

**ANNE ARUNDEL COUNTY, MARYLAND  
OFFICE OF THE BUDGET**

**BILL NUMBER: 93-23**

**INTRO. DATE: Dec, 18 2023**

**FISCAL NOTE**

**BILL: AN ORDINANCE CONCERNING: PENSIONS – PARTICIPATION – TRANSFERRED SERVICE – EMPLOYEES’ RETIREMENT PLAN – FIRE SERVICE RETIREMENT PLAN – POLICE SERVICE RETIREMENT PLAN**

**SUMMARY OF LEGISLATION**

The purpose of this legislation is to allow participants in the Fire Service Retirement Plan and Police Service Retirement Plan hired after a certain date to purchase service credit for prior participation in certain other plans; state the conditions on and method of purchasing service credits; provides for the calculation and applicability of purchased service credits; adds employees of the Resilience Authority of Annapolis and Anne Arundel County as participants in the Employees’ Retirement Plan; adds employees in certain job classifications as participants in the Fire Service Retirement Plan; allows participants in the Fire Service Retirement Plan and Police Service Retirement Plan who terminate employment for less than 12 months to return to participate in the plan under certain conditions; provides for the calculation and repayment of contributions to reenter the plan; and generally relating to pensions.

**FISCAL IMPACT**

Section 5-1-212 allows purchased service credits for participants in the Fire Service Retirement Plan and the Police Service Retirement Plan. These participants may purchase up to 5 years of service credits at a cost of 3 times the plans employee contribution rate multiplied by the participants salary at the time of hire. The service credit will be an additional retirement benefit at a rate of 2% per year even if the benefit exceeds 70% of the final average basic pay, which is the current cap for both plans.

The fiscal impact will depend upon the actual age and level of compensation of lateral employees who choose to transfer service and the number of employees who transfer service. According to analysis performed by the County’s actuary, the estimated fiscal impact can be summarized as follows:

Increase in Total Present Value of Future Benefits (PVFB)	
5 Years of Lateral Service	20%

Share of the Increase in PVFB		
	Employee	County
5 Years of Lateral Service	77%	23%

To illustrate, the example below shows the costs if the County was to receive four lateral hires with the characteristics described. The increase in the present value of the future benefit would be \$84,000. This cost would work into the normal cost calculation as determined annually each year and be spread out over the 20-year career of the participant.

The total increase to the County normal cost will be determined by the number of participants and the characteristics of those participants. Since 2022, the County has hired 35 laterals into the Police Department with years of service ranging from 1 to over 25 years.

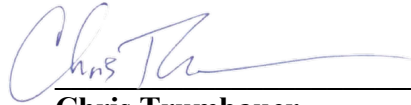
	Example Lateral Hire			Increase in PVFB at Hire over Current		
	Age at Hire	Lateral Service	Pay at Hire	Employee	County	Total
Transfer 1	33	8.3	71,000	78,000	22,000	100,000
Transfer 2	28	4.8	69,000	71,000	23,000	94,000
Transfer 3	35	4.4	65,000	63,000	16,000	79,000
Transfer 4	29	5.8	68,000	74,000	23,000	97,000
			<b>Total</b>	<b>286,000</b>	<b>84,000</b>	<b>370,000</b>

Section 5-3-103 allows for employees of the Resilience Authority of Annapolis and Anne Arundel County, Inc. to participate in the Employee Retirement Plan. Currently, the Resilience Authority of Annapolis and Anne Arundel County, Inc. has one County employee. The County's latest valuation estimated the actuarial determined contribution to be 31.8% of employees pay. This would equate to a fiscal impact of \$60,000 annually at current salary levels.

Section 5-3-301 allows for participants who terminate service before their normal retirement date, but after the early retirement date, to either take early retirement or become a terminated vested participant while leaving accumulated contributions in the pension fund until normal retirement. The fiscal impact will depend on the number of employees choosing the new option and cannot be reliably estimated.

Section 5-3-307 allows participants in the Employees' Retirement Plan who have reached normal retirement date to be eligible for a service-connected disability retirement, subject to meeting other conditions set forth in that section.

Sections 5-4-201 and 5-5-201 allow participants in the Fire and Police Retirement Plans who received a lump sum refund of their employee contributions and interest and are rehired within 12 months of termination to repay the lump sum and receive credit for their prior plan service before terminating. Participants who terminated and were reemployed prior to January 1, 2014, are permitted to repay their refunded contributions. These repayments will be at the actuarial equivalent amount of the refund, so the fiscal impact of this provision is anticipated to be *de minimis*.



**Chris Trumbauer**  
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12/15/2023

**Date**

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