

**Department of Legislative Services**  
 Maryland General Assembly  
 2005 Session

**FISCAL AND POLICY NOTE**

House Bill 793  
 Appropriations

(Delegate Hubbard, *et al.*)

**Correctional Officers' Retirement System - Membership - Division of Parole and Probation**

This bill allows existing agents of the Division of Parole and Probation (DPP) in the Department of Public Safety and Correctional Services to transfer to the Correctional Officers Retirement System (CORS). New DPP agents would be automatically enrolled in CORS. The bill increases an existing \$25 fee on supervisees of DPP to \$40. This increase is assigned to a special fund intended to fund the benefit enhancement provided to DPP agents by the enrollment in CORS.

The bill is effective July 1, 2005.

**Fiscal Summary**

**State Effect:** State pension liabilities could increase by \$30.6 million, at a first year amortized cost of \$1.0 million in FY 2007. Special fund revenue collected by DPP will be \$709,600 in FY 2006, and \$1.3 million annually thereafter. The State Retirement Agency will incur \$150,000 in FY 2006 operating costs to modify the legacy computer system.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$709,600	\$1,310,400	\$1,310,400	\$1,310,400	\$1,310,400
SF Expenditure	150,000	0	0	0	0
GF/SF/FF Exp.	0	1,000,000	1,140,000	1,280,000	1,430,000
Net Effect	\$559,600	\$310,400	\$170,400	\$30,400	(\$119,600)

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

**Local Effect:** None.

**Small Business Effect:** None.

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## **Analysis**

**Bill Summary/Current Law:** The bill's major provisions are as follows:

- a special tier of benefits would be created within CORS to provide benefits to these agents at a level that is greater than the current Employees' Pension System (EPS) structure, but less than the CORS structure;
- the minimum years of service for a normal service retirement benefit is reduced from 30 years (under EPS) to 25 years under the new CORS tier, and the minimum age for an unreduced benefit (regardless of years of service) is reduced from 62 to 55;
- the accrual rate (or multiplier) is increased from 1.4% of average final compensation (under EPS) to 1.8% (existing CORS accrual rate);
- members receive a 3% simple COLA rather than the unlimited CORS COLA;
- members would contribute 5% of earnable compensation (CORS contribution rate) rather than 2% (EPS contribution rate);
- all other provisions of CORS would apply to the agents in this tier; and
- existing agents would have the option to transfer into this CORS tier before December 31, 2005. For those members who transfer, the State Retirement and Pension System (SRPS) would transfer all previous employer and employee contributions from EPS to CORS.

The bill provides for the transfer of all employer and employee contributions to the Employees' Retirement System and EPS on behalf of DPP employees to Accumulation and Annuity Savings funds of CORS.

**Background:** The issue of the benefit levels of parole and probation agents was studied by the Joint Committee on Pensions during the 2001 and 2002 interims. A study by the Department of Legislative Services (DLS) in 2001 indicated that of 29 states and localities surveyed, 17 included their agents in their general employees' systems, as

Maryland currently does. The other jurisdictions included their agents in their public safety pension systems or operated systems specific to the agents.

**State Fiscal Effect:** There are 701 State parole and probation agents (as of January 31, 2005), with an average salary of \$45,243. This count excludes supervisors, who are not covered by the bill as drafted. It is assumed that virtually all eligible current agents would transfer. Based on these data, the State's actuary informally estimates that the proposal would increase State pension liabilities by approximately \$30.6 million. This results in increased employer pension contributions (all funds) of approximately \$1 million in fiscal 2007, increasing over the 25-year amortization schedule.

DPP estimates that the increase in fees for supervisees of DPP should generate \$709,600 in fiscal 2006, and \$1.3 million in the subsequent out-years, which will adequately cover the liabilities in the initial out-years required by the enhancement, but not when liabilities increase past \$1.3 million.

The State Retirement Agency would incur approximately \$150,000 in contractual computer reprogramming costs. DLS notes that the agency is processing benefits on a 30-year old computer system and these programming costs are required to establish an additional modified calculator for the DPP subset of CORS.

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### **Additional Information**

**Prior Introductions:** HB188 of 2004, a similar bill, was not reported favorably by the Appropriations Committee. SB 627 of 2003, a similar bill, did not receive a hearing in the Budget and Taxation Committee.

**Cross File:** SB 637 (Senator Jimeno) – Budget and Taxation.

**Information Source(s):** Milliman USA, Maryland State Retirement Agency, Department of Public Safety and Correctional Services (Division of Parole and Probation), Department of Legislative Services

**Fiscal Note History:** First Reader - February 20, 2005  
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