

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 496

(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 civilian helicopter pilot to participate in the Law Enforcement Officers' Pension System (LEOPS). It also allows SPRS retirees who are employed as civilian helicopter pilots as of June 30, 2009, to purchase LEOPS eligibility credit for service that occurred prior to that date at the rate of two years of credit for every one year of service. Members pay only the employee cost to purchase the service credit.

The bill takes effect July 1, 2009, and applies retroactively to any SPRS retiree who is reemployed as a helicopter pilot as of June 30, 2008, and dies in the line of duty after that date.

Fiscal Summary

State Effect: State pension liabilities increase by \$2.6 million and normal costs increase by \$68,000. Amortizing the pension liabilities over 25 years and adding the normal cost increase results in employer contributions increasing by \$275,000 in FY 2011, increasing annually according to actuarial assumptions (allocated 80% special funds and 20% general funds).

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	55,000	60,200	65,600	71,400
SF Expenditure	0	220,000	240,800	262,400	285,600
Net Effect	\$0	(\$275,000)	(\$301,000)	(\$328,000)	(\$357,000)

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 annual 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. Surviving spouses of members killed in the line of duty are entitled to a death benefit equal to two-thirds of the member's average final compensation.

LEOPS members may purchase at full cost (both employee and employer share) up to 10 years of service credit for periods of employment for which the member is not otherwise entitled to service credit under LEOPS.

A surviving spouse, minor children, and dependent parents of State Retirement and Pension System members who receive a regular allowance (including a death benefit allowance) are eligible for membership in the State Employee and Retiree Health and Welfare Benefits Program (the State health plan).

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 7 are SPRS retirees and 6 are active SPRS members. The remaining pilots are LEOPS members. The seven SPRS retirees have an average age of 56, average service of 8.9 years as civilian pilots, and average salaries of \$66,722. The Department of Legislative Services notes that all seven individuals are at least 50 years old and are therefore eligible for immediate retirement from LEOPS.

As reemployed retirees, the seven pilots are not eligible for any line-of-duty death benefits in the event they are killed in an accident because they are not members of any State retirement or pension plan. A September 2008 crash of an Aviation Command helicopter killed four people, including the pilot, who was an SPRS retiree.

State Fiscal Effect: The General Assembly's consulting actuary calculates the bill's effect on State pension liabilities based on the following assumptions:

- all seven SPRS retirees currently reemployed as pilots take advantage of the opportunity to purchase LEOPS credit for their accumulated service at the 1:2 ratio specified in the bill, based on actuarial projections of their total service in LEOPS;
- all current pilots retire from LEOPS at age 60 (or immediately if older than age 60);
- the surviving spouse of the deceased helicopter pilot purchases one year of LEOPS credit, which then entitles her to a special LEOPS line-of-duty death benefit equal to two-thirds of her husband's average final compensation at the time of his death; and
- each year, one of the six active SPRS members retires, is reemployed as a pilot, and joins LEOPS.

Based on these assumptions, the actuary estimates that the State's unfunded liabilities increase by \$2.6 million and the normal cost increases by \$68,000. Amortizing the liability over 25 years and adding the normal cost results in the employer contribution increasing by \$275,000 in fiscal 2011 and increasing annually according to actuarial assumptions. Those costs are assumed to be allocated 80% special funds and 20% general funds, reflecting the funding ratio for the State Emergency Medical System. Special funds are paid from MEMSOF. Costs may be higher if any of the members younger than age 60 purchases service credit and immediately retires.

As a surviving spouse of an SPRS retiree, the deceased helicopter pilot's wife automatically receives a monthly survivor allowance equal to 50% of the retiree's monthly allowance at the time of his death. That regular monthly allowance already entitles her (and any minor children) to membership in the State health plan.

Additional Information

Prior Introductions: SB 803 of 2008 is listed as prior introduction, but it was substantively different.

Cross File: HB 918 (Delegate Malone, *et al.*) - Appropriations.

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

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