



House Bill 659

Law Enforcement Officers' Pension System - Benefits

MACo Position: **SUPPORT**
WITH AMENDMENTS

To: Appropriations Committee

Date: February 18, 2020

From: Kevin Kinnally

The Maryland Association of Counties (MACo) **SUPPORTS** HB 659 **WITH AMENDMENTS**. This bill increases the normal service retirement benefit multiplier for members of the Law Enforcement Officers' Pension System from 2.0% to 2.5%. The bill also raises – for the second time in three years – the cap on normal service retirement benefit payments from 65% to 70% of the member's average final compensation.

HB 659 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 \$19.6 million, and employer normal costs would increase by \$1.5 million. Amortizing the increased liabilities and adding the full normal cost increase will result in pension contributions growing by approximately \$3.1 million in fiscal 2022 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 the Committee to give a **FAVORABLE WITH AMENDMENTS** report on HB 659, with a "local option" amendment to avoid a substantial unfunded mandate on local governments.