

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

Senate Bill 910 (Senator McFadden)
Budget and Taxation

**Law Enforcement Officers' Pension System - Transfer of Membership -
Maryland Transit Administration**

This bill allows a member of the Maryland Transit Administration pension system who meets specified criteria to transfer membership and past service credit to the Law Enforcement Officers Pension System no later than December 31, 2008. An eligible member of the MTA pension system who elects to transfer to LEOPS must pay member contributions, plus interest, to LEOPS for any employment with MTA that occurred between July 1, 2000 and the date of transfer. In addition, the MTA pension system must transfer to LEOPS all employer contributions made on the member's behalf, plus interest.

The bill takes effect July 1, 2008 and sunsets December 31, 2008.

Fiscal Summary

State Effect: Marginal increase in State pension liabilities, which would not have a noticeable effect on State pension contributions. Also, the State's accrued liabilities for retiree health insurance increase by approximately \$280,000 for each new retiree added to the program, assuming the retiree also covers a spouse.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies to an individual who:

- was hired as a full-time MTA police officer on or after January 1, 1984;
- was promoted to the MTA management position of light rail supervisor on or after January 1, 1991;
- was promoted to the MTA management position of safety officer on or after January 1, 2001;
- as of January 1, 2008, is an MTA employee and former MTA police officer and a member of the MTA pension plan.

Current Law: LEOPS was established in 1990 for the benefit of public safety employees in selected State agencies and local governments. Membership in LEOPS includes the following public safety employees:

- Department of Natural Resources police and rangers;
- Field Enforcement Bureau law enforcement officers;
- Maryland Transportation Authority police officers;
- Baltimore City deputy sheriffs;
- University of Maryland police officers;
- Morgan State University police officers;
- State Fire Marshal and deputy state fire marshals;
- law enforcement officers of an electing governmental unit;
- Baltimore/Washington International Thurgood Marshall Airport Fire and Rescue Department officers;
- Department of General Services police officers;
- Department of Health and Mental Hygiene police officers;
- Motor Vehicle Administration police officers;
- Department of Labor, Licensing, and Regulation police officers;
- Martin State Airport firefighters;
- Division of Rehabilitation Services police officers of the Maryland State Department of Education;
- Salisbury Fire Department firefighters and paramedics;
- State Emergency Medical System aviators for the Department of State Police;

- Maryland Transit Administration police officers; and
- the Baltimore City Sheriff, provided the sheriff does not elect to join the Employees Pension System.

Section 7-603 of the Transportation Article authorizes MTA to establish a pension system for the benefit of its employees, with terms, conditions, and funding determined by MTA. Those terms are typically established through collective bargaining with the union representing MTA employees. The MTA pension plan is administered by the union and is not part of the State Retirement and Pension System.

Chapter 517 of 2005 allowed members of the MTA police force to transfer from the MTA pension plan to LEOPS no later than December 31, 2005. Eligible members who transferred to LEOPS were required to pay employee contributions to LEOPS for any MTA employment since July 1, 2000. MTA was also required to transfer employer contributions made on the members' behalf from the MTA pension plan to LEOPS. **Exhibit 1** compares key components of the MTA pension plan and LEOPS.

Exhibit 1
Pension Plan Provisions

	<u>LEOPS</u>	<u>MTA</u>
Normal Retirement Age	50	52
Years of Service for Normal Retirement	25 ¹	30
Employee Contribution	4%	Noncontributory
FY 2009 Employer Contribution	36.99%	NA
Normal Retirement Monthly Benefit	\$2,758 ²	\$1,740 ²
Annual Cost-of-living Adjustment	3%	None

¹LEOPS members stop earning creditable service after 30 years.

²These figures apply only to the individual covered by the bill.

Source: *Maryland Annotated Code*, State Personnel and Pensions Article; State Retirement Agency; Segal Co.

Background: The State Retirement Agency notes that the bill applies to one individual who is no longer a law enforcement officer with MTA and, therefore, would not otherwise be eligible to join LEOPS. This individual is age 51 with 24 years of service, making him eligible to retire in one year with an unreduced pension in LEOPS. However, the individual would have to wait six more years to receive a full benefit from the MTA pension plan.

MTA advises that while only one individual meets the terms of the bill, at least nine additional MTA employees may also seek to transfer from the MTA pension plan to LEOPS. Like the individual covered by this bill, these nine employees are former police officers who accepted management positions. In addition, MTA advises that an administrative hearing concluded that the MTA employee covered by the bill was not entitled to have his pension benefit calculated in accordance with the LEOPS benefit formula.

State Fiscal Effect: The transfer of service credit from MTA to LEOPS for the individual covered by the bill would marginally increase State pension liabilities because the transferred credits are not fully funded. MTA was not able to provide a figure for the employer contributions that were made on the member's behalf throughout his employment, so a precise calculation is not possible. However, given that benefits in the MTA plan are less generous than LEOPS benefits, the MTA employer contributions that will be transferred to LEOPS are presumed to be less than the employer contributions that would have been made had the individual been a member of LEOPS during that time. Moreover, under the terms of the bill, the individual would be making employee contributions to LEOPS that cover only the last 8 of his 24 years of service to date. Nevertheless, the marginal increase in pension liabilities stemming from this one case would not noticeably increase State pension contributions.

Legislative Services also notes that as a LEOPS retiree, the individual would be eligible for retiree health benefits from the State Employee and Retiree Health and Welfare Benefits Program, rather than from the MTA union. Although a precise estimate of the additional liabilities contributed by a single new retiree is not available, the actuary for the Blue Ribbon Commission on Funding Health Care for State Retirees has estimated that a new member adds approximately \$280,000 in liabilities to the State plan, assuming the retiree also covers a spouse.

Additional Information

Prior Introductions: None.

Cross File: HB 99 (Delegate Branch, *et al.*) – Appropriations.

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

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mll/jr

Analysis by: Michael C. Rubenstein

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