

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE

House Bill 1426
Appropriations

(Delegate DeBoy, *et al.*)

Law Enforcement Officers' Pension System - Reemployment of Retirees

This bill provides disability benefits and survivor death benefits to a retiree of the Law Enforcement Officers' Pension System (LEOPS) who is reemployed by the Natural Resources Police Force (NRP) on a contractual basis at the rank of officer or officer first class. It requires that, prior to reemployment with NRP, a LEOPS retiree must terminate participation in the Deferred Retirement Option Program (DROP).

The bill takes effect July 1, 2013.

Fiscal Summary

State Effect: No discernible effect on State pension liabilities or contribution rates, given the limited probability that a reemployed LEOPS retiree will be disabled or killed in the line of duty. NRP may experience some administrative and financial efficiencies by hiring experienced retirees rather than new officers for seasonal duty, but any fiscal effect is not expected to be meaningful. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A LEOPS retiree who is reemployed by NRP as specified by the bill and who, without willful negligence by the retiree, becomes totally and permanently incapacitated for duty in the course of performing his or her duties, as certified by the medical board, is eligible for a disability benefit. The disabled retiree's normal service

retirement allowance is readjusted to equal two-thirds of the retiree's average final compensation (AFC) at the time of retirement, with accumulated cost-of-living adjustments (COLAs) from the date of retirement.

On behalf of a LEOPS retiree who is reemployed by NRP as specified by the bill and who is killed in action, the State Retirement and Pension System must pay a two-part survivor benefit to the retiree's surviving spouse, minor children, or dependent parent, as indicated in the bill. The two-part benefit consists of (1) a lump-sum payment equal to the retiree's remaining accumulated contributions and (2) a death benefit allowance equal to two-thirds of the retiree's AFC at the time of retirement, including accumulated COLAs. LEOPS beneficiaries who receive special death benefits under the bill are not entitled to specified other death or survivor benefits established in State pension law.

Current Law: In general, a LEOPS retiree may be reemployed by a participating employer on a permanent, temporary, or contractual basis without any reduction to the retiree's allowance. If the retiree is reemployed by the same employer from which he or she retired, there must be a 45-day break in service between retirement and reemployment.

Upon the death of a LEOPS retiree, the surviving spouse or minor children are entitled to a survivor death benefit allowance equal to 50% of the retiree's allowance. A LEOPS member (but not retiree) who is totally and permanently incapacitated in the line of duty is entitled to an accidental disability benefit. The benefit is the lesser of:

- the member's AFC; or
- the sum of an annuity equivalent to the member's accumulated contributions and a pension equal to two-thirds of the member's AFC.

In most cases, the accidental disability benefit is equal to the latter calculation.

LEOPS members pay contributions of 7.0% of earnable compensation. They are eligible for retirement with at least 25 years of service or at age 50. Upon retirement, they earn a retirement allowance equal to 2.0% of AFC for each year of service. As of June 30, 2012, there were 1,396 LEOPS retirees and beneficiaries, with an average age of 57.7 years.

LEOPS members may participate in DROP if they have between 25 and 30 years of creditable service. DROP allows retirement-eligible LEOPS members to officially retire while continuing to work and earn salary and health benefits in their current jobs for up to five years. During their participation in DROP, members earn the same retirement benefits that they would have received if they had fully retired, including COLAs. Those

benefits are deposited into DROP accounts and earn 4% interest, compounded annually. During their participation in DROP, members do not earn service credit and do not make employee pension contributions. Also, their compensation earned while participating in DROP is not used in determining their AFC for the purpose of calculating their normal retirement benefits. There are currently 166 LEOPS members in DROP.

Chapters 643 and 644 of 2009 (SB 1019/HB 1495) provided benefits similar to those provided by this bill to retirees of the State Police Retirement System who are reemployed as either a Trooper First Class or as a Maryland State Police Aviation Command helicopter pilot. The bills applied retroactively to provide benefits to the family of a reemployed pilot who was killed in a helicopter crash. Aside from benefits paid to the pilot's family, no disability or death benefits have been paid under Chapters 643 and 644.

Background: NRP serves as a public safety agency with statewide authority to enforce all natural resources and conservation laws and regulations relating to seafood harvesting and sport fishing, boating, waterways pollution, wildlife conservation, and enforcement activities in State parks, forests, and other public lands. In addition, NRP is responsible for maritime and rural search and rescue and is the lead agency for maritime homeland security on State waterways. NRP also provides public education in the areas of hunting, boating, and water safety. Each NRP officer has full law enforcement powers statewide. The fiscal 2013 State budget and the Governor's proposed fiscal 2014 budget authorize 238 NRP officers; however, 10 of these positions are being held vacant in fiscal 2014 in order to achieve required personnel turnover rates.

In January 2013, DNR submitted a report on NRP level-of-service standards to the budget committees, in accordance with the 2012 *Joint Chairmen's Report*. Among other things, the report recommended that 33 NRP officers should be hired on a contractual, rather than permanent, basis to respond to summer peak workload demands in State forests and parks.

State Fiscal Effect: To the extent that an individual LEOPS retiree is disabled or killed while reemployed by NRP, State pension liabilities increase minimally. This is because the disability and survivor benefits in the bill are more generous than those in current law. Under current law, a retiree who becomes disabled is not entitled to any additional benefits, but under the bill, the retiree is entitled to an adjusted benefit equal to two-thirds of AFC plus accumulated COLAs if he or she becomes disabled in the line of duty. Similarly, under current law, surviving family members of deceased LEOPS retirees received a 50% survivor benefit, but under the bill, they receive a two-thirds survivor benefit.

NRP anticipates hiring a total of 33 contractual officers to handle peak workload demands during the summer. However, NRP advises that only a small number of those officers are expected to be LEOPS retirees. Given the small number of retirees involved, and the limited probability that any of them will be disabled or killed in action, there is likely no discernible effect on State pension liabilities or contribution rates.

NRP may experience some administrative and financial efficiencies by hiring experienced, retired law enforcement officers instead of new officers. Any fiscal effect is not expected to be meaningful, largely because NRP already has the authority to rehire LEOPS retirees under current law. However, the benefits provided by the bill may facilitate the rehiring process because of the added protection provided to rehired retirees.

Additional Information

Prior Introductions: None.

Cross File: SB 908 (Senator Robey) - Budget and Taxation.

Information Source(s): Department of Natural Resources, Maryland State Retirement Agency, Maryland Supplemental Retirement Plans, Department of Legislative Services

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