



Senate Bill 264

Law Enforcement Officers' Pension System - Benefits

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Budget and Taxation Committee

Date: February 16, 2023

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS SB 264 WITH AMENDMENTS**. This bill would increase the normal service retirement benefit multiplier for members of the Law Enforcement Officers' Pension System from 2.0% to 2.5%. The bill would also raise the cap on normal service retirement benefit payments from 65% to 70% of the member's average final compensation.

SB 264 is a significant unfunded mandate on county governments. A "local option amendment" would relieve that mandate and allow each jurisdiction to weigh these costs appropriately.

For county governments that participate in the Law Enforcement Officers' Pension System (LEOPS), this legislation effects an automatic increase in county law enforcement pension benefits, and a new variable in county government pension contributions. Without a true local option, this bill is simply not affordable as a statewide county mandate and could present substantial budget difficulties.

Several Maryland county governments participate in the State's Law Enforcement Officers' Pension System. Chapter 784 of 2018 increased the cap on LEOPS normal service retirement from 60% to 65% of the member's average final compensation. The changes in this legislation could further widen the gap between retirement options for one portion of the county workforce—law enforcement—and all other county employees.

According to the bill's fiscal note, local pension liabilities would increase by a combined total of approximately \$29.7 million, and employer normal costs would increase by \$2.5 million. Amortizing the increased liabilities and adding the full normal cost increase would result in pension contributions growing significantly in fiscal 2025 and annually thereafter, according to actuarial assumptions.

An amendment could resolve this county mandate. There is precedent for providing county members of the state system with an option to join the benefit enhancement, too. Such an option would provide a discrete amount of time for a county government to determine whether they would join the enhancement.

Counties stand ready to work with state policymakers to develop flexible and optional tools to create broad or targeted personnel incentives, but resist state-mandated changes that preclude local input.

Accordingly, MACo urges a **FAVORABLE WITH AMENDMENTS** report on SB 264, with a "local option" amendment to avoid a substantial unfunded mandate on local governments.