

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

Senate Bill 803

(Senator Robey, *et al.*)

Budget and Taxation

Appropriations

**Law Enforcement Officers' Pension System - Membership - Retired Pilots with
 the Maryland State Police**

This bill allows a retiree of the State Police Retirement System (SPRS) who is receiving a service or vested allowance and is reemployed by the Maryland State Police Aviation Command as a helicopter pilot to participate in the Law Enforcement Officers' Pension System (LEOPS). It also allows individuals employed as helicopter pilots as of June 30, 2008 to purchase LEOPS credit for service that occurred prior to that date at the rate of one year of credit for every two years of service. Members would pay only the employee cost to purchase the service credit.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: State pension liabilities increase by \$549,000 and normal costs increase by \$142,000. Amortizing the pension liabilities over 25 years and adding the normal cost increase results in employer contributions increasing by \$184,000 in FY 2010, increasing annually according to actuarial assumptions (split 80% special funds and 20% general funds).

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	36,800	39,200	44,400	38,600
SF Expenditure	0	147,200	156,800	177,600	154,400
Net Effect	\$0	(\$184,000)	(\$196,000)	(\$222,000)	(\$193,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: In general, an SPRS retiree receiving either a service or vested allowance may not earn benefits in any other State pension plan. SPRS retirees serving as a sheriff or State's Attorney for a participating governmental unit are exempt from the restriction, as are retirees elected or appointed to the Maryland General Assembly who are otherwise eligible to join the Legislative Pension Plan.

LEOPS was established in 1990, with participation a condition of employment for public safety employees in multiple State agencies and participating governmental units. Chapter 486 of 2005 added civilian pilots employed by the State Emergency Medical System to the roster of LEOPS members. LEOPS members pay an employee contribution of 4% of compensation and are eligible to retire with 25 years of service or at age 50. They earn a retirement benefit equal to 2.0% of average final compensation for each year of service, up to 30 years.

Background: The Maryland State Police Aviation Division provides emergency medical, law enforcement, and search and rescue services. Special funds from the Maryland Emergency Medical System Operations Fund (MEMSOF) support Medevac and search and rescue functions, and general funds support law enforcement and homeland security functions. Beginning in fiscal 2003, the funding split was made 80% special fund/20% general fund based on the ratio of Medevac flights to nonmedically related flights.

There are approximately 40 helicopter pilots employed by the State Emergency Medical System, of whom 12 are SPRS retirees and 6 are active SPRS members. The remaining pilots are LEOPS members. The 12 SPRS retirees have an average age of 57, average service of 7.3 years (after retirement), and average salaries of \$56,000. DLS notes that all 12 individuals are at least 50 years old and would therefore be eligible for immediate retirement from LEOPS.

State Fiscal Effect: The DLS consulting actuary assumed that all 12 SPRS retirees would take advantage of the opportunity to purchase LEOPS credit for their accumulated service at the 2:1 ratio specified in the bill, based on actuarial projections of their total service in LEOPS. The actuary also assumed that all these individuals would retire from LEOPS at age 60; any individual over age 60 is presumed to retire immediately. Finally, it is assumed that, each year, one of the six active SPRS members would retire, be reemployed as a pilot, and join LEOPS.

Based on these projections, the DLS actuary estimates that the State's unfunded liabilities increase by \$549,000 and the normal cost increases by \$142,000. Amortizing the liability over 25 years and adding the normal cost results in the employer contribution increasing by \$184,000 in fiscal 2010 and increasing annually according to actuarial assumptions. Those costs are assumed to be divided 80% special funds and 20% general funds, reflecting the funding ratio for the State Emergency Medical System. Special funds would be paid out from MEMSOF.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/jr

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