

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 637

(Senators Jimeno and Kasemeyer)

Budget and Taxation

Appropriations

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). DPP agents hired after July 1, 2005 will be automatically enrolled in CORS. Agents employed by DPP on June 30, 2005 will have the option to transfer into CORS before December 31, 2005. For those members who transfer, the State Retirement and Pension System would transfer all previous employer and employee contributions from EPS to CORS.

The bill is effective July 1, 2005.

Fiscal Summary

State Effect: State pension liabilities could increase by \$31.6 million, at a first year amortized cost of \$1.1 million in FY 2007.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	660,000	756,000	864,000	978,000
SF Expenditure	0	220,000	252,000	288,000	326,000
FF Expenditure	0	220,000	252,000	288,000	326,000
Net Effect	\$0	(\$1,100,000)	(\$1,260,000)	(\$1,440,000)	(\$1,630,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The major provisions of CORS and EPS are as follows:

<u>Provision</u>	<u>EPS</u>	<u>CORS</u>
Service Retirement (years)	30 years	20 years
Service Retirement (age)	62 (with 5 years service)	–
Early Retirement	55 (with 15 years service)	–
Benefit Multiplier	1.4% of average final compensation	1.8% of average final compensation
Cost-of-living Adjustment	3% compound	Unlimited
Employee Contribution	2% of earnable compensation	5% of earnable compensation
Death Benefit	–	Annual earnable compensation at death and all accumulated contributions

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 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 \$31.6 million. This results in increased employer pension contributions (all funds) of approximately \$1.1 million in fiscal 2007, increasing over the 25-year amortization schedule.

Additional Information

Prior Introductions: HB 188 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: HB 793 (Delegate Hubbard, *et al.*) – Appropriations.

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 21, 2005
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Analysis by: Martin L. Levine

Direct Inquiries to:
(410) 946-5510
(301) 970-5510