

**Department of Legislative Services**  
 Maryland General Assembly  
 2010 Session

**FISCAL AND POLICY NOTE**

Senate Bill 895 (Senator McFadden)(Chair, Joint Committee on Pensions)  
 Budget and Taxation

**Employees' Retirement and Pension Systems - Employer Contributions -  
 Baltimore City Sheriff's Department**

This bill requires Baltimore City to pay the employer contribution on behalf of employees of the Baltimore City Sheriff's Department who are members of either the Employees' Retirement System (ERS) or the Employees' Pension System (EPS).

The bill takes effect July 1, 2010.

**Fiscal Summary**

**State Effect:** General fund expenditures decrease by \$283,000 in FY 2011 from transferring responsibility for the employer pension contribution from the State to Baltimore City. Out-year savings reflect actuarial assumptions. No effect on revenues.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	(283,000)	(325,000)	(373,000)	(427,000)	(483,000)
Net Effect	\$283,000	\$325,000	\$373,000	\$427,000	\$483,000

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

**Local Effect:** Expenditures by Baltimore City increase by \$283,000 in FY 2011 to pay the employer pension contribution for employees of the Baltimore City Sheriff's Department. Those costs increase annually according to actuarial assumptions (and equal the expenditure decreases for the State shown above). **This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

## **Analysis**

**Current Law:** Chapter 487 of 2009 (the Budget Reconciliation and Financing Act) requires the appropriate local governments to pay retirement costs of certain local employees who are members of various State Retirement and Pension System (SRPS) plans beginning in fiscal 2010. Specifically, Chapter 487 requires Baltimore City to pay the employer contribution on behalf of employees of the Baltimore City Sheriff's Department who are members of the Law Enforcement Officers' Pension System (LEOPS). Prior to the enactment of Chapter 487, the State paid the employer contribution on behalf of those employees.

**Background:** Approximately 60 employees of the Baltimore City Sheriff's Department are active members of ERS/EPS and were inadvertently not included in Chapter 487, with a combined annual payroll of \$2.4 million. The certified fiscal 2011 employer contribution rate for ERS/EPS is 11.69% of compensation.

**State/Local Fiscal Effect:** Calculation of State and local fiscal effects require projections of future employer contribution rates and payroll growth for affected members. Calculation of future employer contributions is based on multiple actuarial assumptions and actual plan experience. In addition to the actuarial assumptions adopted by the Board of Trustees of SRPS, this analysis makes the following assumptions:

- investment returns for the SRPS trust fund are 15% in 2010 (returns are 13.91% as of January 31, 2010) and 7.75% in each succeeding year; and
- aggregate payroll for affected employees increases 1% in fiscal 2010 and 3.5% each year thereafter.

Based on these assumptions, the employer contributions for fiscal 2011 are \$283,000, which represents a savings to the State and an increase in expenditures for the Baltimore City Sheriff's Department. State payments on behalf of local members of State retirement and pension plans are paid with general funds, so the savings are reflected entirely in general funds. Future year employer contributions are based on actuarial assumptions, including those delineated above. Actual costs/savings may vary to the extent that actual experience deviates from those assumptions.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Baltimore City, Mercer Human Resources Consulting,  
Maryland State Retirement Agency, Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2010  
mam/rhh

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Analysis by: Michael C. Rubenstein

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510