

Department of Legislative Services
 Maryland General Assembly
 1999 Session

FISCAL NOTE

House Bill 642 (Delegate Bartlett)

Appropriations

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, 1999.

Fiscal Summary

State Effect: Total increase in pension liabilities of \$47.1 million, resulting in an increase in annual employer pension contributions of \$2.9 million beginning in FY 2000, and increasing thereafter based on actuarial assumptions.

(in millions)	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
All Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All Expenditures	\$0.0	\$2.9	\$3.3	\$3.7	\$4.2
Net Effect	\$0.0	(\$2.9)	(\$3.3)	(\$3.7)	(\$4.2)

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 702 employees would be eligible for CORS as a result of this proposal, of whom 158 are correctional supply officers, 298 are correctional dietary officers, and 246 are correctional maintenance officers. The estimated average salary of these employees is \$30,078.

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 \$47.1 million. Amortizing these liabilities over 19 years (through fiscal 2020) results in a first-year amortization payment of \$2.9 million in fiscal 2001. 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.

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

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