

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

Senate Bill 661 (Senators McFadden and Munson)

Budget and Taxation

**Retirement - Correctional Dietary, Maintenance, and Supply Officers**

This pension bill provides that correctional dietary officers, correctional maintenance officers, and correctional supply officers are members of the Correctional Officers' Retirement System (CORS) and may receive a vested benefit at age 55. This bill takes effect July 1, 1998.

**Fiscal Summary**

**State Effect:** Increase in employer pension contributions of \$4.2 million beginning in FY 2000, and increasing thereafter due to increased system liabilities.

(in millions)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
All Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All Expenditures	\$0.0	\$4.2	\$4.7	\$5.3	\$6.0
Net Effect	\$0.0	(\$4.2)	(\$4.7)	(\$5.3)	(\$6.0)

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

**Local Effect:** None.

**Small Business Effect:** None.

**Fiscal Analysis**

**Background:** Under current law, correctional officers serving in any of the first six job classifications, and security attendants at Clifton T. Perkins Hospital Center, are eligible for membership in CORS. Members of CORS must contribute 5% of their annual salary. Members are eligible for a service retirement benefit with 20 years of creditable service, of which the last five must be as an eligible correctional officer, security attendant, or a

combination of these positions. Correctional officers qualify for a vested benefit at age 55 with at least five years of creditable service. Security attendants at Clifton T. Perkins Hospital Center are eligible to collect a vested benefit at age 60. Retirees of CORS receive an unlimited, compound cost-of-living adjustment.

**State Expenditures:** This proposal would place correctional dietary, maintenance, and supply officers in CORS (20-year plan), rather than in the Employees' Retirement System (ERS) or Employees' Pension System (EPS) (30-year plans). They would be eligible to receive a vested benefit at age 55.

It is estimated that 668 employees would be eligible for CORS as a result of this proposal, of whom 15% are ERS members and 85% EPS members. The estimated average salary of these employees is \$30,794.

The employer contribution rate for participation in CORS is the same as the contribution rate for the employees' retirement and pension systems (blended in the employees' system rate). Thus, the additional liabilities associated with this proposal will not affect the Department of Public Safety and Correctional Services directly, but will be spread across all agencies with employees that participate in the employees' systems.

The bill has not been presented to the State's actuary for a formal actuarial analysis. Based on the above demographic information, however, the actuary informally estimates that the proposal will increase system liabilities by \$65.0 million. Amortizing these liabilities over 20 years (through fiscal 2020) results in a first-year amortization payment of \$4.2 million in fiscal 2000. These amortization payments would increase by more than 5% per year because the blended employees' rate does not reflect, and underestimates, the true cost of the CORS benefit provided to these employees.

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**Information Source(s):** Department of Public Safety and Correctional Services; State Retirement Agency; Milliman & Robertson, Inc.; Department of Legislative Services

**Fiscal Note History:** First Reader - March 10, 1998

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