equally among them until each child reaches the age of 18.

The benefit created by Chapter 519 equals:

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

Chapter 519 also applied retroactively to any employee of the State Highway Administration (SHA) who died on or after January 1, 2007, and otherwise met the bill's criteria for a line of duty death benefit. The surviving spouse of one SHA employee killed between January 1, 2007, and the bill's effective date qualified for the retroactive benefit.

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 Chapter 519 for members of other State plans.

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. Surviving spouses, minor children, and dependent parents 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 and dependents who receive only a lump sum death benefit are not eligible to join the program.

Background: On April 9, 2008, a facility maintenance worker employed by the Maryland Transportation Authority was struck and killed by a vehicle while clearing debris on Interstate 95. He is survived by a wife and two minor children. Because his

death occurred prior to the effective date for Chapter 519, and because he was not an SHA employee, his family did not qualify for the line of duty death benefit provided by Chapter 519.

State Fiscal Effect: According to the State Retirement Agency, the MdTA employee described above is the only individual whose family qualifies for the retroactive line of duty death benefit created by this bill. At the time of his death, his accumulated contributions totaled \$1,851, which would be refunded to his family. His average final compensation at the time of his death was \$25,316, entitling his surviving spouse to a monthly pension allowance of \$1,406, retroactive to May 2008. If payment of the retroactive benefits is made in fiscal 2009, the total payment would be \$19,691. The regular benefit payments are expected to increase by 3% annually, accounting for cost-of-living adjustments. The line of duty benefit payments will not have a discernible effect on State pension contribution rates.

MdTA advises that, in addition to qualifying for retroactive pension benefits, the surviving family members of the deceased MdTA employee will also be eligible for retroactive health benefits from the State. MdTA pays an average subsidy of \$8,714 for health insurance coverage for an individual employee or retiree in fiscal 2009, which accounts for members who select family coverage. Therefore, expenditures by MdTA will increase by \$8,714 in fiscal 2009 to provide subsidized health insurance to one former employee's surviving family members. 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 State Retirement Agency, Maryland Transportation Authority, Department of Legislative Services

Fiscal Note History: First Reader - January 14, 2009
ncs/rhh Revised - Senate Third Reader - January 30, 2009

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Retirement and Pension System – Line of Duty Death Benefits –
Maryland Transportation Authority Employees

BILL NUMBER: SB 65

PREPARED BY: Maryland Transportation Authority

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.